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 September 30, 2023

-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)**

WTC Free Zone

Dr. Luis Bonavita 1294, Of. 1733, Tower II

Montevideo, Uruguay, 11300

(Address of registrant's principal executive offices) (Zip Code)

(+598) 2-927-2770

(Registrant's telephone number, including area code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.001 par value per share	MELI	Nasdaq Global Select Market
2.375% Sustainability Notes due 2026	MELI26	The Nasdaq Stock Market LLC
3.125% Notes due 2031	MELI31	The Nasdaq Stock Market LLC

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 definitions 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 ☒

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.

50,559,537 shares of the issuer's common stock, $0.001 par value, outstanding as of November 1, 2023.

MERCADOLIBRE, INC.

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MercadoLibre, Inc. - Interim Condensed Consolidated Balance Sheets as of September 30, 2023 and December 31, 2022
(In millions of U.S. dollars, except par value) (Unaudited)

	September 30, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 2,171	$ 1,910
Restricted cash and cash equivalents	1,085	1,453
Short-term investments	3,320	2,339
Accounts receivable, net	161	130
Credit card receivables and other means of payments, net	3,375	2,946
Loans receivable, net of allowances of $989 and $1,074 (Note 6)	2,336	1,704
Prepaid expenses	43	38
Inventories	246	152
Customer crypto-assets safeguarding assets	21	15
Other assets	292	266
Total current assets	13,050	10,953
Non-current assets:		
Long-term investments	149	322
Loans receivable, net of allowances of $35 and $30 (Note 6)	42	32
Property and equipment, net	1,081	993
Operating lease right-of-use assets	796	656
Goodwill	159	153
Intangible assets, net	21	25
Deferred tax assets	489	346
Other assets	337	256
Total non-current assets	3,074	2,783
Total assets	$ 16,124	$ 13,736
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	$ 1,910	$ 1,393
Funds payable to customers	4,016	3,454
Amounts payable due to credit and debit card transactions	745	483
Salaries and social security payable	519	401
Taxes payable	530	414
Loans payable and other financial liabilities	2,272	2,131
Operating lease liabilities	171	142
Customer crypto-assets safeguarding liabilities	21	15
Other liabilities	122	129
Total current liabilities	10,306	8,562
Non-current liabilities:		
Amounts payable due to credit and debit card transactions	12	5
Loans payable and other financial liabilities	2,182	2,627
Operating lease liabilities	615	514
Deferred tax liabilities	163	106
Other liabilities	105	95
Total non-current liabilities	3,077	3,347
Total liabilities	$ 13,383	$ 11,909
Commitments and contingencies (Note 10)		
Equity		
Common stock, $0.001 par value, 110,000,000 shares authorized, 50,496,474 and 50,257,751 shares issued and outstanding	$ —	$ —
Additional paid-in capital	1,959	2,309
Treasury stock	(587)	(931)
Retained earnings	1,735	913
Accumulated other comprehensive loss	(366)	(464)
Total equity	2,741	1,827
Total liabilities and equity	$ 16,124	$ 13,736

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

MercadoLibre, Inc.
Interim Condensed Consolidated Statements of Income
For the nine and three-month periods ended September 30, 2023 and 2022
(In millions of U.S. dollars, except for share data)
(Unaudited)

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022
Net service revenues	$ 9,233	$ 6,766	$ 3,419	$ 2,437
Net product revenues	979	769	341	253
Net revenues	10,212	7,535	3,760	2,690
Cost of net revenues	(4,961)	(3,830)	(1,765)	(1,342)
Gross profit	5,251	3,705	1,995	1,348
Operating expenses:				
Product and technology development	(1,145)	(774)	(396)	(278)
Sales and marketing	(1,207)	(916)	(441)	(333)
Provision for doubtful accounts	(751)	(845)	(277)	(288)
General and administrative	(565)	(485)	(196)	(153)
Total operating expenses	(3,668)	(3,020)	(1,310)	(1,052)
Income from operations	1,583	685	685	296
Other income (expenses):				
Interest income and other financial gains	545	142	196	65
Interest expense and other financial losses	(297)	(221)	(111)	(92)
Foreign currency losses, net	(508)	(134)	(239)	(71)
Net income before income tax expense and equity in earnings of unconsolidated entity	1,323	472	531	198
Income tax expense	(504)	(154)	(172)	(69)
Equity in earnings of unconsolidated entity	3	(1)	—	—
Net income	$ 822	$ 317	$ 359	$ 129

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022
Basic earning per share				
Basic net income available to shareholders per common share	$ 16.40	$ 6.30	$ 7.18	$ 2.57
Weighted average of outstanding common shares	50,137,826	50,365,813	50,008,320	50,325,075
Diluted earning per share				
Diluted net income available to shareholders per common share	$ 16.36	$ 6.29	$ 7.16	$ 2.56
Weighted average of outstanding common shares	50,338,945	51,356,081	50,209,439	51,315,343

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

MercadoLibre, Inc.
Interim Condensed Consolidated Statements of Comprehensive Income
For the nine and three-month periods ended September 30, 2023 and 2022
(In millions of U.S. dollars)
(Unaudited)

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2023	2022	2023	2022
Net income	$ 822	$ 317	$ 359	$ 129
Other comprehensive income:				
Currency translation adjustment	99	—	(76)	(38)
Unrealized (losses) gains on hedging activities	(8)	(33)	2	(9)
Tax benefit (expenses) on unrealized (losses) gains on hedging activities	2	8	(1)	3
Less: Reclassification adjustment for losses on hedging activities included in cost of net revenues, interest expense and foreign currency losses	(8)	(18)	(6)	(9)
Less: Reclassification adjustment for estimated tax benefit on unrealized gains	3	5	2	3
Net change in accumulated other comprehensive income, net of income tax	98	(12)	(71)	(38)
Total comprehensive income	$ 920	$ 305	$ 288	$ 91

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

MercadoLibre, Inc.
Interim Condensed Consolidated Statements of Equity
For the nine and three-month periods ended September 30, 2023 and 2022
(In millions of U.S. dollars)
(Unaudited)

	Common stock		Additional paid-in capital	Treasury Stock (*)	Retained Earnings	Accumulated other comprehensive loss	Total Equity
	Shares	Amount					
Balance as of December 31, 2022	50	$ —	$ 2,309	$ (931)	$ 913	$ (464)	$ 1,827
Common Stock repurchased	—	—	—	(61)	—	—	(61)
Net income	—	—	—	—	201	—	201
Other comprehensive income	—	—	—	—	—	73	73
Balance as of March 31, 2023	50	$ —	$ 2,309	$ (992)	$ 1,114	$ (391)	$ 2,040
Common Stock repurchased	—	—	—	(146)	—	—	(146)
Net income	—	—	—	—	262	—	262
Other comprehensive income	—	—	—	—	—	96	96
Balance as of June 30, 2023	50	$ —	$ 2,309	$ (1,138)	$ 1,376	$ (295)	$ 2,252
Capped call settlement	—	—	412	(412)	—	—	—
Conversion of 2028 Convertible Notes	—	—	(762)	1,112	—	—	350
Common Stock repurchased	—	—	—	(149)	—	—	(149)
Net income	—	—	—	—	359	—	359
Other comprehensive loss	—	—	—	—	—	(71)	(71)
Balance as of September 30, 2023	50	$ —	$ 1,959	$ (587)	$ 1,735	$ (366)	$ 2,741

(*) As of September 30, 2023, the Company held 425,913 shares as treasury stock.

	Common stock		Additional paid-in capital	Treasury Stock	Retained Earnings	Accumulated other comprehensive loss	Total Equity
	Shares	Amount					
Balance as of December 31, 2021	50	$ —	$ 2,439	$ (790)	$ 397	$ (515)	$ 1,531
Changes in accounting standards	—	—	(131)	—	34	—	(97)
Balance as of December 31, 2021 Restated	50	$ —	$ 2,308	$ (790)	$ 431	$ (515)	$ 1,434
Common Stock repurchased	—	—	—	(39)	—	—	(39)
Net income	—	—	—	—	65	—	65
Other comprehensive income	—	—	—	—	—	129	129
Balance as of March 31, 2022	50	$ —	$ 2,308	$ (829)	$ 496	$ (386)	$ 1,589
Shares granted	—	—	—	6	—	—	6
Common Stock repurchased	—	—	—	(35)	—	—	(35)
Net income	—	—	—	—	123	—	123
Other comprehensive loss	—	—	—	—	—	(103)	(103)
Balance as of June 30, 2022	50	$ —	$ 2,308	$ (858)	$ 619	$ (489)	$ 1,580
Shares granted	—	—	—	1	—	—	1
Stock-based compensation - restricted shares	—	—	—	(1)	—	—	(1)
Common Stock repurchased	—	—	—	(40)	—	—	(40)
Net income	—	—	—	—	129	—	129
Other comprehensive loss	—	—	—	—	—	(38)	(38)
Balance as of September 30, 2022	50	$ —	$ 2,308	$ (898)	$ 748	$ (527)	$ 1,631

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

MercadoLibre, Inc. - Interim Condensed Consolidated Statements of Cash Flows
For the nine-month periods ended September 30, 2023 and 2022
(In millions of U.S. dollars) (Unaudited)

	Nine Months Ended September 30,	
	2023	2022
Cash flows from operations:		
Net income	$ 822	$ 317
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in earnings of unconsolidated entity	(3)	1
Unrealized foreign currency losses, net	498	265
Impairment of digital assets	—	11
Depreciation and amortization	389	281
Accrued interest income	(232)	(111)
Non cash interest expense and amortization of debt issuance costs and other charges	79	132
Provision for doubtful accounts	751	845
Results on derivative instruments	26	28
Stock-based compensation expense — restricted shares	—	1
Long term retention program (“LTRP”) accrued compensation	122	59
Deferred income taxes	(84)	(96)
Changes in assets and liabilities:		
Accounts receivable	(46)	(27)
Credit card receivables and other means of payments	(361)	(768)
Prepaid expenses	(3)	(22)
Inventories	(85)	102
Other assets	(89)	(60)
Payables and accrued expenses	605	150
Funds payable to customers	440	216
Amounts payable due to credit and debit card transactions	255	77
Other liabilities	(85)	(87)
Interest received from investments	213	84
Net cash provided by operating activities	3,212	1,398
Cash flows from investing activities:		
Purchases of investments	(15,540)	(9,266)
Proceeds from sale and maturity of investments	14,847	7,861
Payments from settlements of derivative instruments	(49)	(7)
Purchases of intangibles assets	—	(1)
Changes in loans receivable, net	(1,465)	(1,470)
Investments of property and equipment	(329)	(342)
Net cash used in investing activities	(2,536)	(3,225)
Cash flows from financing activities:		
Proceeds from loans payable and other financial liabilities	19,390	12,478
Payments on loans payable and other financing liabilities	(19,353)	(11,421)
Payments of finance lease obligations	(21)	(14)
Common Stock repurchased	(356)	(115)
Net cash (used in) provided by financing activities	(340)	928
Effect of exchange rate changes on cash, cash equivalents, restricted cash and cash equivalents	(443)	(221)
Net decrease in cash, cash equivalents, restricted cash and cash equivalents	(107)	(1,120)
Cash, cash equivalents, restricted cash and cash equivalents, beginning of the period	$ 3,363	$ 3,648
Cash, cash equivalents, restricted cash and cash equivalents, end of the period	$ 3,256	$ 2,528

The accompanying notes are an integral part of these unaudited 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 necessary digital and technology tools that allow businesses and individuals to trade products and services in the region.

The Company enables commerce through its marketplace platform, which allows users to buy and sell in most of Latin America. Through Mercado Pago, the fintech solution, MercadoLibre enables individuals and businesses to send and receive digital payments; through Mercado Envios, MercadoLibre facilitates the shipping of goods from the Company and sellers to buyers; through the advertising products, MercadoLibre facilitates advertising services for large retailers and brands to promote their products and services on the web; through Mercado Shops, MercadoLibre allows users to set-up, manage, and promote their own on-line web-stores under a subscription-based business model; through Mercado Credito, MercadoLibre extends loans to certain merchants and consumers; and through Mercado Fondo, MercadoLibre allows users to invest funds deposited in their Mercado Pago accounts.

As of September 30, 2023, MercadoLibre, through its wholly-owned subsidiaries, operated online e-commerce 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 its fintech solution in Argentina, Brazil, Mexico, Colombia, Chile, Peru, Uruguay and Ecuador, and extends loans through Mercado Credito in Argentina, Brazil, Mexico and Chile. It also offers a shipping solution directed towards Argentina, Brazil, Mexico, Colombia, Chile, Uruguay, Peru and Ecuador.

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”). Investments in entities where the Company holds joint control, but not control, over the investee are accounted for using the equity method of accounting. These unaudited 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 and operating lease right-of-use assets located in the foreign jurisdictions totaled $2,046 million and $1,817 million as of September 30, 2023 and December 31, 2022, respectively.

These unaudited interim condensed consolidated financial statements reflect the Company’s consolidated financial position as of September 30, 2023 and December 31, 2022. These unaudited interim condensed consolidated financial statements include the Company’s consolidated statements of income, comprehensive income and equity for the nine and three-month periods ended September 30, 2023 and 2022 and statements of cash flows for the nine-month periods ended September 30, 2023 and 2022. These unaudited 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 consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto for the year ended December 31, 2022, contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2022 filed with the Securities and Exchange Commission (“SEC”) (the “Company’s 2022 10-K”). The Company has evaluated all subsequent events through the date these unaudited interim condensed consolidated financial statements were issued. The unaudited interim 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 2022 10-K. During the nine-month period ended September 30, 2023, there were no material updates made to the Company’s significant accounting policies.

Use of estimates

The preparation of these unaudited 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 allowance for doubtful accounts and chargeback provisions, inventories valuation reserves, recoverability of goodwill, intangible assets with indefinite useful lives and deferred tax assets, impairment of short-term and long-term investments, impairment of long-lived assets, separation of lease and non lease components for aircraft leases, compensation costs relating to the Company's long term retention program, fair value of convertible debt, fair value of investments, fair value of loans receivable, fair value of derivative instruments, 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.

Revenue recognition

Revenue recognition criteria for the services provided and goods sold by the Company are described in Note 2 to the consolidated financial statements in the Company's 2022 10-K.

The aggregate gain included in "Fintech services" revenues arising from financing transactions and sales of financial assets, net of the costs recognized on sale of credit card receivables, is $1,055 million and $379 million for the nine and three-month periods ended September 30, 2023 and $751 million and $261 million for the nine and three-month periods ended September 30, 2022, respectively.

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. Accounts receivable and credit card receivables and other means of payments are presented net of allowance for doubtful accounts and chargebacks of $35 million and $25 million as of September 30, 2023 and December 31, 2022, respectively. See Note 6 of these unaudited interim condensed consolidated financial statements for information related to the allowance for doubtful accounts with respect to the Company's loans receivable.

Deferred revenue consists of fees received related to unsatisfied performance obligations at the end of the period in accordance with Accounting Standards Codification ("ASC") 606. Due to the generally short-term duration of contracts, the majority of the performance obligations are satisfied in the following months. Deferred revenue as of December 31, 2022 was $44 million, of which $29 million was recognized as revenue during the nine-month period ended September 30, 2023.

As of September 30, 2023, total deferred revenue was $34 million, mainly due to fees related to classifieds advertising services billed and loyalty programs that are expected to be recognized as revenue in the coming months.

Foreign currency translation

All of the Company's foreign operations have determined the local currency to be their functional currency, except for Argentina, which has used the U.S. dollar as its functional currency since July 1, 2018. Accordingly, the foreign subsidiaries with local currency as functional currency translate assets and liabilities from their local currencies into U.S. dollars by using period-end exchange rates while income and expense accounts are translated at the average monthly rates in effect during the period, 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. Net foreign currency transaction results are included in the unaudited interim condensed consolidated statements of income under the caption "Foreign currency losses, net".

Argentine currency status

As of July 1, 2018, the Company transitioned its Argentine 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. Argentina's inflation rate for the nine-month periods ended September 30, 2023 and 2022 was 103.2% and 66.1%, respectively.

The Company uses Argentina's official exchange rate to account for transactions in the Argentine segment, which as of September 30, 2023 and December 31, 2022 was 349.95 and 177.16 Argentine Pesos, respectively, against the U.S. dollar. On August 14, 2023, Argentina's local currency depreciated 22% against the U.S. dollar. reaching the official exchange rate of 349.95 Argentine Pesos. For the nine-month periods ended September 30, 2023 and 2022, Argentina's depreciation of its local currency against the U.S. dollar was 97.5% and 43.4%, respectively.

The following table sets forth the assets, liabilities and net assets of the Company's Argentine subsidiaries and consolidated VIEs, before intercompany eliminations, as of September 30, 2023 and December 31, 2022:

	September 30, 2023	December 31, 2022
	(In millions)	
Assets	$ 3,936	$ 3,238
Liabilities	2,601	2,419
Net assets	$ 1,335	$ 819

The following table provides information relating to net revenues and direct contribution (see Note 8 of these unaudited interim condensed consolidated financial statements for definition of direct contribution) for the nine and three-month periods ended September 30, 2023 and 2022 of the Company's Argentine subsidiaries and consolidated VIEs:

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2023	2022	2023	2022
	(In millions)		(In millions)	
Net revenues	$ 2,317	$ 1,787	$ 825	$ 675
Direct contribution	1,028	719	384	299

Argentine exchange regulations

Since the second half of 2019, the Argentine government instituted exchange controls restricting the ability of companies and individuals to exchange Argentine Pesos for foreign currencies and their ability to remit foreign currency out of Argentina. An entity's authorization request to the Central Bank of Argentina ("CBA") to access the official exchange market to make foreign currency payments may be denied depending on the circumstances. As a result of these exchange controls, markets in Argentina developed trading mechanisms, in which an entity or individual buys U.S. dollar denominated securities in Argentina (i.e. shares, sovereign debt) using Argentine Pesos, and subsequently sells the securities for U.S. dollars, in Argentina, to access U.S. dollars locally, or outside Argentina, by transferring the securities abroad, prior to being sold (the latter commonly known as "Blue Chip Swap Rate"). The Blue Chip Swap Rate has diverged significantly from Argentina's official exchange rate (commonly known as exchange spread). In recent years, the Blue Chip Swap Rate has been higher than Argentina's official exchange rate. As of September 30, 2023 and December 31, 2022, the spread of the Blue Chip Swap was 135.0% and 94.2%, respectively (see Note 16 of these unaudited interim condensed consolidated financial statements).

As part of the exchange controls, since 2019, the Argentine government imposes a tax on the acquisition of foreign currency through the official exchange market in certain circumstances. On July 24, 2023, through the Executive Power Decree No. 377/2023, the Argentine government extended the application of this tax to the following cases: (i) certain services acquired from abroad or services rendered by foreign residents in Argentina (i.e. technical, legal, accounting, management, advertising, engineering, audiovisual services, among others), which will be subject to a 25% tax rate, (ii) freight and other transportation services for import and export of goods, which will be subject to a 7.5% tax rate; and (iii) imported goods, which will be subject to a 7.5% tax rate, with certain exemptions (such as fuels and products of the basic food basket).

Income taxes

Income taxes' accounting policy is described in Note 2 to the consolidated financial statements in the Company's 2022 10-K.

The Company’s consolidated estimated effective tax rate for the nine-month period ended September 30, 2023 increased as compared to the same period in 2022. This was a result of (i) taxable foreign exchange gains accounted for local tax purposes that are not recorded for accounting purposes since, under U.S. GAAP, Argentina’s operations’ functional currency is the U.S. dollar due to the highly inflationary status of the country, (ii) a higher proportion of pre-tax results arising from entities under general income tax treatment regime over the Brazilian segment as compared to the same period in 2022 and (iii) higher non-deductible foreign exchange losses related to the acquisition of our own common stock in the Argentine market. This increase was partially offset by the reversal of the valuation allowances in one of the Company’s Mexican subsidiaries during the third quarter of 2023.

The Company’s consolidated estimated effective tax rate for the three-month period ended September 30, 2023 decreased as compared to the same period in 2022, mainly as a result of the reversal of the valuation allowances in one of its Mexican subsidiaries during the third quarter of 2023. This decrease was partially offset by taxable foreign exchange gains accounted for local tax purposes, which are not recorded for accounting purposes given that under U.S. GAAP and due to Argentina’s highly inflationary status, Argentina’s operations’ functional currency is the U.S. dollar.

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. In accordance with ASC 740, Management periodically assesses the need to either establish or reverse a valuation allowance for deferred tax assets considering positive and negative objective evidence related to the realization of the deferred tax assets. In its assessment, Management considers, among other factors, the nature, frequency and magnitude of current and cumulative losses on an individual subsidiary basis, projections of future taxable income, the duration of statutory carryforward periods, as well as feasible tax planning strategies, which would be employed by the Company to prevent tax loss carryforwards from expiring unutilized. As of September 30, 2023, the Company’s Management concluded that an amount of $ 141 million of valuation allowance should be reversed at that date given that is more likely than not that deferred tax assets from DeRemate.com de México, S. de R.L. de C.V., a Mexican subsidiary, will be realized in the foreseeable future. The change in judgment regarding the realizability of the deferred tax assets of the Mexican subsidiary was triggered during the three-month period ended September 30, 2023, as positive trends observed in recent periods became enough evidence to support the conclusion.

Knowledge-based economy promotional regime in Argentina

In August 2021, the Under Secretariat of Knowledge Economy issued the Disposition 316/2021 approving MercadoLibre S.R.L.’s application for eligibility under the knowledge-based economy promotional regime, established by the Law No. 27,506 and complemented by Argentina’s Executive Power Decree No. 1034/2020, Argentina’s Ministry of Productive Development’s Resolution No. 4/2021 and the Under Secretariat of Knowledge Economy’s Disposition No. 11/2021.

As a result, the Company recorded an income tax benefit of $35 million and $14 million, and $19 million and $15 million during the nine and three-month periods ended September 30, 2023 and 2022, respectively. The aggregate per share effect of the income tax benefit amounted to $0.69 and $0.27, and $0.38 and $0.30 for the nine and three-month periods ended September 30, 2023 and 2022, respectively. Furthermore, the Company recorded a social security benefit of $49 million and $16 million, and $39 million and $13 million during the nine and three-month periods ended September 30, 2023 and 2022, respectively.

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 for several reasons including to avoid the mismatch generated by the recognition of certain linked instruments / transactions, separately, in the unaudited interim condensed consolidated statement of income and unaudited interim condensed consolidated statement of 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.

Recently Adopted Accounting Standards

On October 28, 2021, the FASB issued the Accounting Standards Update ("ASU") 2021-08 "Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers". The amendments in this update improve comparability for the recognition and measurement of acquired revenue contracts with customers at the date of and after a business combination by specifying for all acquired revenue contracts regardless of their timing of payment (1) the circumstances in which the acquirer should recognize contract assets and contract liabilities that are acquired in a business combination and (2) how to measure those contract assets and contract liabilities. The amendments provide consistent recognition and measurement guidance for revenue contracts with customers acquired in a business combination and revenue contracts with customers not acquired in a business combination. The Company adopted this standard effective as of January 1, 2023 and it did not have a material impact on the Company's financial statements.

On March 31, 2022, the FASB issued the ASU 2022-02 "Troubled Debt Restructurings ("TDRs") and Vintage Disclosures (Topic 326): Financial Instruments – Credit Losses", which eliminates the accounting guidance on TDRs, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. In addition, the guidance requires disclosure of current-period gross write-offs by year of origination for financing receivables and net investment in leases. The amendments should be applied prospectively, except for the transition method related to the recognition and measurement of TDRs, where an entity has the option to apply a modified retrospective transition method, resulting in a cumulative-effect adjustment to retained earnings in the period of adoption. The Company adopted this standard effective as of January 1, 2023 and it did not have a material impact on the Company's financial statements.

On September 29, 2022, the FASB issued the ASU 2022-04 "Liabilities—Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations". The amendments in this update require entities that use supplier finance programs in connection with the purchase of goods and services to disclose the key terms of the programs and information about their obligations outstanding at the end of the reporting period, including a rollforward of those obligations. The guidance does not affect the recognition, measurement or financial statement presentation of supplier finance program obligations. The Company adopted this standard effective as of January 1, 2023, except for the rollforward requirement, which is effective for fiscal years beginning after December 15, 2023. Early adoption is permitted. The guidance should be applied retrospectively to all periods in which a balance sheet is presented, except for the rollforward requirement, which should be applied prospectively. The Company and certain financial institutions participate in a supplier finance program ("SFP") that enables certain of the Company's suppliers, at their own election, to request the payment of their invoices to the financial institutions earlier than the terms stated in the Company's payment policy. Suppliers' voluntary inclusion of invoices in the SFP does not change the Company's payment terms, the amounts paid or liquidity. The Company has no economic interest in a supplier's decision to participate in the SFP and has no financial impact in connection with the SFP. As of September 30, 2023 and December 31, 2022, the obligations outstanding that the Company has confirmed as valid to the financial institutions amounted to $302 million and $227 million, respectively, and are included in the unaudited interim condensed consolidated balance sheets within accounts payable and accrued expenses line.

Recently issued accounting pronouncements not yet adopted

As of the date of issuance of these unaudited interim condensed consolidated financial statements there were no accounting pronouncements issued not yet adopted expected to have a material impact on the Company's financial statements.

3. Fintech Regulations

Regulations issued by the Central Banks and other regulators of the countries where the Company operates applicable to its Fintech business are described in Note 3 to the consolidated financial statements in the Company's 2022 10-K.

Argentina

On September 1, 2022, the CBA issued Communication "A" 7593, which extended the application of regulations for the protection of financial services users to the payment service providers who offer payment accounts ("PSPOCP" according to its Spanish acronym), such as MercadoLibre S.R.L. The regulations were already applicable to non-financial credit providers. This communication came into effect on March 1, 2023. On February 15, 2023, the CBA issued Communication "A" 7699, which establishes that PSPOCP must submit the Information Regime on Claims, with the first submission deadline being April 24, 2023, and the Information Regime on Transparency, Chapter II, with first submission deadline for monthly information being March 14, 2023.

On August 24, 2023, the CBA issued Communication "A" 7825, which states that PSPOCPs must allocate in full to their clients any compensation received from financial institutions for investing clients' funds held in deposit accounts into Argentine treasury bonds. Since August 25, 2023, MercadoLibre S.R.L. is not receiving any compensation from financial institutions for clients' funds held in deposit account. As a consequence, Communication "A" 7825 has no applicable effect for MercadoLibre S.R.L.

On September 14, 2023, the CBA issued Communication "A" 7861, establishing that starting on December 1, 2023, DEBIN (debit immediate), the main funding source of Mercado Pago users' accounts, will be suspended and replaced with a pull transfer method that requires the consent of the client outside of Mercado Pago's environment before the first use. Management is currently assessing the situation since this suspension and replacement may lead to pertinent changes to the way that Mercado Pago users are able to link and transfer funds to their digital accounts from their respective bank accounts or other digital accounts.

Brazil

The new prudential rules announced by the Central Bank during March 2022 were effective starting in July 2023, with full implementation by January 2025. The new rules require a gradual increase in regulatory capital requirement for the Company's regulated Brazilian subsidiaries until 2025: 6.75% from July 2023, 8.75% from January 2024 and 10.50% from January 2025.

Colombia

On June 28, 2023, MercadoPago S.A. Compañía de Financiamiento obtained a license to operate as a financial institution in Colombia which enables it to offer financial deposits (digital accounts). The minimum capital requirement has been paid-in. This subsidiary is expected to be operational by the first quarter of 2024.

Uruguay

On July 11, 2023, the Central Bank of Uruguay approved MercadoPago Uruguay S.R.L. to start operations as an Electronic Money Issuing Institution ("IEDE" according to its Spanish acronym). On October 1, 2023, MercadoPago Uruguay S.R.L. started operations. Under applicable regulations, MercadoPago Uruguay S.R.L. must deposit and maintain users' funds in specific local bank accounts in order to ensure availability of existing balances in each user's digital account.

Chile

On April 27, 2023, the Commission for the Financial Market ("CMF" according to its Spanish acronym) authorized the merger of Mercado Pago Operadora S.A. (formerly known as "Mercado Pago S.A.") and Red Procesadora de Pagos Limitada, effective on May 1, 2023. This merger allows Mercado Pago Operadora S.A. to extend the processing of transactions and enable businesses and entrepreneurs in Chile the opportunity to access the Company's ecosystem of Fintech services.

4. Net income per share

Basic earnings per share for the Company's common stock is computed by dividing, net income for the period by the weighted average number of common shares outstanding during the period.

In August, 2018, the Company issued an aggregate principal amount of $880 million of 2.00% Convertible Senior Notes due 2028 ("2028 Notes"). The conversion of these notes is included in the calculation for diluted earnings per share utilizing the "if converted" method. Accordingly, conversion of these Notes is not assumed for purposes of computing diluted earnings per share if the effect is antidilutive.

The denominator for diluted net income per share for the nine and three-month periods ended September 30, 2022 did not include any effect from the capped call transactions entered into by the Company with certain financial institutions with respect to shares of the Company's common stock ("2028 Notes Capped Call Transactions"), which were settled on September 1, 2023, because it would be antidilutive. See Note 12 to these unaudited interim condensed consolidated financial statements and Note 17 to the financial statements for the year ended December 31, 2022, contained in the Company's 2022 10-K for more details regarding the 2028 Notes and the 2028 Notes Capped Call Transactions.

Net income per share of common stock is as follows for the nine and three-month periods ended September 30, 2023 and 2022:

	Nine Months Ended September 30,				Three Months Ended September 30,			
	2023		2022		2023		2022	
	Basic	Diluted	Basic	Diluted	Basic	Diluted	Basic	Diluted
Net income per common share (*)	$ 16.40	$ 16.36	$ 6.30	$ 6.29	$ 7.18	$ 7.16	$ 2.57	$ 2.56
Numerator (in millions):								
Net income	$ 822	$ 822	$ 317	$ 317	$ 359	$ 359	$ 129	$ 129
Effect of dilutive 2028 Notes	—	1	—	6	—	—	—	2
Net income available to common stock	$ 822	$ 823	$ 317	$ 323	$ 359	$ 359	$ 129	$ 131
Denominator:								
Weighted average of common stock outstanding for earnings per share	50,137,826	50,137,826	50,365,813	50,365,813	50,008,320	50,008,320	50,325,075	50,325,075
Adjustment for assumed conversions	—	201,119	—	990,268	—	201,119	—	990,268
Adjusted weighted average of common stock outstanding for earnings per share	50,137,826	50,338,945	50,365,813	51,356,081	50,008,320	50,209,439	50,325,075	51,315,343

(*) Figures have been calculated using non-rounded amounts.

5. Cash, cash equivalents, restricted cash and cash equivalents and investments

The composition of cash, cash equivalents, restricted cash and cash equivalents, short-term and long-term investments is as follows:

	September 30, 2023	December 31, 2022
	(In millions)	
Cash and cash equivalents		
Cash in bank accounts	$ 1,238	$ 1,160
Money market	764	599
Time deposits	169	130
U.S. government debt securities	—	21
Total cash and cash equivalents	$ 2,171	$ 1,910
Restricted cash and cash equivalents		
Securitization transactions (2)	$ 281	$ 459
Foreign government debt securities (Central Bank of Brazil mandatory guarantee) (1)	—	158
Bank account (Argentine Central Bank regulation) (1)	413	496
Bank account (Mexican National Banking and Securities Commission regulation) (1)	38	9
Time deposits (Mexican National Banking and Securities Commission regulation) (1)	264	239
Bank account (Chilean Commission for the Financial Market regulation) (1)	27	4
Time deposits (Chilean Commission for the Financial Market regulation) (1)	36	49
Money market (Secured lines of credit guarantee)	26	33
Bank account (Financial Superintendence of Colombia regulation) (1)	—	1
Money market (Financial Superintendence of Colombia regulation) (1)	—	5
Total restricted cash and cash equivalents	$ 1,085	$ 1,453
Total cash, cash equivalents, restricted cash and cash equivalents (3)	$ 3,256	$ 3,363
Short-term investments		
U.S. government debt securities	$ 1,124	$ 558
Foreign government debt securities (Central Bank of Brazil mandatory guarantee) (1)	1,762	1,219
Foreign government debt securities (4)	94	123
Time deposits	326	439
Securitization transactions (2)	1	—
Equity securities at fair value	13	$ —
Total short-term investments	$ 3,320	$ 2,339
Long-term investments		
U.S. government debt securities	$ —	$ 175
Foreign government debt securities (5)	67	70
Securitization transactions (2)	24	21
Equity securities held at cost	58	56
Total long-term investments	$ 149	$ 322

(1) Regulations issued by the Central Banks and other regulators of the countries where the Company operates applicable to its Fintech business are described in Note 3 to the consolidated financial statements in the Company's 2022 10-K. Recently issued regulations are described in Note 3 of these unaudited interim condensed consolidated financial statements.

(2) Investments from securitization transactions are restricted to the payment of amounts due to third-party investors.

(3) Cash, cash equivalents, restricted cash and cash equivalents as reported in the consolidated statement of cash flows.

(4) As of September 30, 2023, this includes $6 million that guarantee a line of credit and are considered restricted.

(5) On September 11, 2023, the Brazilian subsidiary Mercado Crédito Sociedade de Crédito, Financiamento e Investimento S.A. received $15 million of capital contribution from its shareholders, which is in the process of legal registration by the Central Bank of Brazil. As a result, $15 million of long-term investments are considered restricted as of September 30, 2023.

6. Loans receivable, net

The Company classifies loans receivable as "On-line merchant", "Consumer", "In-store merchant" and "Credit cards". As of September 30, 2023 and December 31, 2022, the components of Loans receivable, net were as follows:

	September 30, 2023		
	Loans receivable	Allowance for doubtful accounts	Loans receivable, net
	(In millions)		
On-line merchant	$ 418	$ (120)	$ 298
Consumer	1,827	(573)	1,254
In-store merchant	294	(127)	167
Credit cards	863	(204)	659
Total	$ 3,402	$ (1,024)	$ 2,378

	December 31, 2022		
	Loans receivable	Allowance for doubtful accounts	Loans receivable, net
	(In millions)		
On-line merchant	$ 394	$ (120)	$ 274
Consumer	1,568	(614)	954
In-store merchant	267	(145)	122
Credit cards	611	(225)	386
Total	$ 2,840	$ (1,104)	$ 1,736

The allowance for doubtful accounts with respect to the Company's loans receivable amounts to $1,038 million and $1,112 million as of September 30, 2023 and December 31, 2022, respectively, which includes $14 million and $8 million related to unused agreed loan commitment on credit cards portfolio presented in Other liabilities of the unaudited interim condensed consolidated balance sheets as of September 30, 2023 and December 31, 2022, respectively.

As of September 30, 2023, the Company is exposed to off-balance sheet unused agreed loan commitments on its credit cards portfolio, which exposes the Company to credit risks. For the nine and three-month periods ended September 30, 2023, the Company recognized in Provision for doubtful accounts of $5 million and $2 million as expected credit losses, respectively.

The Company closely monitors credit quality for all loans receivable on a recurring basis to assess and manage its exposure to credit risk. To assess merchants and consumers seeking a loan under the Mercado Credito solution, the Company uses, among other indicators, risk models internally developed, as a credit quality indicator to help predict the merchant's and consumer's ability to repay the principal balance and interest related to the credit. The risk model uses multiple variables as predictors of the merchant's and consumer's ability to repay the credit, including external and internal indicators. Internal indicators consider user behavior related to credit/payment history, and with lower weight in the risk models, the Company uses the number of transactions in the Company's ecosystem and the merchant's annual sales volume, among other indicators. In addition, the Company considers external bureau information to enhance the model and the decision making process.

The amortized cost of the loans receivable classified by the Company's credit quality internal indicator was as follows:

	September 30, 2023	December 31, 2022
	(In millions)	
1-30 days past due	$ 183	$ 118
31-60 days past due	98	88
61-90 days past due	78	86
91-120 days past due	83	103
121-150 days past due	81	110
151-180 days past due	73	112
181-210 days past due	69	100
211-240 days past due	74	93
241-270 days past due	71	89
271-300 days past due	72	73
301-330 days past due	82	85
331-360 days past due	84	75
Total past due	1,048	1,132
To become due	2,354	1,708
Total	$ 3,402	$ 2,840

The following tables summarize the allowance for doubtful accounts activity during the nine-month periods ended September 30, 2023 and 2022:

	September 30, 2023				
	On-line merchant	Consumer	In-store merchant	Credit cards	Total
	(In millions)				
Balance at beginning of year	$ 120	$ 614	$ 145	$ 225	$ 1,104
Net charged to Net Income	81	417	93	140	731
Currency translation adjustments	3	9	—	10	22
Write-offs (*)	(84)	(467)	(111)	(171)	(833)
Balance at end of period	$ 120	$ 573	$ 127	$ 204	$ 1,024

	September 30, 2022				
	On-line merchant	Consumer	In-store merchant	Credit cards	Total
	(In millions)				
Balance at beginning of year	$ 79	$ 232	$ 76	$ 48	$ 435
Net charged to Net Income	83	457	111	191	842
Currency translation adjustments	(2)	(19)	(3)	(9)	(33)
Write-offs (*)	(48)	(133)	(48)	(7)	(236)
Balance at end of period	$ 112	$ 537	$ 136	$ 223	$ 1,008

(*) The Company writes off loans when customer balance becomes 360 days past due.

The increase in write-offs for the nine-month period ended September 30, 2023, compared to the same period in 2022, is mainly generated by higher originations of loans receivable for the nine-month period ended September 30, 2022, compared to the same period in 2021, generating a higher write-offs effect in the period ended September 30, 2023.

7. Goodwill and intangible assets

Intangible assets

The composition of goodwill and intangible assets is as follows:

	September 30, 2023	December 31, 2022
	(In millions)	
Goodwill	$ 159	$ 153
Intangible assets with indefinite lives		
- Trademarks	3	4
- Digital assets (1)	9	9
Amortizable intangible assets		
- Licenses and others	14	13
- Non-compete agreements	4	4
- Customer lists	12	12
- Trademarks	13	12
- Hubs network	4	4
- Others	3	3
Total intangible assets	$ 62	$ 61
Accumulated amortization	(41)	(36)
Total intangible assets, net	$ 21	$ 25

(1) Digital assets are net of $21 million of impairment losses as of both September 30, 2023 and December 31, 2022.

Goodwill

The changes in the carrying amount of goodwill for the nine-month period ended September 30, 2023 and the year ended December 31, 2022 are as follows:

	Nine Months Ended September 30, 2023						
	Brazil	Argentina	Mexico	Chile	Colombia	Other countries	Total
	(In millions)						
Balance, beginning of the period	$ 60	$ 10	$ 39	$ 37	$ 5	$ 2	$ 153
Effect of exchange rates changes	2	—	5	(2)	1	—	6
Balance, end of the period	$ 62	$ 10	$ 44	$ 35	$ 6	$ 2	$ 159

	Year Ended December 31, 2022						
	Brazil	Argentina	Mexico	Chile	Colombia	Other countries	Total
	(In millions)						
Balance, beginning of the period	$ 56	$ 10	$ 37	$ 37	$ 6	$ 2	$ 148
Effect of exchange rates changes	4	—	2	—	(1)	—	5
Balance, end of the period	$ 60	$ 10	$ 39	$ 37	$ 5	$ 2	$ 153

Amortizable intangible assets

Intangible assets with definite useful life are comprised of customer lists, non-compete and non-solicitation agreements, hubs network, acquired software licenses and other acquired intangible assets including developed technologies and trademarks. Aggregate amortization expense for intangible assets for the nine-month periods ended September 30, 2023 and 2022 amounted to $4 million and $4 million, respectively, while aggregate amortization expense for intangible assets totaled $1 million and $1 million for the three-month periods ended September 30, 2023 and 2022, respectively.

The following table summarizes the remaining amortization of intangible assets (in millions of U.S. dollars) with definite useful life as of September 30, 2023:

For year to be ended December 31, 2023	$ 1
For year to be ended December 31, 2024	3
For year to be ended December 31, 2025	1
For year to be ended December 31, 2026	1
Thereafter	3
	$ 9

8. 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, as determined by Management, used to evaluate the Company's performance. The Company's segments include Brazil, Argentina, Mexico and other countries (which includes Chile, Colombia, Costa Rica, Ecuador, Peru and Uruguay).

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, provision for doubtful accounts and general and administrative expenses over which segment managers have direct discretionary control, such as advertising and marketing programs, customer support expenses, payroll and third-party fees. All corporate related costs have been excluded from the segment'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:

	Nine Months Ended September 30, 2023				
	Brazil	Argentina	Mexico	Other Countries	Total
	(In millions)				
Net revenues	$ 5,365	$ 2,317	$ 2,066	$ 464	$ 10,212
Direct costs	(4,027)	(1,289)	(1,593)	(429)	(7,338)
Direct contribution	1,338	1,028	473	35	2,874
Operating expenses and indirect costs of net revenues					(1,291)
Income from operations					1,583
Other income (expenses):					
Interest income and other financial gains					545
Interest expense and other financial losses					(297)
Foreign currency losses, net					(508)
Net income before income tax expense and equity in earnings of unconsolidated entity					$ 1,323

	Nine Months Ended September 30, 2022				
	Brazil	Argentina	Mexico	Other Countries	Total
	(In millions)				
Net revenues	$ 4,134	$ 1,787	$ 1,257	$ 357	$ 7,535
Direct costs	(3,472)	(1,068)	(1,075)	(348)	(5,963)
Direct contribution	662	719	182	9	1,572
Operating expenses and indirect costs of net revenues					(887)
Income from operations					685
Other income (expenses):					
Interest income and other financial gains					142
Interest expense and other financial losses					(221)
Foreign currency losses, net					(134)
Net income before income tax expense and equity in earnings of unconsolidated entity					$ 472

	Three Months Ended September 30, 2023				
	Brazil	Argentina	Mexico	Other Countries	Total
	(In millions)				
Net revenues	$ 2,006	$ 825	$ 772	$ 157	$ 3,760
Direct costs	(1,435)	(441)	(605)	(150)	(2,631)
Direct contribution	571	384	167	7	1,129
Operating expenses and indirect costs of net revenues					(444)
Income from operations					685
Other income (expenses):					
Interest income and other financial gains					196
Interest expense and other financial losses					(111)
Foreign currency losses, net					(239)
Net income before income tax expense and equity in earnings of unconsolidated entity					$ 531

	Three Months Ended September 30, 2022				
	Brazil	Argentina	Mexico	Other Countries	Total
	(In millions)				
Net revenues	$ 1,431	$ 675	$ 465	$ 119	$ 2,690
Direct costs	(1,209)	(376)	(384)	(121)	(2,090)
Direct contribution	222	299	81	(2)	600
Operating expenses and indirect costs of net revenues					(304)
Income from operations					296
Other income (expenses):					
Interest income and other financial gains					65
Interest expense and other financial losses					(92)
Foreign currency losses, net					(71)
Net income before income tax expense and equity in earnings of unconsolidated entity					$ 198

The following tables summarize net revenues per reporting segment, which have been disaggregated by similar products and services for the nine and three-month periods ended September 30, 2023 and 2022:

	Nine Months Ended September 30,									
	Brazil		Argentina		Mexico		Other Countries		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	(In millions)									
Commerce services (a)	$ 2,615	$ 1,877	$ 727	$ 602	$ 1,160	$ 702	$ 293	$ 234	$ 4,795	$ 3,415
Commerce products sales (b)	552	344	158	198	212	161	23	29	945	732
Total commerce revenues	$ 3,167	$ 2,221	$ 885	$ 800	$ 1,372	$ 863	$ 316	$ 263	$ 5,740	$ 4,147
Fintech services (c)	1,375	1,059	927	636	198	97	134	86	2,634	1,878
Credit revenues (d)	808	833	502	347	489	291	5	2	1,804	1,473
Fintech products sales (e)	15	21	3	4	7	6	9	6	34	37
Total fintech revenues	$ 2,198	$ 1,913	$ 1,432	$ 987	$ 694	$ 394	$ 148	$ 94	$ 4,472	$ 3,388
Total net revenues	$ 5,365	$ 4,134	$ 2,317	$ 1,787	$ 2,066	$ 1,257	$ 464	$ 357	$ 10,212	$ 7,535

	Three Months Ended September 30,									
	Brazil		Argentina		Mexico		Other Countries		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	(In millions)									
Commerce services (a)	$ 1,007	$ 669	$ 260	$ 221	$ 429	$ 257	$ 100	$ 76	$ 1,796	$ 1,223
Commerce products sales (b)	204	111	50	69	70	54	8	8	332	242
Total commerce revenues	$ 1,211	$ 780	$ 310	$ 290	$ 499	$ 311	$ 108	$ 84	$ 2,128	$ 1,465
Fintech services (c)	487	357	344	245	75	38	45	32	951	672
Credit revenues (d)	304	287	171	139	195	115	2	1	672	542
Fintech products sales (e)	4	7	—	1	3	1	2	2	9	11
Total fintech revenues	$ 795	$ 651	$ 515	$ 385	$ 273	$ 154	$ 49	$ 35	$ 1,632	$ 1,225
Total net revenues	$ 2,006	$ 1,431	$ 825	$ 675	$ 772	$ 465	$ 157	$ 119	$ 3,760	$ 2,690

(a) Includes final value fees paid by sellers derived from intermediation services and related shipping and storage fees, classified fees derived from classified advertising services and ad sales.

(b) Includes revenues from inventory sales and related shipping fees.

(c) Includes revenues from commissions the Company charges for transactions off-platform derived from use of the Company's payment solution, revenues as a result of offering installments for the payment to its Mercado Pago users, either when the Company finances the transactions directly or when the Company sells the corresponding financial assets, Mercado Pago credit and debit card fees and insurtech fees.

(d) Includes interest earned on loans and advances granted to merchants and consumers, and interest earned on Mercado Pago credit card transactions.

(e) Includes sales of mobile point of sales devices.

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

	September 30, 2023	December 31, 2022
	(In millions)	
US property and equipment, net	$ 2	$ 1
Property and equipment, net		
Argentina	199	188
Brazil	527	514
Mexico	267	206
Other countries	86	84
	$ 1,079	$ 992
Total property and equipment, net	$ 1,081	$ 993

The following table summarizes the allocation of the operating lease right-of-use assets based on geography:

	September 30, 2023	December 31, 2022
	(In millions)	
Argentina	$ 49	$ 53
Brazil	349	286
Mexico	330	245
Other countries	68	72
Total operating lease right-of-use assets	$ 796	$ 656

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

	September 30, 2023	December 31, 2022
	(In millions)	
US intangible assets, net	$ 9	$ 9
Goodwill and intangible assets, net		
Argentina	13	14
Brazil	66	63
Mexico	44	40
Other countries	48	52
	$ 171	$ 169
Total goodwill and intangible assets, net	$ 180	$ 178

9. Fair value measurement of assets and liabilities

Assets and liabilities measured and recorded at fair value on a recurring basis

The following table summarizes the Company's assets and liabilities measured at fair value on a recurring basis as of September 30, 2023 and December 31, 2022:

Description	Balances as of September 30, 2023	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, 2022	Quoted Prices in active markets for identical Assets (Level 1)	Significant other observable inputs (Level 2)	Unobservable inputs (Level 3)
				(In millions)				
Assets								
Cash and Cash Equivalents:								
Money Market	$ 764	$ 764	$ —	$ —	$ 599	$ 599	$ —	$ —
U.S. government debt securities (1)	—	—	—	—	21	21	—	—
Restricted Cash and Cash Equivalents:								
Money Market (3)	219	219	—	—	352	352	—	—
Foreign government debt securities (Central Bank of Brazil Mandatory Guarantee) (1)	—	—	—	—	158	158	—	—
Investments:								
U.S. government debt securities (1)	1,124	1,124	—	—	733	733	—	—
Foreign government debt securities (Central Bank of Brazil Mandatory Guarantee) (1)	1,762	1,762	—	—	1,219	1,219	—	—
Foreign government debt securities (1) (2)	186	186	—	—	214	214	—	—
Equity securities at fair value	13	13	—	—	—	—	—	—
Other Assets:								
Derivative Instruments	16	—	16	—	1	—	1	—
USDC	—	—	—	—	3	3	—	—
Customer crypto-assets safeguarding assets	21	—	21	—	15	—	15	—
Total Assets	$ 4,105	$ 4,068	$ 37	$ —	$ 3,315	$ 3,299	$ 16	$ —
Liabilities:								
Long-term retention program	$ 74	$ —	$ 74	$ —	$ 58	$ —	$ 58	$ —
Other Liabilities:								
Contingent considerations	—	—	—	—	8	—	—	8
Derivative Instruments	18	—	18	—	24	—	24	—
Customer crypto-assets safeguarding liabilities	21	—	21	—	15	—	15	—
Total Liabilities	$ 113	$ —	$ 113	$ —	$ 105	$ —	$ 97	$ 8

(1) Measured at fair value with impact on the statement of income for the application of the fair value option. (See Note 2 – Fair value option applied to certain financial instruments).

(2) As of September 30, 2023 and December 31, 2022 includes $25 million and $21 million, respectively, of investments from securitization transactions that are restricted to the payment of amounts due to third-party investors. (See Note 5 - Cash, cash equivalents, restricted cash and cash equivalents and investments).

(3) As of September 30, 2023 and December 31, 2022 includes $193 million and $314 million, respectively, of money market funds from securitization transactions. (See Note 5 - Cash, cash equivalents, restricted cash and cash equivalents and investments).

As of September 30, 2023 and December 31, 2022, the Company's assets and liabilities measured and recorded at fair value on a recurring basis were 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); ii) Level 2 inputs: obtained from readily-available pricing sources for comparable instruments as well as instruments with inactive markets at the measurement date; and iii) Level 3 inputs: valuations based on unobservable inputs reflecting Company's assumptions. The unobservable inputs of the fair value of contingent considerations classified as Level 3 refer to the amounts to be paid according to the respective agreements of each acquisition, the likelihood of achievement of the performance targets arising from each one (expected to be 100%), and the Company's historical experience with similar arrangements. Reasonable variation on those unobservable inputs would not significantly change the fair value of those instruments. As of September 30, 2023 and December 31, 2022, the Company had not changed the methodology nor the assumptions used to estimate the fair value of the financial instruments.

There were no transfers to and from Levels 1, 2 and 3 during the nine-month period ended September 30, 2023. There were no transfers to and from Levels 1, 2 and 3 during the year ended December 31, 2022, other than as detailed in the table below.

As of September 30, 2023, the contingent considerations measured at fair value using Level 3 inputs were settled. The following table summarizes the reconciliation of the financial liabilities measured at fair value using Level 3 inputs as of December 31, 2022:

	Year Ended December 31, 2022	
	Derivative Instruments, net	Contingent Considerations
	(In millions)	
Balance, beginning of the year	$ 11	$ (9)
Net Additions	3	—
Settlements	7	1
Foreign Currency Translation	(5)	—
Gain (Losses) in Other Comprehensive Income	(15)	—
Gain (Losses) on Income Statement	(28)	—
Transfers out of level 3 to level 2	27	—
Balance, end of the year	$ —	$ (8)

The Company's election of the fair value option applies to the: i) Brazilian federal government bonds and ii) U.S. treasury notes. The Company recognized fair value changes in interest income and other financial gains which includes the related interest income of those instruments. Such fair value changes and interest income amount to $195 million and $81 million, and $104 million and $42 million for the nine and three-month periods ended September 30, 2023 and 2022, respectively.

As of September 30, 2023 and December 31, 2022, the Company held no debt securities classified as available for sale. However, during the year ended December 31, 2022, the Company purchased and sold all the corporate debt securities classified as available for sale, resulting in $156 million of proceeds from the sales and in gross realized gains less than $1 million. The cost of these securities was determined under a specific identification basis.

Financial assets and liabilities not measured and recorded at fair value

The following table summarizes the estimated fair value of the financial assets and liabilities of the Company not measured at fair value as of September 30, 2023 and December 31, 2022:

	Balances as of September 30, 2023	Estimated fair value as of September 30, 2023	Balances as of December 31, 2022	Estimated fair value as of December 31, 2022
	(In millions)			
Assets				
Cash and cash equivalents	$ 1,407	$ 1,407	$ 1,290	$ 1,290
Restricted cash and cash equivalents	866	866	943	943
Investments	326	326	439	439
Accounts receivables, net	161	161	130	130
Credit card receivables and other means of payment, net	3,375	3,375	2,946	2,946
Loans receivable, net	2,378	2,387	1,736	1,761
Other assets	395	395	273	273
Total Assets	$ 8,908	$ 8,917	$ 7,757	$ 7,782
Liabilities				
Accounts payable and accrued expenses	$ 1,910	$ 1,910	$ 1,393	$ 1,393
Funds payable to customers	4,016	4,016	3,454	3,454
Amounts payable due to credit and debit card transactions	757	757	488	488
Salaries and social security payable	445	445	349	349
Loans payable and other financial liabilities	4,454	4,486	4,758	4,997
Other liabilities	206	206	186	186
Total Liabilities	$ 11,788	$ 11,820	$ 10,628	$ 10,867

As of September 30, 2023 and December 31, 2022, the carrying value of the Company's financial assets (except for loans receivable and equity securities held at cost) not measured at fair value approximated their fair value mainly because of their short-term maturity. If these financial assets were measured at fair value in the financial statements, cash and restricted cash would be classified as Level 1 (where cost and fair value are aligned) and the remaining financial assets would be classified as Level 2. The estimated fair value of the loans receivable would be classified as Level 3 based on the Company's assumptions.

As of September 30, 2023 and December 31, 2022, the carrying value of the Company's financial liabilities (except for 2028 Notes, 2026 Sustainability Notes and 2031 Notes) not measured at fair value approximated their fair value mainly because of their short-term maturity and the effective interest rates are not materially different from market interest rates. If these financial liabilities were measured at fair value in the financial statements, these would be classified as Level 2. As of September 30, 2023 and December 31, 2022, the estimated fair value of the 2026 Sustainability Notes and 2031 Notes would be $365 million and $359 million, and $553 million and $541 million, respectively, based on Level 2 inputs. Also, as of September 30, 2023 and December 31, 2022, the estimated fair value of the 2028 Notes would be $255 million and $884 million, respectively, and would be classified as Level 2 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 fair value of the 2028 Notes is primarily affected by the trading price of the Company's common stock and market interest rates. Based on the $1,267.88 closing price of the Company's common stock on September 30, 2023, the if-converted value of the 2028 Notes exceeded their principal amount by $167 million.

10. 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 it 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 September 30, 2023, the Company had accounted for estimated liabilities involving proceeding-related contingencies and other estimated contingencies of $72 million to cover legal actions against the Company in which 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 September 30, 2023, 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 of resulting in a loss for an estimated aggregate amount up to $480 million. No loss amounts have been accrued for such reasonably possible legal actions.

For further information related to contingent liabilities please refer to Note 15 to the consolidated financial statements in the Company's 2022 10-K.

Tax Claims

Interstate rate of ICMS-DIFAL on interstate sales

The tax claim related to the interstate rate of ICMS-DIFAL (Imposto sobre Circulaçao de Mercadorias, Serviços de Transporte Interestadual, Intermunicipal e Comunicação on interstate sales at a differential rate) without the existence of a complementary law is described in Note 15 to the consolidated financial statements in the Company's 2022 10-K. In April 2023, and based on court authorization, the Company withdrew the deposits corresponding to the case related to the State of Santa Catarina, which had become final and unappealable in September 2022 in favor of eBazar.com.br Ltda. In June 2023, the case related to the State of Goiás (whose risk of losing had been considered remote), reached a final and unappealable judgment in favor of eBazar.com.br Ltda. and Mercado Pago Instituição de Pagamento Ltda., and the companies will withdraw the deposits corresponding to the case as soon as the court authorization is granted. In August 2023, one of the cases related to the State of Bahia (whose risk of losing had been considered probable), reached a final and unappealable judgment in favor of the State. Finally, in September 2023, one of the cases related to the State of Rio de Janeiro (whose risk of losing had been considered probable), reached a final and unappealable judgment in favor of the State. The remaining cases pending as of December 31, 2022 had no updates during the nine-month period ended September 30, 2023. The Company maintains a $3 million provision as of September 30, 2023 for the disputed amounts related to the 4 ongoing cases whose risk of losing is considered by Management to be probable, based on the opinion of external legal counsel.

In addition, with respect to the tax claims related to the interstate rate of ICMS-DIFAL on interstate sales under the supplementary Law No. 190/22, as described in Note 15 to the consolidated financial statements in the Company's 2022 10-K, the Brazilian Supreme Court has announced that it expects to make a judgment regarding the constitutionality of the supplementary Law on November 22, 2023.

Exclusion of ICMS tax benefits from PIS and COFINS tax base

The Company receives ICMS tax benefits from the State of Minas Gerais, Brazil, granted through a special regime signed with the State by means of a term of agreement, which are aimed at implementing and expanding business in the State. The Company accounted for the tax benefit netting cost of net revenues for the nine and three-month periods ended September 30, 2023, for $44 million and $16 million, respectively, and for the nine and three-month periods ended September 30, 2022, for $25 million and $8 million, respectively.

On April 25, 2023, the Company filed a writ of mandamus seeking an injunction and claiming the exclusion of the amounts relating to the ICMS tax benefits granted by the State of Minas Gerais in the tax base of the Social Contributions (PIS and COFINS).

On May 26, 2023, a decision was rendered granting the injunction requested. The Company is currently waiting for the final judicial decision. Management's opinion, based on the opinion of external legal counsel, is that the risk of losing the case is reasonably possible but not probable based on the technical merits of the Company's tax position. For that reason, the Company has not recorded any expense or liability for the disputed amounts. The Company accounted for $9 million for PIS and COFINS tax benefits arising from the ICMS tax incentives during the nine-month period ended September 30, 2023, considering the exchange rate as of September 30, 2023, of which $2 million corresponded to the period ended December 31, 2021, and $3 million corresponded to the period ended December 31, 2022.

Marketplace joint and several liability

In the context of intermediation transactions on the marketplace platform, the Brazilian subsidiary eBazar.com.br Ltda. received tax assessments aimed at collecting alleged ICMS debts for the 2017 to 2019 fiscal years, in the amount of $8 million, considering the exchange rate as of September 30, 2023. The tax assessment intends to attribute to eBazar.com.br Ltda. the joint and several liability for the payment of ICMS allegedly due by sellers on the sale of goods without compliant invoices. The Company presented its objection in August 2023. Management's opinion, based on the opinion of external legal counsel, is that the risk of losing the case is reasonably possible, but not probable.

Buyer protection program

The buyer protection program ("BPP") 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, arrives incomplete or damaged, does not match the seller's description or if the buyer regrets the purchase. 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, 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 September 30, 2023 and December 31, 2022, Management's estimate of the maximum potential exposure related to the Company's buyer protection program is $4,364 million and $4,002 million, respectively, for which the Company recorded a provision of $5 million and $6 million, respectively.

Commitments

The Company committed to purchase cloud platform services from two U.S. suppliers based on the following terms:

a) for a total amount of $824 million, to be paid between October 1, 2021 and September 30, 2026. As of September 30, 2023, the Company had paid $342 million; and

b) for a total amount of $200 million, to be paid between September 23, 2022 and September 23, 2025. As of September 30, 2023, the Company had paid $51 million.

On April 8, 2022, the Company signed a 10-year agreement with Gol Linhas Aereas S.A. under which the Company is committed to contract a minimum amount of air logistics services for a total annual cost of $43 million (total amount once all the dedicated aircraft are in operation). Pursuant to the agreement, Gol Linhas Aereas S.A. provides logistics services in Brazil to Mercado Envios through six dedicated aircraft, five of which have already started operations as of September 30, 2023.

In connection with the closing of MELI Kaszek Pioneer Corp's ("MEKA") initial public offering on October 1, 2021, MEKA (a special purpose acquisition company sponsored by MELI Kaszek Pioneer Sponsor LLC (the "Sponsor"), which is a joint venture between Company's subsidiary MELI Capital Ventures LLC and Kaszek Ventures Opportunity II, L.P.) entered into a forward purchase agreement with the Sponsor, pursuant to which the Sponsor committed to purchase from MEKA 5 million Class A ordinary shares at a price of $10 per share in a private placement to close substantially concurrently with the consummation of MEKA's initial business combination. MEKA will be deemed to be dissolved on January 2, 2024, resulting in the extinguishment of this commitment.

11. Long term retention program (“LTRP”)

The following table summarizes the long term retention program accrued compensation expense for the nine and three-month periods ended September 30, 2023 and 2022, which are payable in cash according to the decisions made by the Board of Directors (the “Board”):

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2023	2022	2023	2022
	(In millions)		(In millions)	
LTRP 2017	$ —	$ (3)	$ —	$ 1
LTRP 2018	3	(2)	1	1
LTRP 2019	13	12	4	5
LTRP 2020	15	14	5	5
LTRP 2021	17	16	5	5
LTRP 2022	31	22	9	7
LTRP 2023	43	—	15	—
Total LTRP	$ 122	$ 59	$ 39	$ 24

12. Loans payable and other financial liabilities

The following tables summarize the Company's Loans payable and other financial liabilities as of September 30, 2023 and December 31, 2022:

	September 30, 2023	December 31, 2022
	(In millions)	
Current loans payable and other financial liabilities:		
Loans from banks	$ 489	$ 319
Bank overdrafts	—	9
Secured lines of credit	94	115
Financial Bills	—	113
Deposit Certificates	901	993
Commercial Notes	2	6
Finance lease obligations	20	14
Collateralized debt	664	535
2028 Notes	87	3
2026 Sustainability Notes	2	4
2031 Notes	4	10
Other lines of credit	9	10
	$ 2,272	$ 2,131
Non-Current loans payable and other financial liabilities:		
Loans from banks	$ 90	$ 145
Secured lines of credit	19	24
Financial Bills	8	—
Deposit Certificates	—	3
Commercial Notes	202	187
Finance lease obligations	40	37
Collateralized debt	774	703
2028 Notes	—	436
2026 Sustainability Notes	397	398
2031 Notes	651	694
Other lines of credit	1	—
	$ 2,182	$ 2,627

Type of instrument	Currency	Interest	Weighted Average Interest Rate		Maturity	September 30, 2023	December 31, 2022
						(In millions)	
Loans from banks							
Chilean Subsidiaries	Chilean Pesos	Fixed	9.99	%	October 2023 - April 2025	$ 102	$ 150
Brazilian Subsidiary (*)	US Dollar	Fixed	5.75	%	November 2023	52	—
Brazilian Subsidiary (*)	US Dollar	—	—	%	—	—	59
Brazilian Subsidiary (*)	US Dollar	Fixed	5.91	%	August 2024	162	—
Brazilian Subsidiary	Brazilian Reais	Variable	TJLP + 0.8	%	October 2023 - May 2031	9	9
Mexican Subsidiary	Mexican Pesos	Variable	TIIE + 2.20 - 3.50	%	October 2023 - June 2027	192	177
Uruguayan Subsidiary	Uruguayan Pesos	Fixed	9.90	%	October 2023	48	47
Colombian Subsidiary	Colombian Pesos	Fixed	13.98	%	November 2023	14	22
Bank overdrafts							
Uruguayan Subsidiary	Uruguayan Pesos	—	—	%	—	—	9
Secured lines of credit							
Argentine Subsidiaries	Argentine Pesos	Fixed	103.12	%	October 2023	84	107
Mexican Subsidiary	Mexican Pesos	Fixed	10.17	%	October 2023 - July 2027	29	32
Financial Bills							
Brazilian Subsidiary	Brazilian Reais	Variable	CDI + 1.15 - 1.40	%	March - June 2025	8	113
Deposit Certificates							
Brazilian Subsidiary	Brazilian Reais	—	—	%	—	—	272
Brazilian Subsidiary	Brazilian Reais	Variable	100% to 140% of CDI		October 2023 - September 2024	769	565
Brazilian Subsidiary	Brazilian Reais	Fixed	11.90 - 14.40	%	October 2023 - April 2024	92	114
Brazilian Subsidiary	Brazilian Reais	Variable	106.50% of CDI		November 2023	40	45
Commercial Notes							
Brazilian Subsidiary	Brazilian Reais	Variable	DI + 0.88	%	October 2023 - August 2027	72	71
Brazilian Subsidiary	Brazilian Reais	Variable	IPCA + 6.41	%	October 2023 - August 2029	132	122
Finance lease obligations						60	51
Collateralized debt						1,438	1,238
2028 Notes	US Dollar	Fixed	2.00	%	October - November 2023	87	439
2026 Sustainability Notes	US Dollar	Fixed	2.375	%	January 2024 - January 2026	399	402
2031 Notes	US Dollar	Fixed	3.125	%	January 2024 - January 2031	655	704
Other lines of credit						10	10
						$ 4,454	$ 4,758

(*) The carrying amount includes the effect of the derivative instrument that qualified for fair value hedge accounting. See Note 15 "Derivative instruments" for further detail.

See Notes 13 and 14 to these unaudited interim condensed consolidated financial statements for details regarding the Company's collateralized debt securitization transactions and finance lease obligations, respectively.

2.375% Sustainability Senior Notes Due 2026 and 3.125% Senior Notes Due 2031

On January 14, 2021, the Company closed a public offering of $400 million aggregate principal amount of 2.375% Sustainability Notes due 2026 (the "2026 Sustainability Notes") and $700 million aggregate principal amount of 3.125% Notes due 2031 (the "2031 Notes", and together with the 2026 Sustainability Notes, the "Notes").

In May 2023, the Company repurchased a $2 million and $44 million principal amount of the outstanding 2026 Sustainability Notes and 2031 Notes, respectively. The total amount paid amounted to $38 million. For the nine-month periods ended September 30, 2023, the Company recognized $8 million as a gain in Interest income and other financial gains in the unaudited interim condensed consolidated statements of income.

For additional information regarding the 2026 Sustainability Notes and the 2031 Notes please refer to Note 17 to the audited consolidated financial statements for the year ended December 31, 2022, contained in the Company's 2022 10-K.

2.00% Convertible Senior Notes Due 2028 ("2028 Notes")

On September 19, 2023, the Company announced its intention to redeem all its 2028 Notes on November 14, 2023. Holders of the 2028 Notes may elect to convert their notes at any time before November 13, 2023. Each $1,000 principal amount of 2028 Notes is convertible into 2.2952 shares of MercadoLibre common stock.

This conversion rate reflects an increase of 0.0399 additional shares per $1,000 principal amount of 2028 Notes above the otherwise applicable conversion rate, which applies because the notes have been called for redemption. The Company settles any conversions solely in shares of common stock, except that any fractional shares that would otherwise be deliverable are paid out in cash. The redemption price to be paid for any notes that are not converted will be 100% of the redeemed notes' principal amount plus accrued and unpaid interest up to, but excluding, the redemption date.

As of September 30, 2023, holders of the 2028 Notes converted $351 million principal amount of 2028 Notes into 806,629 shares of the Company's common stock which MercadoLibre held as treasury stock. As of September 30, 2023, these 2028 Notes conversions generated a non-cash transaction of $350 million. As of the date of issuance of these unaudited interim condensed consolidated financial statements, $379 million principal amount of 2028 Notes were converted into 869,692 shares of the Company's common stock. After all 2028 Notes' conversions mentioned, the outstanding principal amount of 2028 Notes is $60 million.

The Company entered into 2028 Notes Capped Call Transactions. The settlement averaging period with respect to the 2028 Notes Capped Call Transactions began on June 28, 2023 and ended on August 30, 2023, and the 2028 Notes Capped Call Transactions settlement date was September 1, 2023. As a result the Company received 289,675 shares of common stock.

As of September 30, 2023, the principal and issuance costs of the 2028 Notes amounted to $88 million and $1 million, respectively. As of December 31, 2022, the principal and issuance costs of the 2028 Notes amounted to $439 million and $3 million, respectively. For the nine and three-month periods ended September 30, 2023 and 2022, the Company recognized interest expense, including the amortization of issuance costs of $7 million and $2 million, in both periods, respectively.

For additional information regarding the 2028 Notes and the 2028 Notes Capped Call Transactions please refer to Note 17 to the audited consolidated financial statements for the year ended December 31, 2022, contained in the Company's 2022 10-K.

Revolving Credit Agreement

On March 31, 2022, the Company, as borrower, and certain of its Subsidiaries, as guarantors, entered into a $400 million revolving credit agreement. For additional information regarding the Credit Agreement please refer to Note 17 to the audited consolidated financial statements for the year ended December 31, 2022, contained in the Company's 2022 10-K.

As of September 30, 2023, no amounts have been borrowed under the facility.

13. Securitization Transactions

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

The Company securitizes financial assets associated with its credit card receivables and loans receivable portfolio. The Company's securitization transactions typically involve the legal transfer of financial assets to bankruptcy remote 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 generally precluded from recording the transfers of assets in securitization transactions as sales or is required to consolidate the SPE.

The Company securitizes certain credit card receivables related to users' purchases through Chilean SPEs. Under the SPE contracts, the Company has determined that it has no obligation to absorb losses or the right to receive benefits of the SPEs that could be significant because it does not retain any equity certificate of participation or subordinated interest in the SPEs. As the Company does not control the vehicles, its assets, liabilities and related results are not consolidated in the Company's financial statements.

Additionally, the Company securitizes certain credit card receivables related to users' purchases through Brazilian SPEs. Under the SPE contracts, the Company has determined that it has the obligation to absorb losses or the right to receive benefits of the SPEs that could be significant because it retains subordinated interest in the SPEs. As the Company controls the vehicles, the assets, liabilities and related results are consolidated in its financial statements.

The Company securitizes certain loans receivable through Brazilian, Argentine and Mexican SPEs, formed to securitize loans receivable 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 for the securitization transactions as if they were secured financing and therefore the assets, liabilities and related results are consolidated in its financial statements.

The following table summarizes the Company's collateralized debt under securitization transactions, as of September 30, 2023:

SPEs	Collateralized debt as of September 30, 2023	Interest rate	Currency	Maturity
Mercado Crédito I Brasil Fundo de Investimento Em Direitos Creditórios Não Padronizados	$ 201	CDI + 2.50%	Brazilian Reais	May 2025
Mercado Crédito Fundo de Investimento Em Direitos Creditórios Não Padronizado	13	CDI + 3.50%	Brazilian Reais	August 2025
Olimpia Fundo de Investimento Em Direitos Creditórios	105	CDI + 1.25%	Brazilian Reais	November 2024
Mercado Crédito II Brasil Fundo De Investimento Em Direitos Creditórios Nao Padronizados	125	CDI + 2.35%	Brazilian Reais	January 2030
Seller Fundo De Investimento Em Direitos Creditórios	208	CDI + 1.60%	Brazilian Reais	March 2026
Seller Fundo De Investimento Em Direitos Creditórios	103	CDI + 1.80%	Brazilian Reais	May 2026
Mercado Crédito Consumo XVI	2	Badlar rates plus 200 basis points with a min 60% and a max 92%	Argentine Pesos	December 2023
Mercado Crédito Consumo XVII	6	Badlar rates plus 200 basis points with a min 60% and a max 92%	Argentine Pesos	January 2024
Mercado Crédito Consumo XVIII	12	Badlar rates plus 200 basis points with a min 60% and a max 92%	Argentine Pesos	January 2024
Mercado Crédito Consumo XIX	14	Badlar rates plus 200 basis points with a min 60% and a max 92%	Argentine Pesos	February 2024
Mercado Crédito Consumo XX	17	Badlar rates plus 200 basis points with a min 60% and a max 92%	Argentine Pesos	March 2024
Mercado Crédito Consumo XXI	16	Badlar rates plus 200 basis points with a min 80% and a max 120%	Argentine Pesos	June 2024
Mercado Crédito Consumo XXII	17	Badlar rates plus 200 basis points with a min 80% and a max 120%	Argentine Pesos	June 2024
Mercado Crédito Consumo XXIII	18	Badlar rates plus 200 basis points with a min 80% and a max 120%	Argentine Pesos	August 2024
Mercado Crédito Consumo XXIV	17	Badlar rates plus 200 basis points with a min 100% and a max 140%	Argentine Pesos	October 2024
Mercado Crédito Consumo XXV (*)	17	Badlar rates plus 200 basis points with a min 100% and a max 150%	Argentine Pesos	November 2024
Mercado Crédito XVII	3	Badlar rates plus 200 basis points with a min 35% and a max 88%	Argentine Pesos	March 2024
Mercado Crédito XVIII	5	Badlar rates plus 200 basis points with a min 35% and a max 92%	Argentine Pesos	January 2024
Mercado Crédito XIX	11	Badlar rates plus 200 basis points with a min 100% and a max 140%	Argentine Pesos	August 2024
Fideicomiso de administración y fuente de pago CIB/3756	239	The equilibrium interbank interest rate published by Banco de Mexico in the Diario Oficial plus 2.35%	Mexican Pesos	August 2026
Fideicomiso de administración y fuente de pago CIB/3369	289	The equilibrium interbank interest rate published by Banco de Mexico in the Diario Oficial plus 3.0%	Mexican Pesos	April 2025
	$ 1,438			

(*) As of September 30, 2023, Loans payable owned by this trust were obtained through private placements. Mercado Crédito Consumo XXV trust made a public bond offering in the Argentine stock market on October 4, 2023.

This secured debt is issued by the SPEs and includes collateralized securities used to fund the Company's Fintech 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 unaudited interim condensed consolidated financial statements as of September 30, 2023 and December 31, 2022 as follows:

	September 30, 2023	December 31, 2022
Assets	(In millions)	
Current assets:		
Restricted cash and cash equivalents	$ 281	$ 459
Short-term investments	1	—
Credit card receivables and other means of payments, net	106	317
Loans receivable, net	1,169	799
Total current assets	1,557	1,575
Non-current assets:		
Long-term investments	24	21
Loans receivable, net	19	24
Total non-current assets	43	45
Total assets	$ 1,600	$ 1,620
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	$ —	$ 4
Loans payable and other financial liabilities	664	535
Other liabilities	4	1
Total current liabilities	668	540
Non-current liabilities:		
Loans payable and other financial liabilities	774	703
Total non-current liabilities	774	703
Total liabilities	$ 1,442	$ 1,243

14. Leases

The Company leases certain fulfillment, cross-docking and services centers, office space, aircraft, aircraft hangars, machines, and vehicles 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:

	September 30, 2023	December 31, 2022
	(In millions)	
Operating Leases		
Operating lease right-of-use assets	$ 796	$ 656
Operating lease liabilities	$ 786	$ 656
Finance Leases		
Property and equipment, at cost	106	87
Accumulated depreciation	(42)	(31)
Property and equipment, net	$ 64	$ 56
Loans payable and other financial liabilities	$ 60	$ 51

The following table summarizes the weighted average remaining lease term and the weighted average incremental borrowing rate for operating leases and the weighted average discount rate for finance leases as of September 30, 2023 and December 31, 2022:

	September 30, 2023	December 31, 2022
Weighted average remaining lease term		
Operating leases	7 Years	8 Years
Finance leases	3 Years	3 Years
Weighted average discount rate (*)		
Operating leases	10 %	10 %
Finance leases	22 %	16 %

(*) Includes discount rates of leases in local currency and U.S. dollar.

The components of lease expense were as follows:

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
	(In millions)	
Operating lease cost	$ 130	$ 91
Finance lease cost:		
Depreciation of property and equipment	15	13
Interest on lease liabilities	7	6
Total finance lease cost	$ 22	$ 19

Supplemental cash flow information related to leases was as follows:

	Nine Months Ended September 30,	
	2023	2022
	(In millions)	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 129	$ 85
Financing cash flows from finance leases	21	14
Assets obtained in exchange for lease obligations:		
Operating leases	$ 188	$ 193
Finance leases	20	15

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:

Period Ending September 30, 2023	Operating Leases	Finance Leases
	(In millions)	
One year or less	$ 171	$ 32
One year to two years	171	27
Two years to three years	144	22
Three years to four years	118	8
Four years to five years	111	—
Thereafter	384	—
Total lease payments	$ 1,099	$ 89
Less imputed interest	(313)	(29)
Total	$ 786	$ 60

15. Derivative instruments

Cash flow hedges

As of September 30, 2023, the Company used foreign currency exchange contracts to hedge the foreign currency effects related to the forecasted purchase of MPOs devices in U.S. dollars owed by a Brazilian subsidiary whose functional currency is the Brazilian Real. The Company designated the foreign currency exchange contracts as cash flow hedges, the derivative's gain or loss is initially reported as a component of accumulated other comprehensive income and subsequently reclassified into earnings in the same period the forecasted transaction affects earnings. As of September 30, 2023, the Company estimated that the whole amount of net derivative gains or losses related to its cash flow hedges included in accumulated other comprehensive income will be reclassified into earnings within the next 12 months.

In addition, the Company has entered into swap contracts to hedge the interest rate fluctuation of its variable financial debt issued by one of its Brazilian subsidiaries. The Company designated the swap contracts as cash flow hedges. The derivative's gain or loss is initially reported as a component of accumulated other comprehensive income and subsequently reclassified into earnings within the next 12 months.

Fair value hedges

The Company has entered into cross currency swap contracts to hedge the interest rate and the foreign currency exposure of its fixed-rate, foreign currency financial debt issued by its Brazilian subsidiaries. The Company designated the swap contracts as fair value hedges. The derivative's gain or loss is reported in earnings in the same line items as the change in the value of the financial debt due to the hedged risks. Since the terms of the interest rate swaps match the terms of the hedged debts, changes in the fair value of the interest rate swaps are offset by changes in the fair value of the hedged debts attributable to changes in interest rates. Accordingly, the net impact in current earnings is that the interest expense associated with the hedged debts is recorded at the floating rates.

Net investment hedge

The Company used cross currency swap contracts, to reduce the foreign currency exchange risk related to its investment in its Brazilian foreign subsidiaries and the interest rate risk. This derivative was designated as a net investment hedge and, accordingly, gains and losses are reported as a component of accumulated other comprehensive income. The derivative's gain or loss is initially reported as a component of accumulated other comprehensive income and is expected to be reclassified into earnings in the same period that the interest expense affects earnings.

Derivative instruments not designated as hedging instruments

As of September 30, 2023, the Company entered into certain foreign currency exchange contracts to hedge the foreign currency fluctuations related to certain transactions denominated in U.S. dollars of certain of its Brazilian subsidiaries, whose functional currencies are the Brazilian Real. These transactions were not designated as hedges for accounting purposes.

Finally, as of September 30, 2023, the Company entered into swap contracts to hedge the interest rate fluctuation of a certain portion of its financial debt in its Brazilian subsidiaries and VIEs. These transactions were not designated as hedges for accounting purposes.

The following table presents the notional amounts of the Company's outstanding derivative instruments:

	Notional Amount as of	
	September 30, 2023	December 31, 2022
	(In millions)	
Designated as hedging instrument		
Foreign exchange contracts	$ 62	$ 109
Interest rate swap contracts	—	229
Cross currency swap contracts	244	133
Not designated as hedging instrument		
Foreign exchange contracts	$ 39	$ 110
Interest rate swap contracts	249	480

Derivative Instrument Contracts

The fair values of the Company’s outstanding derivative instruments as of September 30, 2023 and December 31, 2022 were as follows:

	Balance sheet location	September 30, 2023	December 31, 2022
		(In millions)	
Derivative Instruments			
Foreign exchange contracts designated as cash flow hedges	Other current assets	$ —	$ 1
Cross currency swap contracts designated as fair value hedge	Other current assets	5	—
Interest rate swap contracts not designated as hedging instruments	Other non-current assets	11	—
Cross currency swap contracts designated as net investment hedge	Other current liabilities	4	2
Interest rate swap contracts designated as cash flow hedges	Other current liabilities	—	8
Cross currency swap contracts designated as fair value hedge	Other current liabilities	4	2
Interest rate swap contracts not designated as hedging instruments	Other current liabilities	7	1
Foreign exchange contracts not designated as hedging instruments	Other current liabilities	2	2
Foreign exchange contracts designated as cash flow hedges	Other current liabilities	1	2
Interest rate swap contracts not designated as hedging instruments	Other non-current liabilities	—	6
Cross currency swap contracts designated as net investment hedge	Other non-current liabilities	—	1

The effects of derivative contracts on the unaudited interim condensed consolidated statement of comprehensive income as of September 30, 2023 were as follows:

	December 31, 2022	Amount of gain (loss) recognized in other comprehensive income	Amount of (gain) loss reclassified from accumulated other comprehensive income	September 30, 2023
		(In millions)		
Foreign exchange contracts designated as cash flow hedges	$ (2)	$ (9)	$ 9	$ (2)
Interest swap contracts designated as cash flow hedges	(2)	8	(6)	—
Cross currency swap contracts designated as net investment hedge	(1)	(7)	5	(3)
	$ (5)	**$ (8)**	**$ 8**	**$ (5)**

The effect of the Company's fair value hedge relationships on the unaudited interim condensed consolidated statements of income for the nine and three-month periods ended September 30, 2023 is a loss of $9 million and a gain of $4 million, respectively, and affected interest expense and other financial losses and foreign exchange losses, net. For the nine and three-month periods ended September 30, 2022, the Company recognized a gain of $1 million that affected interest expense and other financial losses.

The carrying amount of the hedged items for fair value hedges as of September 30, 2023 and December 31, 2022 was $214 million and $59 million, respectively.

The effect of the Company's fair value hedge relationships on the unaudited interim condensed consolidated balance sheets related to cumulative basis adjustments for fair value hedges as of September 30, 2023 is less than $1 million, while as of September 30, 2022 is $1 million.

The effects of derivative contracts not designated as hedging instruments on the unaudited interim condensed consolidated statements of income for the nine and three-month periods ended September 30, 2023 and 2022 were as follows:

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2023	2022	2023	2022
	(In millions)		(In millions)	
Foreign exchange contracts not designated as hedging instruments recognized in Foreign currency losses, net	$ (10)	$ —	$ 1	$ —
Currency swap contracts not designated as hedging instruments recognized in Foreign currency losses, net	—	(23)	—	(1)
Interest rate contracts not designated as hedging instruments recognized in Interest expense and other financial losses	1	(5)	(4)	(5)

16. Share repurchase program

On February 21, 2023, the Board authorized the Company to repurchase shares of the Company's common stock, for an aggregate consideration of up to $900 million to expire on March 31, 2024. As of September 30, 2023, the estimated remaining balance available for share repurchases under this Program was $157 million.

The Company expects to purchase shares at any time and from time to time, in compliance with applicable federal securities laws, through open-market purchases, block trades, derivatives, trading plans established in accordance with SEC rules, or privately negotiated transactions. The timing of repurchases will depend on factors including market conditions and prices, the Company's liquidity requirements and alternative uses of capital. The share repurchase program may be suspended from time to time or discontinued, and there is no assurance as to the number of shares that will be repurchased under the program or that there will be any additional repurchases.

As of September 30, 2023, the Company had acquired 570,049 shares under the aforementioned share repurchase programs.

From time to time, the Company acquires shares of its own common stock in the Argentine market and pays for them in Argentine Pesos at a price that reflects the additional cost of accessing U.S. dollars through securities denominated in U.S. dollars, because of restrictions imposed by the Argentine government for buying U.S. dollars at the official exchange rate in Argentina (See Note 2 - "Summary of significant accounting policies - Argentine currency status" of these unaudited interim condensed consolidated financial statements). As a result, the Company recognized foreign currency losses of $386 million and $108 million for the nine-month periods ended September 30, 2023 and 2022 respectively, while foreign currency losses for the three-month periods ended September 30, 2023 and 2022 amounted to $173 million and $45 million, respectively.

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 Act of 1933, as amended, (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), 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. These forward-looking statements are contained throughout this report. 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 e-commerce, digital financial services and Internet usage in Latin America;
- competition;
- 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, central bank and other regulations on our business;
- credit risk and other risks of lending, such as increases in defaults by customers and other delinquencies;
- litigation and legal liability;
- security breaches and illegal uses of our services;
- systems interruptions or failures;
- our ability to attract and retain qualified personnel;
- consumer trends;
- reliance on third-party service providers;
- enforcement of intellectual property rights;
- our expectations regarding benefits and synergies from recent or future strategic investments, acquisitions of businesses, technologies, services or products;
- seasonal fluctuations;
- our indebtedness;
- volatility of market prices, impairment and unique risks related to loss of the digital assets that we acquire;
- political, social and economic conditions in Latin America; and
- our long-term sustainability goals.

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 the Company's 2022 10-K filed with the SEC on February 24, 2023 and 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 the Company's 2022 10-K. 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. Certain monetary amounts included elsewhere in this document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be the arithmetic aggregation of the figures that precede them.

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 review of our financial presentation and accounting policies, including our critical accounting policies;
- a discussion of our principal trends and results of operations for the nine and three-month periods ended September 30, 2023 and 2022;
- 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; and
- a description of our non-GAAP financial measures.

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

We are the largest online commerce ecosystem in Latin America based on unique visitors and orders processed, and we are present in 18 countries: Argentina, Brazil, Mexico, Chile, Colombia, Peru, Uruguay, Venezuela, Bolivia, Costa Rica, Dominican Republic, Ecuador, Guatemala, Honduras, Nicaragua, Panama, Paraguay and El Salvador. Our platform is designed to provide users with a complete portfolio of services to facilitate commercial transactions both digitally and offline.

Through our e-commerce platform, we provide buyers and sellers with a robust and safe environment that fosters the development of a large e-commerce community in Latin America, a region with a population of over 650 million people and with one of the fastest-growing Internet penetration and e-commerce growth rates in the world. We believe that we offer world-class technological and commercial solutions that address the distinctive cultural and geographic challenges of operating a digital commerce platform in Latin America.

We offer our users an ecosystem of six integrated e-commerce services and digital financial services: the Mercado Libre Marketplace, the Mercado Pago Fintech platform, the Mercado Envios logistics service, the Mercado Ads solution, the Mercado Libre Classifieds service and the Mercado Shops online storefronts solution.

The Mercado Libre 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 us (when we act as sellers in our first party sales), merchants and individuals to list merchandise and conduct sales and purchases digitally. The Marketplace has an ample assortment of products, with a wide range of categories such as consumer electronics, apparel and beauty, home goods, automotive accessories, toys, books and entertainment and consumer packaged goods.

To complement the Mercado Libre Marketplace and enhance the user experience for our buyers and sellers, we developed Mercado Pago, an integrated digital payments solution. Mercado Pago was initially designed to facilitate transactions on Mercado Libre's Marketplaces by providing a mechanism that allowed our users to securely, easily and promptly send and receive payments. Now Mercado Pago is a full ecosystem of financial technology solutions both in the digital and physical world. Our digital payments solution enables any MercadoLibre registered user to securely and easily send and receive digital payments and to pay for purchases made on any of Mercado Libre Marketplaces. Currently, Mercado Pago processes and settles all transactions on our Marketplaces in Argentina, Brazil, Mexico, Chile, Colombia, Uruguay, Peru and Ecuador.

Beyond facilitating Marketplace transactions, over the years we have expanded our array of Mercado Pago services to third parties outside Mercado Libre's Marketplace. We began first by satisfying the growing demand for online-based payment solutions by providing merchants the necessary digital payment infrastructure for e-commerce to flourish in Latin America. Today, Mercado Pago's digital payments business not only allows merchants to facilitate checkout and payment processes on their websites through a branded or white label solution or software development kits, but it also enables users to transfer money in a simple manner to each other through the Mercado Pago website or on Mercado Pago app. Through Mercado Pago, we brought trust to the merchant customer relationship, allowing online consumers to shop easily and safely, while giving them the confidence to share sensitive personal and financial data with us. Finally, we have also deepened our Fintech offerings by growing our online-to-offline ("O2O") products and services.

The Mercado Envios logistics solution enables sellers on our platform to utilize third-party carriers and other logistics service providers, while also providing them with fulfillment and warehousing services. The logistics services we offer are an integral part of our value proposition, as they reduce friction between buyers and sellers, and allow us to have greater control over the full experience. Sellers that opt into our logistics solutions are not only able to offer a uniform and seamlessly integrated shipping experience to their buyers at competitive prices, but are also eligible to access shipping subsidies to offer free or discounted shipping for many of their sales on our Marketplaces. In 2020, we launched Meli Air with a fleet of dedicated aircraft covering routes across Brazil and Mexico, with the aim of improving our delivery times. We have also developed a network of independent neighborhood stores and commercial points (known as "Meli Places") to receive and store packages that are in transit using our integrated technology. Meli Places network allows buyers and sellers to pick-up, drop-off, or return packages with a better experience, reducing the travel distance for all parties. As of September 30, 2023, we offer our shipping solution directed towards deliveries in Argentina, Brazil, Mexico, Chile, Colombia, Uruguay, Peru and Ecuador and we also offer free shipping to buyers in Argentina, Brazil, Mexico, Chile, Colombia, Uruguay and Peru.

Mercado Credito, our credit solution available in Argentina, Brazil, Mexico and Chile, leverages our user base, which is loyal and engaged, and in part has also been historically underserved or overlooked by financial institutions and suffers from a lack of access to needed credit. Facilitating credit is a key service overlay that enables us to further strengthen the engagement and lock-in rate of our users, while also generating additional touchpoints and incentives to use Mercado Pago as an end-to-end financial solution.

Our asset management product, which is available in Argentina, Brazil and Mexico, is a critical pillar to build our alternative two-sided network vision. It incentivizes our users to begin to fund their digital wallets with cash as opposed to credit or debit cards given that the return our product offers is greater than traditional checking accounts.

As an extension of our asset management and savings solutions for users, we launched a digital assets feature as part of the Mercado Pago wallet in Brazil in 2021, in Mexico in 2022 and in Chile in 2023. This service allows our millions of users to purchase, hold and sell selected digital assets through our interface without leaving the Mercado Pago application, while a partner acts as the custodian and offers the blockchain infrastructure platform. This feature is available for all users through their Mercado Pago wallet.

Our advertising platform, Mercado Ads, enables businesses to promote their products and services on the Internet. Through our advertising platform, MercadoLibre's brands and sellers are able to display ads on our webpages through product searches, banner ads, or suggested products. Our advertising platform enables merchants and brands to access the millions of consumers that are on our Marketplaces at any given time with the intent to purchase, which increases the likelihood of conversion.

Through Mercado Libre 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, benefiting both the Commerce and Fintech businesses.

Complementing the services that we offer, our digital storefront solution, Mercado Shops, allows users to set-up, manage and promote their own digital stores. These stores are hosted by Mercado Libre and offer integration with the rest of our ecosystem, namely our Marketplaces, payment services and logistics services. Users can create a store at no cost, and can access additional functionalities and value added services on commission.

Reporting Segments and Geographic Information

Our segment reporting is based on geography, which is the criterion our Management currently uses to evaluate our segment performance. Our geographic segments are Brazil, Argentina, Mexico and Other Countries (including Chile, Colombia, Costa Rica, Ecuador, Peru and Uruguay). 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 nine and three-month periods ended September 30, 2023 and 2022:

	Nine Months Ended September 30,		Three Months Ended September 30,	
(% of total consolidated net revenues)	**2023**	**2022**	**2023**	**2022**
Brazil	52.5 %	54.9 %	53.4 %	53.2 %
Argentina	22.7	23.7	21.9	25.1
Mexico	20.2	16.7	20.5	17.3
Other Countries	4.6	4.7	4.2	4.4

The following table summarizes the changes in our net revenues by segment for the nine and three-month periods ended September 30, 2023 and 2022:

	Nine Months Ended September 30,		Change from 2022 to 2023		Three Months Ended September 30,		Change from 2022 to 2023	
	2023	**2022**	**in Dollars**	**in %**	**2023**	**2022**	**in Dollars**	**in %**
	(in millions, except percentages)				(in millions, except percentages)			
Net Revenues:								
Brazil	$ 5,365	$ 4,134	$ 1,231	29.8 %	$ 2,006	$ 1,431	$ 575	40.2 %
Argentina	2,317	1,787	530	29.7	825	675	150	22.2
Mexico	2,066	1,257	809	64.4	772	465	307	66.0
Other Countries	464	357	107	30.0	157	119	38	31.9
Total Net Revenues	$ 10,212	$ 7,535	$ 2,677	35.5 %	$ 3,760	$ 2,690	$ 1,070	39.8 %

Critical Accounting Policies and Estimates

There have been no significant changes in our critical accounting policies, Management estimates or accounting policies since the year ended December 31, 2022 and disclosed in the Company's 2022 10-K, see "Critical Accounting Policies and Estimates". See also the section Recently Adopted Accounting Standards of Note 2 to our unaudited interim condensed consolidated financial statements included in Item 1 of Part I of this report.

Results of operations for the nine and three-month periods ended September 30, 2023 compared to the nine and three-month periods ended September 30, 2022

The selected financial data for the nine and three-month periods ended September 30, 2023 and 2022 discussed herein is derived from our unaudited interim condensed consolidated financial statements included in Item 1 of Part I of this report. The results of operations for the nine and three-month periods ended September 30, 2023, are not necessarily indicative of the results that may be expected for the full year ending December 31, 2023 or for any other period.

Statement of income data

	Nine Months Ended September 30,		Three Months Ended September 30,	
(In millions)	2023	2022	2023	2022
	(Unaudited)		(Unaudited)	
Net service revenues	$ 9,233	$ 6,766	$ 3,419	$ 2,437
Net product revenues	979	769	341	253
Net revenues	10,212	7,535	3,760	2,690
Cost of net revenues	(4,961)	(3,830)	(1,765)	(1,342)
Gross profit	5,251	3,705	1,995	1,348
Operating expenses:				
Product and technology development	(1,145)	(774)	(396)	(278)
Sales and marketing	(1,207)	(916)	(441)	(333)
Provision for doubtful accounts	(751)	(845)	(277)	(288)
General and administrative	(565)	(485)	(196)	(153)
Total operating expenses	(3,668)	(3,020)	(1,310)	(1,052)
Income from operations	1,583	685	685	296
Other income (expenses):				
Interest income and other financial gains	545	142	196	65
Interest expense and other financial losses	(297)	(221)	(111)	(92)
Foreign currency losses, net	(508)	(134)	(239)	(71)
Net income before income tax expense and equity in earnings of unconsolidated entity	1,323	472	531	198
Income tax expense	(504)	(154)	(172)	(69)
Equity in earnings of unconsolidated entity	3	(1)	—	—
Net income	$ 822	$ 317	$ 359	$ 129

Principal trends in results of operations

Net revenues

We disaggregate revenues into four geographical reporting segments. Within each of our segments, the services we provide and the products we sell generally fall into two distinct revenue streams: "Commerce" and "Fintech".

Revenues from Commerce transactions are mainly generated from:

- marketplace fees that include final value fees and flat fees for transactions below a certain merchandise value. Final value fees represent a percentage of the sale value that is charged to the seller once an item is successfully sold and flat fees represent a fixed charge for transactions below a certain merchandise value;

- first party sales, which are generated when control of the good is transferred, upon delivery to our customers;
- shipping fees, which are generated when a buyer elects to receive an item through our shipping service, net of the third-party carrier costs (when we act as an agent), and storage fees, which are charged to the seller for the utilization of the Company's fulfillment facilities;
- ad sales fees due to advertising services provided to sellers, vendors, brands and others, through performance product ads and display advertising, which are recognized based on the number of clicks or impressions;
- classifieds fees due to offerings in vehicles, real estate and services, which are charged to sellers who opt to give their listings greater exposure throughout our websites; and
- fees from other ancillary businesses.

Fintech revenues correspond to our Mercado Pago service, which are 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 loans granted under our Mercado Credito solution;
- commissions that we charge from transactions carried out with Mercado Pago credit and debit cards; and
- revenues from the sale of mobile points of sale products and insurtech fees.

Although we also process payments on the Marketplace, we do not charge sellers an added commission for this service, as it is already included in the Marketplace final value fee that we charge.

We have a highly fragmented customer revenue base given the large numbers of sellers and buyers who use our platforms. For the nine and three-month periods ended September 30, 2023 and 2022, no single customer accounted for more than 5.0% of our net revenues.

Our Mercado Libre Marketplace is available in 18 countries (Argentina, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, Peru, Mexico, Panama, Honduras, Nicaragua, El Salvador, Uruguay, Bolivia, Guatemala, Venezuela (deconsolidated since December 1, 2017) and Paraguay), and Mercado Pago is available in 8 countries (Argentina, Brazil, Mexico, Colombia, Chile, Peru, Uruguay and Ecuador). Additionally, Mercado Envios is available in 8 countries (Argentina, Brazil, Mexico, Colombia, Chile, Peru, Uruguay and Ecuador). The functional currency for each country's operations is the country's local currency, except for Argentina, where the functional currency is the U.S. dollar due to Argentina's status as a highly inflationary economy. Our net revenues are generated in multiple foreign currencies and then translated into U.S. dollars at the average monthly exchange rate. Please refer to "Summary of significant accounting policies" in Note 2 to our unaudited interim condensed consolidated financial statements for further detail on foreign currency translation.

Our net revenues grew during the nine and three-month periods ended September 30, 2023 as compared to the same periods in 2022, boosted by the growth of our gross merchandise volume and total payment volume.

The continued execution of our long-term strategies in Commerce and Fintech businesses has enabled us to deliver growth in gross merchandise volume, total payment volume and net revenues, alongside record quarterly operating results and strong cash generation.

The following table summarizes our consolidated net revenues for the nine and three-month periods ended September 30, 2023 and 2022:

	Nine Months Ended September 30,		Change from 2022 to 2023		Three Months Ended September 30,		Change from 2022 to 2023	
	2023	2022	in Dollars	in %	2023	2022	in Dollars	in %
	(in millions, except percentages)				(in millions, except percentages)			
Net revenues	$ 10,212	$ 7,535	$ 2,677	35.5 %	$ 3,760	$ 2,690	$ 1,070	39.8 %

The following table summarizes our consolidated net revenues by revenue stream and geographic segment for the nine and three-month periods ended September 30, 2023 and 2022:

Consolidated net revenues by revenue stream	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Change from 2022 to 2023 in Dollars	Change from 2022 to 2023 in %	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Change from 2022 to 2023 in Dollars	Change from 2022 to 2023 in %
	(in millions, except percentages)				(in millions, except percentages)			
Brazil								
Commerce	$ 3,167	$ 2,221	$ 946	42.6 %	$ 1,211	$ 780	$ 431	55.3 %
Fintech	2,198	1,913	285	14.9 %	795	651	144	22.1 %
	$ 5,365	$ 4,134	$ 1,231	29.8 %	$ 2,006	$ 1,431	$ 575	40.2 %
Argentina								
Commerce	$ 885	$ 800	$ 85	10.6 %	$ 310	$ 290	$ 20	6.9 %
Fintech	1,432	987	445	45.1 %	515	385	130	33.8 %
	$ 2,317	$ 1,787	$ 530	29.7 %	$ 825	$ 675	$ 150	22.2 %
Mexico								
Commerce	$ 1,372	$ 863	$ 509	59.0 %	$ 499	$ 311	$ 188	60.5 %
Fintech	694	394	300	76.1 %	273	154	119	77.3 %
	$ 2,066	$ 1,257	$ 809	64.4 %	$ 772	$ 465	$ 307	66.0 %
Other countries								
Commerce	$ 316	$ 263	$ 53	20.2 %	$ 108	$ 84	$ 24	28.6 %
Fintech	148	94	54	57.4 %	49	35	14	40.0 %
	$ 464	$ 357	$ 107	30.0 %	$ 157	$ 119	$ 38	31.9 %
Consolidated								
Commerce	$ 5,740	$ 4,147	$ 1,593	38.4 %	$ 2,128	$ 1,465	$ 663	45.3 %
Fintech	4,472	3,388	1,084	32.0 %	1,632	1,225	407	33.2 %
Total	$ 10,212	$ 7,535	$ 2,677	35.5 %	$ 3,760	$ 2,690	$ 1,070	39.8 %

See Note 8 "Segment reporting" of our unaudited interim condensed consolidated financial statements for further information regarding our net revenues disaggregated by similar products and services for the nine and three-month periods ended September 30, 2023 and 2022.

Our Commerce revenues grew $1,593 million and $663 million, or 38.4% and 45.3%, for the nine and three-month periods ended September 30, 2023, as compared to the same periods in 2022, respectively. This increase in Commerce revenues was primarily attributable to:

a) an increase of $1,380 million and $573 million in our Commerce services revenues for the nine and three-month periods ended September 30, 2023, respectively, is mainly related to a 26% and 32% increase in gross merchandise volume, respectively, a 22% and 27% increase in our shipped items, respectively, and higher flat fee contributions for low gross merchandise volume transactions. Shipping carrier costs which are netted against revenues increased $430 million and $168 million, from $1,280 million and $443 million for the nine and three-month periods ended September 30, 2022 to $1,710 million and $611 million for the nine and three-month periods ended September 30, 2023, respectively; and

b) an increase of $213 million and $90 million in our revenues from Commerce products sales for the nine and three-month periods ended September 30, 2023, respectively, as compared to the same periods in 2022, mainly in Brazil and Mexico.

Our Fintech revenues grew 32.0% and 33.2%, from $3,388 million and $1,225 million for the nine and three-month periods ended September 30, 2022, respectively, to $4,472 million and $1,632 million for the nine and three-month periods ended September 30, 2023, respectively. This increase was mainly generated by:

a) an increase of $756 million and $279 million in our revenues from Fintech services, mainly related to a 44% and 47% increase in our total payment volume, respectively; and

b) an increase of $331 million and $130 million in our credits revenues, for the nine and three-month periods ended September 30, 2023, respectively, as compared to the same periods in 2022, mainly as a consequence of higher originations.

Brazil

Commerce revenues in Brazil increased 42.6% in the nine-month period ended September 30, 2023 as compared to the same period in 2022. This increase was generated by an increase of $738 million in our Commerce services revenues and an increase of $208 million in our revenues from Commerce products sales. Fintech revenues grew by 14.9%, a $285 million increase, during the nine-month period ended September 30, 2023 as compared to the same period in 2022, mainly driven by an increase of $316 million in our revenues from Fintech services, partially offset by a decrease of $25 million in our Credits revenues.

Commerce revenues in Brazil increased 55.3% in the three-month period ended September 30, 2023 as compared to the same period in 2022. This increase was generated by an increase of $338 million in our Commerce services revenues and an increase of $93 million in our revenues from Commerce products sales. Fintech revenues grew by 22.1%, a $144 million increase, during the three-month period ended September 30, 2023 as compared to the same period in 2022, mainly driven by an increase of $130 million in our revenues from Fintech services and an increase of $17 million in our Credits revenues.

Argentina

Commerce revenues in Argentina increased 10.6% in the nine-month period ended September 30, 2023 as compared to the same period in 2022. This increase was generated by an increase of $125 million in our Commerce services revenues, partially offset by a decrease of $40 million in our revenues from Commerce products sales. Fintech revenues grew 45.1%, a $445 million increase, during the nine-month period ended September 30, 2023 as compared to the same period in 2022, mainly driven by an increase of $291 million in our revenues from Fintech services and an increase of $155 million in our Credits revenues.

Commerce revenues in Argentina increased 6.9% in the three-month period ended September 30, 2023 as compared to the same period in 2022. This increase was generated by an increase of $39 million in our Commerce services revenues, partially offset by a decrease of $19 million in our revenues from Commerce products sales. Fintech revenues grew 33.8%, a $130 million increase, during the three-month period ended September 30, 2023 as compared to the same period in 2022, mainly driven by an increase of $99 million in our revenues from Fintech services and an increase of $32 million in our Credits revenues.

Mexico

Commerce revenues in Mexico increased 59.0% in the nine-month period ended September 30, 2023 as compared to the same period in 2022. This increase was generated by an increase of $458 million in our Commerce services revenues and an increase of $51 million in our revenues from Commerce products sales. Fintech revenues grew 76.1%, a $300 million increase, during the nine-month period ended September 30, 2023 as compared to the same period in 2022, mainly driven by an increase of $198 million in our Credits revenues and an increase of $101 million in our revenues from Fintech services.

Commerce revenues in Mexico increased 60.5% in the three-month period ended September 30, 2023 as compared to the same period in 2022. This increase was generated by an increase of $172 million in our Commerce services revenues and an increase of $16 million in our revenues from Commerce products sales. Fintech revenues grew 77.3%, a $119 million increase, during the three-month period ended September 30, 2023 as compared to the same period in 2022, mainly driven by an increase of $80 million in our Credits revenues and an increase of $37 million in our revenues from Fintech services.

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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)			
2023				
Net revenues	$ 3,037	$ 3,415	$ 3,760	n/a
Percent change from prior quarter	1 %	12 %	10 %	
2022				
Net revenues	$ 2,248	$ 2,597	$ 2,690	$ 3,002
Percent change from prior quarter	5 %	16 %	4 %	12 %

The following table sets forth the growth in net revenues in local currencies, for the nine and three-month periods ended September 30, 2023 as compared to the same period in 2022:

	Change from 2022 to 2023	
(% of revenue growth in Local Currency) (*)	Nine-month period	Three-month period
Brazil	26.5 %	30.3 %
Argentina (**)	163.3 %	179.6 %
Mexico	43.8 %	39.8 %
Other countries	26.3 %	23.5 %
Total consolidated	61.8 %	69.1 %

(*) The local currency revenue growth was calculated by using the average monthly exchange rates for each month during 2022 and applying them to the corresponding months in 2023, so as to calculate what our financial results would have been if exchange rates had remained stable from one year to the next. See also "Non-GAAP Financial Measures" section below for details on FX neutral measures.

(**) Average inter-annual inflation rate in our Argentine segment for the nine and three-month periods ended September 30, 2023 was 113.4% and 125.4%, respectively. This effect was offset by an average inter-annual depreciation of the Argentine peso of 105.2% and 133.2% for the nine and three-month periods ended September 30, 2023, respectively.

Cost of net revenues

Cost of net revenues primarily includes cost of goods sold, shipping operation costs (including warehousing costs), carrier and other operating costs, collection fees, sales taxes, funding costs related to our credits business, fraud prevention fees, certain taxes on bank transactions, hosting and site operation fees, compensation for customer support personnel and depreciation and amortization. The following table presents cost of net revenues for the periods indicated:

	Nine Months Ended September 30,		Change from 2022 to 2023		Three Months Ended September 30,		Change from 2022 to 2023	
	2023	2022	in Dollars	in %	2023	2022	in Dollars	in %
	(in millions, except percentages)				(in millions, except percentages)			
Total cost of net revenues	$ 4,961	$ 3,830	$ 1,131	29.5%	$ 1,765	$ 1,342	$ 423	31.5%
As a percentage of net revenues	48.6 %	50.8%			46.9%	49.9%		

For the nine-month period ended September 30, 2023 as compared to the same period in 2022, the increase in cost of net revenues was primarily attributable to a: i) $402 million increase in shipping operating and carrier costs; ii) $197 million increase in sales taxes; iii) $181 million increase in collection fees, which was mainly attributable to our Brazilian and Mexican operations as a result of the higher transactions volume of Mercado Pago in those countries; iv) $158 million increase in other Fintech costs mainly related to higher funding costs in connection with our credits business; v) $119 million increase in cost of sales of goods mainly in Brazil and Mexico; and vi) $72 million increase in hosting and site operation fees.

For the three-month period ended September 30, 2023 as compared to the same period in 2022, the increase in cost of net revenues was primarily attributable to a: i) $164 million increase in shipping operating and carrier costs; ii) $70 million increase in collection fees, which was mainly attributable to our Brazilian, Mexican and Argentinian operations as a result of the higher transactions volume of Mercado Pago in those countries; iii) $69 million increase in sales taxes; iv) $52 million increase in other Fintech costs mainly related to higher funding costs in connection with our credits business; v) $37 million increase in cost of sales of goods mainly in Brazil; and vi) $27 million increase in hosting and site operation fees.

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 7.5% and 7.2% of net revenues for the nine and three-month periods ended September 30, 2023, respectively, and 7.5% and 7.5% for the same periods in 2022.

Gross profit margins

Our gross profit margin is defined as total net revenues minus total cost of net revenues, as a percentage of net revenues.

Our main cost of net revenues is composed of shipping operation costs (including warehousing costs), carrier and other operating costs, collection fees, sales taxes, funding costs related to our credits business, cost of goods sold, fraud prevention fees, certain taxes on bank transactions, hosting and site operation fees, compensation for customer support personnel and depreciation and amortization. This cost structure is directly affected by the level of operations of our services, and our strategic plan on gross profit is built on factors such as an ample liquidity to fund expenses and investments and a cost-effective capital structure.

For the nine and three-month periods ended September 30, 2023 and 2022, our gross profit margins were 51.4% and 53.1%, and 49.2% and 50.1%, respectively. The increase in our gross profit margins resulted primarily from the decrease in our cost of goods sold and collection fees, as a percentage of net revenues, partially offset by an increase of our funding costs related to our credits business, as a percentage of net revenues.

In the future, our gross profit margin could decline if we continue growing our sales of goods business, which has a lower pure product margin, building up our logistics network and if we fail to maintain an appropriate relationship between our cost of revenue structure and our net revenues trend.

Product and technology development expenses

Our product and technology development related expenses consist primarily of compensation for our engineering and web-development staff (including long term retention program compensation), depreciation and amortization expenses related to product and technology development, certain tax withholding related to export duties, telecommunications costs and payments to third-party suppliers who provide technology maintenance services to us. The following table presents product and technology development expenses for the periods indicated:

	Nine Months Ended September 30,		Change from 2022 to 2023		Three Months Ended September 30,		Change from 2022 to 2023	
	2023	2022	in Dollars	in %	2023	2022	in Dollars	in %
	(in millions, except percentages)				(in millions, except percentages)			
Product and technology development	$ 1,145	$ 774	$ 371	47.9%	$ 396	$ 278	$ 118	42.4%
As a percentage of net revenues	11.2 %	10.3 %			10.5%	10.3%		

For the nine-month period ended September 30, 2023, the increase in product and technology development expenses as compared to the same period in 2022 was primarily attributable to a: i) $266 million increase in salaries and wages mainly related to the increase of 23% in our product and technology development headcount and increases in amounts accrued under the LTRPs as a consequence of the increase in our common stock price; ii) $55 million increase in other product and technology development expenses mainly related to certain tax withholding in connection with intercompany export services billing duties; and iii) $40 million increase in depreciation and amortization expenses mainly related to capitalized information and technology assets.

For the three-month period ended September 30, 2023, the increase in product and technology development expenses as compared to the same period in 2022 was primarily attributable to a: i) $85 million increase in salaries and wages mainly related to the increase of 32% in our product and technology development headcount and increases in amounts accrued under the LTRPs as a consequence of the increase in our common stock price; ii) $17 million increase in other product and technology development expenses mainly related to certain tax withholding in connection with intercompany export services billing duties; and iii) $13 million increase in depreciation and amortization expenses mainly related to capitalized information and technology assets.

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

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, search engines and other sales expenses related to strategic marketing initiatives, charges related to our buyer protection program, the salaries of employees involved in these activities (including long term retention program compensation), chargebacks related to our Mercado Pago operations, branding initiatives, marketing activities for our users and depreciation and amortization expenses.

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 Mercado Libre 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.

The following table presents sales and marketing expenses for the periods indicated:

	Nine Months Ended September 30,		Change from 2022 to 2023		Three Months Ended September 30,		Change from 2022 to 2023	
	2023	2022	in Dollars	in %	2023	2022	in Dollars	in %
	(in millions, except percentages)				(in millions, except percentages)			
Sales and marketing	$ 1,207	$ 916	$ 291	31.8%	$ 441	$ 333	$ 108	32.4%
As a percentage of net revenues	11.8 %	12.2 %			11.7 %	12.4 %		

For the nine-month period ended September 30, 2023, the increase in sales and marketing expenses as compared to the same period in 2022 was primarily attributable to a: i) $121 million increase in online and offline marketing expenses mainly in Brazil; ii) $73 million increase in our buyer protection program expenses; iii) $53 million increase in salaries and wages mainly related to the increase of 29% in our sales and marketing headcount and increases in amounts accrued under the LTRPs as a consequence of the increase in our common stock price; iv) $21 million increase in sales expenses; and v) $19 million increase in chargebacks.

For the three-month period ended September 30, 2023, the increase in sales and marketing expenses as compared to the same period in 2022 was primarily attributable to a: i) $58 million increase in online and offline marketing expenses mainly in Brazil; ii) $25 million increase in our buyer protection program expenses; and iii) $19 million increase in salaries and wages mainly related to the increase of 30% in our sales and marketing headcount and increases in amounts accrued under the LTRPs as a consequence of the increase in our common stock price.

Provision for doubtful accounts

Provision for doubtful accounts consists of the current expected credit losses on our financial assets, mainly loans receivable. The following table presents provision for doubtful accounts expenses for the periods indicated:

	Nine Months Ended September 30,		Change from 2022 to 2023		Three Months Ended September 30,		Change from 2022 to 2023	
	2023	2022	in Dollars	in %	2023	2022	in Dollars	in %
	(in millions, except percentages)				(in millions, except percentages)			
Provision for doubtful accounts	$ 751	$ 845	$ (94)	(11.1)%	$ 277	$ 288	$ (11)	(3.8)%
As a percentage of net revenues	7.4 %	11.2 %			7.4%	10.7%		

For the nine and three-month periods ended September 30, 2023, as compared to the same periods in 2022, the provision for doubtful accounts decreased $94 million and $11 million, respectively. Initiatives to rebalance portfolio exposure towards lower risk customers allowed us to improve our non-performing loans ratio from 37.0% as of September 30, 2022 to 30.8% as of September 30, 2023.

General and administrative expenses

Our general and administrative expenses consist primarily of salaries for management and administrative staff, compensation of non-employee directors, long term retention program compensation, expenses for legal, audit and other professional services, insurance expenses, office space rental expenses, impairment losses from digital assets, travel and business expenses, as well as depreciation and amortization expenses. Our general and administrative expenses include the costs of the following areas: general management, finance, treasury, internal audit, administration, accounting, tax, legal and human resources. The following table presents general and administrative expenses for the periods indicated:

	Nine Months Ended September 30,		Change from 2022 to 2023		Three Months Ended September 30,		Change from 2022 to 2023	
	2023	2022	in Dollars	in %	2023	2022	in Dollars	in %
	(in millions, except percentages)				(in millions, except percentages)			
General and administrative	$ 565	$ 485	$ 80	16.5%	$ 196	$ 153	$ 43	28.1%
As a percentage of net revenues	5.5 %	6.4 %			5.2%	5.7%		

For the nine-month period ended September 30, 2023, the increase in general and administrative expenses as compared to the same period in 2022 was primarily attributable to a $84 million increase in salaries and wages, mainly related to the increase of 12% in general and administrative headcount and increases in amounts accrued under the LTRPs as a consequence of the increase in our common stock price. This increase was partially offset by a $9 million decrease in temporary services primarily related to administrative workers.

For the three-month period ended September 30, 2023, the increase in general and administrative expenses as compared to the same period in 2022 was primarily attributable to a: i) $31 million increase in salaries and wages, mainly related to the increase of 17% in general and administrative headcount and increases in amounts accrued under the LTRPs as a consequence of the increase in our common stock price; and ii) $10 million increase in tax, legal and other fees.

Operating income margins

Our operating income margin is defined as income from operations as a percentage of net revenues.

Our operating income margin is affected by our operating expenses structure, which mainly consists of our employees' salaries, our sales and marketing expenses related to those activities we incurred to promote our services, provision for doubtful accounts mainly related to our loans receivable portfolio and product and technology development expenses, among other operating expenses. As we continue to grow and focus on expanding our leadership in the region, we will continue to invest in product and technology development, sales and marketing and human resources in order to promote our services and capture long-term business opportunities. As a result, we may experience decreases in our operating income margins.

For the nine and three-month periods ended September 30, 2023, as compared to the same periods in 2022, our operating income margins increased from 9.1% and 11.0% to 15.5% and 18.2%, respectively. This increase was mainly explained by a decrease in provision for doubtful accounts, as a percentage of net revenues and our improvement in cost of net revenues margins. This increase was partially offset by higher salaries and wages due to headcount increases and increases in amounts accrued under the LTRPs as result of the increase in our common stock price. The nine and three-month periods ended September 30, 2023's financial results reflect our ongoing commitment to deliver sustainable and profitable growth.

Other expense, net

Other income (expenses), net consists primarily of interest income derived from our investments and cash equivalents, interest expense and other financial charges related to financial liabilities and foreign currency gains or losses. The following table presents other income (expense), net for the periods indicated:

	Nine Months Ended September 30,		Change from 2022 to 2023		Three Months Ended September 30,		Change from 2022 to 2023	
	2023	2022	in Dollars	in %	2023	2022	in Dollars	in %
	(in millions, except percentages)				(in millions, except percentages)			
Other expense, net	$ (260)	$ (213)	$ (47)	22.1%	$ (154)	$ (98)	$ (56)	57.1%
As a percentage of net revenues	(2.5)%	(2.8)%			(4.1)%	(3.6)%		

For the nine-month period ended September 30, 2023, the increase in other expense, net as compared to the same period in 2022 was primarily attributable to: i) foreign exchange losses that were $374 million higher than foreign exchange losses for the same period in 2022, mainly due to higher acquisition of our own common stock in the Argentine market at a price that reflects the additional cost of accessing U.S. dollars through an indirect mechanism due to restrictions imposed by the Argentine government for buying U.S. dollars at the official exchange rate (refer to Note 16 of our unaudited interim condensed consolidated financial statements for further detail) and higher foreign exchange losses from our Argentine subsidiaries, partially offset by higher foreign exchange gains from our Mexican subsidiaries and lower foreign exchange losses from our Brazilian subsidiaries; and ii) a $76 million increase in interest expense and other financial losses mainly attributable to higher levels of indebtedness in 2023 (mainly in Brazil, Mexico and Chile). This increase was partially offset by an increase of $403 million in interest income and other financial gains from financial investments as a result of higher cash levels invested due to higher interest rates (mainly in Argentina, Brazil and Mexico).

For the three-month period ended September 30, 2023, the increase in other expense, net as compared to the same period in 2022 was primarily attributable to: i) foreign exchange losses that were $168 million higher than foreign exchange losses for the same period in 2022, mainly due to higher acquisition of our own common stock in the Argentine market at a price that reflects the additional cost of accessing U.S. dollars through an indirect mechanism due to restrictions imposed by the Argentine government for buying U.S. dollars at the official exchange rate (refer to Note 16 of our unaudited interim condensed consolidated financial statements for further detail) and higher foreign exchange losses from our Argentine subsidiaries; and ii) a $19 million increase in interest expense and other financial losses mainly attributable to higher levels of indebtedness in 2023 (mainly in Brazil). This increase was partially offset by an increase of $131 million in interest income and other financial gains from financial investments as a result of higher cash levels invested due to higher interest rates (mainly in Argentina, Brazil and Mexico).

Income tax

We are subject to federal and state income tax 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.

The following table summarizes the composition of our income taxes for the nine and three-month periods ended September 30, 2023 and 2022:

	Nine Months Ended September 30,		Change from 2022 to 2023		Three Months Ended September 30,		Change from 2022 to 2023	
	2023	2022	in Dollars	in %	2023	2022	in Dollars	in %
	(in millions, except percentages)				(in millions, except percentages)			
Income tax expense	$ 504	$ 154	$ 350	227.3 %	$ 172	$ 69	$ 103	149.3 %
As a percentage of net revenues	4.9 %	2.0 %			4.6 %	2.6 %		

During the nine and three-month periods ended September 30, 2023 as compared to the same periods in 2022, income tax expense increased mainly as a result of higher income tax expense in Argentina and Brazil as a consequence of higher pre-tax gains in those segments in 2023. This increase was partially offset by income tax gains in Mexico as a result of the reversal of the valuation allowances in one of our Mexican subsidiaries during the third quarter of 2023. Please see Note 2 of our unaudited condensed consolidated financial statements for further information regarding this valuation allowance reversal.

The following table summarizes our estimated effective tax rates for the nine and three-month periods ended September 30, 2023 and 2022:

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2023	2022	2023	2022
Effective tax rate (*)	38.1%	32.6%	32.5%	34.7%

(*) Percentages have been calculated using whole-dollar amounts rather than the rounded amounts that appear in the table.

Our estimated effective tax rate for the nine-month period ended September 30, 2023 increased as compared to the same period in 2022, as a result of (i) taxable foreign exchange gains accounted for local tax purposes that are not recorded for accounting purposes since, under U.S. GAAP, Argentine operations' functional currency is the U.S. dollar due to the highly inflationary status of the country, (ii) a higher proportion of pre-tax results arising from entities under general income tax treatment regime over the Brazilian segment as compared to the same period in 2022 and (iii) higher non-deductible foreign exchange losses related to the acquisition of our own common stock in the Argentine market. This increase was partially offset by the reversal of the valuation allowances in one of our Mexican subsidiaries during the third quarter of 2023. Please see Note 2 of our unaudited condensed consolidated financial statements for further information regarding these valuation allowance reversal.

Our estimated effective tax rate for the three-month period ended September 30, 2023 decreased as compared to the same period in 2022, mainly as a result of the reversal of the valuation allowances in one of our Mexican subsidiaries during the third quarter of 2023. Please see Note 2 of our unaudited condensed consolidated financial statements for further information regarding this valuation allowances reversal. This decrease was partially offset by taxable foreign exchange gains accounted for local tax purposes, which are not recorded for accounting purposes given that under U.S. GAAP and due to Argentina's highly inflationary status, Argentina's operations' functional currency is the U.S. dollar.

The following table summarizes our estimated effective tax rates for the nine and three-month periods ended September 30, 2023 and 2022:

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2023	2022	2023	2022
Effective tax rate by country				
Argentina	43.1%	29.7%	57.2%	35.0%
Brazil	17.0%	(20.2)%	18.6%	(95.0)%
Mexico	(21.0)%	43.4%	(126.3)%	11.9%

The increase in our Argentine estimated effective income tax rate during the nine and three-month periods ended September 30, 2023, as compared to the same periods in 2022, was mainly related to higher taxable foreign exchange gains accounted for local tax purposes which are not recorded for accounting purposes since, under U.S. GAAP, Argentine operations' functional currency is the U.S. dollar due to the highly inflationary status of the country.

The increase in our Brazilian estimated effective income tax rate for the nine and three-month periods ended September 30, 2023, was mainly related to a higher proportion of pre-tax results arising from entities under general income tax treatment regime over the Brazilian segment as compared to the same periods in 2022.

The decrease in our Mexican estimated effective income tax rate for the nine and three-month periods ended September 30, 2023, was mainly driven by the income tax gains recognized in Mexico during the third quarter of 2023 as a result of the reversal of the valuation allowance in one of our Mexican subsidiaries due to the change in judgment regarding the realizability of the deferred tax assets of the Mexican subsidiary that was triggered during the three-month period ended September 30, 2023, as positive trends observed in recent periods became enough evidence to support the conclusion. Please see Note 2 of our unaudited condensed consolidated financial statements for further information regarding this valuation allowance reversal.

Segment information

	Nine Months Ended September 30, 2023				
	Brazil	Argentina	Mexico	Other Countries	Total
	(In millions, except percentages)				
Net revenues	$ 5,365	$ 2,317	$ 2,066	$ 464	$ 10,212
Direct costs	(4,027)	(1,289)	(1,593)	(429)	(7,338)
Direct contribution	$ 1,338	$ 1,028	$ 473	$ 35	$ 2,874
Margin	24.9%	44.4%	22.9%	7.5%	28.1%

	Nine Months Ended September 30, 2022				
	Brazil	Argentina	Mexico	Other Countries	Total
	(In millions, except percentages)				
Net revenues	$ 4,134	$ 1,787	$ 1,257	$ 357	$ 7,535
Direct costs	(3,472)	(1,068)	(1,075)	(348)	(5,963)
Direct contribution	$ 662	$ 719	$ 182	$ 9	$ 1,572
Margin	16.0%	40.2%	14.5%	2.5%	20.9%

	Change from the Nine Months Ended September 30, 2022 to September 30, 2023				
	Brazil	Argentina	Mexico	Other Countries	Total
	(In millions, except percentages)				
Net revenues					
in Dollars	1,231	530	809	107	2,677
in %	29.8 %	29.7 %	64.4 %	30.0 %	35.5 %
Direct costs					
in Dollars	(555)	(221)	(518)	(81)	(1,375)
in %	16.0 %	20.7 %	48.2 %	23.3 %	23.1 %
Direct contribution					
in Dollars	676	309	291	26	1,302
in %	102.1 %	43.0 %	159.9 %	288.9 %	82.8 %

	Three Months Ended September 30, 2023				
	Brazil	Argentina	Mexico	Other Countries	Total
	(In millions, except percentages)				
Net revenues	$ 2,006	$ 825	$ 772	$ 157	$ 3,760
Direct costs	(1,435)	(441)	(605)	(150)	(2,631)
Direct contribution	$ 571	$ 384	$ 167	$ 7	$ 1,129
Margin	28.5%	46.5%	21.6%	4.5%	30.0%

	Three Months Ended September 30, 2022				
	Brazil	Argentina	Mexico	Other Countries	Total
	(In millions, except percentages)				
Net revenues	$ 1,431	$ 675	$ 465	$ 119	$ 2,690
Direct costs	(1,209)	(376)	(384)	(121)	(2,090)
Direct contribution	$ 222	$ 299	$ 81	$ (2)	$ 600
Margin	15.5%	44.3%	17.4%	(1.7)%	22.3%

	Change from the Three Months Ended September 30, 2022 to September 30, 2023				
	Brazil	Argentina	Mexico	Other Countries	Total
	(In millions, except percentages)				
Net revenues					
in Dollars	$ 575	$ 150	$ 307	$ 38	$ 1,070
in %	40.2%	22.2%	66.0%	31.9 %	39.8%
Direct costs					
in Dollars	$ (226)	$ (65)	$ (221)	$ (29)	$ (541)
in %	18.7%	17.3%	57.6%	24.0%	25.9%
Direct contribution					
in Dollars	$ 349	$ 85	$ 86	$ 9	$ 529
in %	157.2%	28.4%	106.2 %	450.0%	88.2%

Net revenues

Net revenues for the nine and three-month periods ended September 30, 2023 as compared to the same periods in 2022 are described above in "Item 2 — Management's Discussion and Analysis of Financial Condition and Results of Operations—Principal trends in results of operations— Net revenues".

Direct costs

Brazil

For the nine-month period ended September 30, 2023, as compared to the same period in 2022, direct costs increased mainly driven by: i) a $610 million increase in cost of net revenues, mainly attributable to an increase in shipping operating and carrier costs, sales taxes, cost of goods sold, collection fees as a consequence of the higher transactions volume of our Mercado Pago business and hos ting expenses; and ii) a $109 million increase in sales and marketing expenses, mainly due to an increase in online and offline marketing expenses, buyer protection program expenses and salaries and wages (related to headcount increase and increases in amounts accrued under the LTRPs as a consequence of the increase in our common stock price). This was partially offset by a decrease of $182 million in provision for doubtful accounts mainly related to our initiatives to rebalance portfolio exposure towards lower risk customers, which allowed us to improve our non-performing loans ratio.

For the three-month period ended September 30, 2023, as compared to the same period in 2022, direct costs increased mainly driven by: i) a $228 million increase in cost of net revenues, mainly attributable to an increase in shipping operating and carrier costs, cost of goods sold, sales taxes and collection fees as a consequence of the higher transactions volume of our Mercado Pago business; and ii) a $33 million increase in sales and marketing expenses, mainly due to an increase in online and offline marketing expenses and buyer protection program expenses. This was partially offset by a decrease of $47 million in provision for doubtful accounts mainly related to our initiatives to rebalance portfolio exposure towards lower risk customers, which allowed us to improve our non-performing loans ratio.

Argentina

For the nine-month period ended September 30, 2023, as compared to the same period in 2022, direct costs increased mainly driven by: i) a $171 million increase in cost of net revenues, mainly attributable to an increase in other payments costs in connection with higher funding cost related to our credits business, sales taxes and shipping operating and carrier costs; and ii) a $35 million increase in sales and marketing expenses, mainly due to buyer protection program expenses, chargebacks, salaries and wages (related to headcount increase and increases in amounts accrued under the LTRPs as a consequence of the increase in our common stock price) and online and offline marketing expenses.

For the three-month period ended September 30, 2023, as compared to the same period in 2022, direct costs increased mainly driven by: i) a $48 million increase in cost of net revenues, mainly attributable to an increase in other payments costs in connection with higher funding cost related to our credits business, sales taxes and collection fees as a consequence of the higher transactions volume of our Mercado Pago business; and ii) a $12 million increase in sales and marketing expenses, mainly due to online and offline marketing expenses, buyer protection program expenses and salaries and wages (related to headcount increase and increases in amounts accrued under the LTRPs as a consequence of the increase in our common stock price).

Mexico

For the nine-month period ended September 30, 2023, as compared to the same period in 2022, direct costs increased mainly driven by: i) a $332 million increase in cost of net revenues, mainly attributable to increases in shipping operating and carrier costs, collection fees due to higher Mercado Pago penetration, cost of goods sold as a consequence of an increase in first-party sales, other payments costs mainly related to higher funding cost related to our credits business and hosting expenses; ii) an $85 million increase in sales and marketing expenses, mainly due to buyer protection program expenses, online and offline marketing expenses, sales expenses, salaries and wages (related to headcount increase and increases in amounts accrued under the LTRPs as a consequence of the increase in our common stock price) and chargebacks; and iii) an $83 million increase in provision for doubtful accounts mainly related to our consumer credits business growth.

For the three-month period ended September 30, 2023, as compared to the same period in 2022, direct costs increased mainly driven by: i) a $139 million increase in cost of net revenues, mainly attributable to increases in shipping operating and carrier costs, collection fees due to higher Mercado Pago penetration, cost of goods sold as a consequence of an increase in first-party sales, other payments costs mainly related to higher funding cost related to our credits business and hosting expenses; ii) a $38 million increase in provision for doubtful accounts mainly related to our consumer credits business growth; and iii) a $38 million increase in sales and marketing expenses, mainly due to an increase in online and offline marketing expenses and buyer protection program expenses.

Liquidity and capital resources

Our main cash requirement has been working capital to fund Mercado Pago financing operations and our credits business. We also require cash for capital expenditures related to technology infrastructure, software applications, office space, business acquisitions, to build out our logistics capacity and to make interest payments on our loans payable and other financial liabilities.

We have funded Mercado Pago mainly by selling credit card receivables and through credit lines. Additionally, we have financed our Mercado Pago and Mercado Credito businesses through the securitization of credit card receivables and certain loans through SPEs created in Brazil, Mexico and Argentina. Finally, we obtained funding through our financial institution in Brazil through deposit certificates and financial bills. Refer to Notes 12 and 13 of our unaudited interim condensed consolidated financial statements for further detail.

We committed to purchase cloud services for: i) a total amount of $824 million to be paid within a 5-year period starting on October 1, 2021 and ii) a total amount of $200 million to be paid within a 3-year period starting on September 23, 2022. Please refer to Note 10 of our unaudited interim condensed consolidated financial statements for further detail on purchase commitments.

Further, in connection with the closing of MELI Kaszek Pioneer Corp ("MEKA")'s initial public offering on October 1, 2021, MEKA (a special purpose acquisition company sponsored by MELI Kaszek Pioneer Sponsor LLC (the "Sponsor"), which is a joint venture between our subsidiary, MELI Capital Ventures LLC, and Kaszek Ventures Opportunity II, L.P.) entered into a forward purchase agreement with the Sponsor, pursuant to which the Sponsor committed to purchase from MEKA 5 million Class A ordinary shares at a price of $10 per share in a private placement to close substantially concurrently with the consummation of MEKA's initial business combination. MEKA will be deemed to be dissolved on January 2, 2024, resulting in the extinguishment of this commitment.

On April 8, 2022, we signed a 10-year agreement with Gol Linhas Aereas S.A. under which we committed to contract a minimum amount of air logistics services for a total annual cost of $43 million (total amount once all the dedicated aircraft are in operation). Pursuant to the agreement, Gol Linhas Aereas S.A. will provide logistics services in Brazil to Mercado Envios through six dedicated aircraft, five of which have already started operations as of September 30, 2023.

Additionally, we have several committed leases, mainly related to our fulfillment and service centers, which are one of the most important investments for our Mercado Envios business. As of September 30, 2023, we have committed rental expenditures with our lessors for $1,099 million and $89 million for operating leases and finance leases, respectively. See Note 14 of our unaudited interim condensed consolidated financial statements for further detail on leases.

We and certain financial institutions participate in a supplier finance program ("SFP") that enables certain of our suppliers, at their own election, to request the payment of their invoices to the financial institutions earlier than the terms stated in our payment policy. Suppliers' voluntary inclusion of invoices in the SFP does not change our payment terms, the amounts paid or liquidity. We have no economic interest in a supplier's decision to participate in the SFP and have no financial impact in connection with the SFP. As of September 30, 2023, the obligations outstanding that the Company has confirmed as valid to the financial institutions amounted to $302 million, and are included in the balance sheet within accounts payable and accrued expenses line.

During August 2022, we issued commercial notes in Brazil (denominated in Brazilian Real) for $198 million (considering the exchange rate as of the date of issuance), the main purpose of which is to continue investing in capital expenditures for our shipping business, in order to continue developing our shipping strategy. See Note 12 of our unaudited interim condensed consolidated financial statements for further detail.

Finally, on March 31, 2022, we entered into a $400 million revolving credit arrangement ("the Credit Arrangement"). The interest rates under the Credit Arrangement are based on Adjusted Term SOFR plus an interest margin of 1.25% per annum. Any loans drawn under the Credit Arrangement must be repaid on or prior to March 31, 2025. We are also obligated to pay a commitment fee on the unused amounts of the facility at an annual rate of 0.3125%. As of September 30, 2023, no amounts had been borrowed under the facility. See Note 12 of our unaudited interim condensed consolidated financial statements for further detail.

As of September 30, 2023, our main source of liquidity was $3,722 million of cash and cash equivalents and short-term investments, which excludes $1,769 million investment mainly related to the Central Bank of Brazil Mandatory Guarantee, and consists mainly of cash generated from operations and proceeds from loans.

As of September 30, 2023, cash and cash equivalents, restricted cash and cash equivalents and investments of our non-U.S. subsidiaries amounted to $5,719 million or 85.0% of our consolidated cash and cash equivalents, restricted cash and cash equivalents and investments, and our cash and cash equivalent, restricted cash and cash equivalent and investments held outside U.S. amounted to 77.5% of our consolidated cash and cash equivalents, restricted cash and cash equivalents and investments. Our non-U.S. dollar-denominated cash and investments are located primarily in Brazil, Mexico and Argentina.

The following table presents our cash flows from operating activities, investing activities and financing activities for the nine-month periods ended September 30, 2023 and 2022:

(In millions)	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Net cash provided by (used in):		
Operating activities	$ 3,212	$ 1,398
Investing activities	(2,536)	(3,225)
Financing activities	(340)	928
Effect of exchange rates on cash and cash equivalents, restricted cash and cash equivalents	(443)	(221)
Net decrease in cash and cash equivalents, restricted cash and cash equivalents	$ (107)	$ (1,120)

Net cash provided by operating activities

	Nine Months Ended September 30,		Change from 2022 to 2023	
	2023	2022	in Dollars	in %
	(in millions, except percentages)			
Net cash provided by:				
Operating activities	$ 3,212	$ 1,398	$ 1,814	129.8 %

Net cash provided by operating activities in the nine-month period ended September 30, 2023 resulted mainly from our net income of $822 million, adjustments to net income related to non-cash items of $1,546 million, an increase in payables and accrued expenses of $605 million and in funds payable to customers of $440 million, partially offset by an increase in credit card receivables and other means of payments of $361 million. The $1,814 million increase in the net cash provided by operating activities in the nine-month period ended September 30, 2023, as compared to the same period in 2022, is mainly explained by the $505 million increase in net income and the $233 million increase in unrealized foreign currency losses, together with an increase of $407 million in funds related to credit card receivables and other means of payments, due to higher credit card receivables sales.

Net cash used in investing activities

	Nine Months Ended September 30,		Change from 2022 to 2023	
	2023	2022	in Dollars	in %
	(in millions, except percentages)			
Net cash used in:				
Investing activities	$ (2,536)	$ (3,225)	$ 689	(21.4)%

Net cash used in investing activities in the nine-month period ended September 30, 2023 resulted mainly from the use of $1,465 million related to changes on loans receivable due to loans granted to merchants and consumers under our Mercado Credito solution net of collections and $329 million in the investment of property and equipment (mainly related to our shipping network and information technology assets in Argentina, Brazil and Mexico).

Net cash (used in) provided by financing activities

	Nine Months Ended September 30,		Change from 2022 to 2023	
	2023	2022	in Dollars	in %
	(in millions, except percentages)			
Net cash (used in) provided by:				
Financing activities	$ (340)	$ 928	$ (1,268)	(136.6)%

For the nine-month period ended September 30, 2023, our net cash used in financing activities resulted primarily from $356 million related to repurchases of our common stock and $21 million for the payments of finance lease obligations.

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

2028 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, which pay interest in cash semi-annually, on February 15 and August 15, at a rate of 2.00% per annum.

In January 2021, we signed agreements with 2028 Notes holders to repurchase $440 million principal amount of our outstanding 2028 Notes. The total amount paid amounted to $1,865 million, which includes principal, interest accrued and premium.

On September 19, 2023, we announced our intention to redeem all our 2028 Notes on November 14, 2023. Holders of the 2028 Notes may elect to convert their notes at any time before November 13, 2023. Each $1,000 principal amount of 2028 Notes is convertible into 2.2952 shares of MercadoLibre common stock. As of September 30, 2023, holders of the 2028 Notes converted $351 million principal amount of 2028 Notes into 806,629 shares of the Company's common stock which MercadoLibre held as treasury stock. As of September 30, 2023, $88 million of principal amount of 2028 Notes remains outstanding. As of the date of issuance of this quarterly report, $379 million of principal amount of 2028 Notes was converted into 869,692 shares of our common stock. After all the 2028 Notes' conversions mentioned, the outstanding principal amount of 2028 Notes is $60 million.

Please refer to Note 12 to our unaudited interim condensed consolidated financial statements for additional information regarding the 2028 Notes and the related capped call transactions.

Debt Securities Guaranteed by Subsidiaries

On January 14, 2021, we issued $400 million aggregate principal amount of the 2026 Sustainability Notes and $700 million aggregate principal amount of the 2031 Notes. The payment of principal, premium, if any, interest, and all other amounts in respect of each of the Notes, is fully and unconditionally guaranteed (the "Subsidiary Guarantees"), jointly and severally, on an unsecured basis, by certain of our subsidiaries (the "Subsidiary Guarantors"). The initial Subsidiary Guarantors were MercadoLibre S.R.L., Ibazar.com Atividades de Internet Ltda., eBazar.com.br Ltda., Mercado Envios Servicos de Logistica Ltda., Mercado Pago Instituição de Pagamento Ltda. (formerly known as "MercadoPago.com Representações Ltda."), MercadoLibre Chile Ltda., MercadoLibre, S.A. de C.V., Institución de Fondos de Pago Electrónico (formerly known as "MercadoLibre, S. de R.L. de C.V."), DeRemate.com de México, S. de R.L. de C.V. and MercadoLibre Colombia Ltda. On October 27, 2021, MercadoLibre, S.A. de C.V., Institución de Fondos de Pago Electrónico became an excluded subsidiary pursuant to the terms of the Notes and it was released from its Subsidiary Guaranty. On October 27, 2021, MP Agregador, S. de R.L. de C.V. became a Subsidiary Guarantor under the Notes . On July 1 and October 1, 2022, Ibazar.com Atividades de Internet Ltda. and Mercado Envios Servicos de Logistica Ltda. were merged into eBazar.com.br Ltda., respectively.

We pay interest on the Notes on January 14 and July 14 of each year, beginning on July 14, 2021. The 2026 Sustainability Notes will mature on January 14, 2026, and the 2031 Notes will mature on January 14, 2031.

The Notes rank equally in right of payment with all of the Company's other existing and future senior unsecured debt obligations. Each Subsidiary Guarantee will rank equally in right of payment with all of the Subsidiary Guarantor's other existing and future senior unsecured debt obligations, except for statutory priorities under applicable local law.

Each Subsidiary Guarantee will be limited to the maximum amount that would not render the Subsidiary Guarantor's obligations subject to avoidance under applicable fraudulent conveyance provisions of applicable law. By virtue of this limitation, a Subsidiary Guarantor's obligation under its Subsidiary Guarantee could be significantly less than amounts payable with respect to the Notes, or a Subsidiary Guarantor may have effectively no obligation under its Subsidiary Guarantee.

Under the indenture governing the Notes, the Subsidiary Guarantee of a Subsidiary Guarantor will terminate upon: (i) the sale, exchange, disposition or other transfer (including by way of consolidation or merger) of the Subsidiary Guarantor or the sale or disposition of all or substantially all the assets of the Subsidiary Guarantor (other than to the Company or a Subsidiary) otherwise permitted by the indenture, (ii) satisfaction of the requirements for legal or covenant defeasance or discharge of the Notes, (iii) the release or discharge of the guarantee by such Subsidiary Guarantor of the Triggering Indebtedness (as defined in the applicable indenture) or the repayment of the Triggering Indebtedness, in each case, that resulted in the obligation of such Subsidiary to become a Subsidiary Guarantor, provided that in no event shall the Subsidiary Guarantee of an Initial Subsidiary Guarantor terminate pursuant to this provision, or (iv) such Subsidiary Guarantor becoming an Excluded Subsidiary (as defined in the applicable indenture) or ceasing to be a Subsidiary.

We may, at our option, redeem the 2026 Sustainability Notes, in whole or in part, at any time prior to December 14, 2025 (the date that is one month prior to the maturity of the 2026 Sustainability Notes) and the 2031 Notes, in whole or in part, at any time prior to October 14, 2030 (the date that is three months prior to the maturity of the 2031 Notes), in each case by paying 100% of the principal amount of such Notes so redeemed plus the applicable "make-whole" amount and accrued and unpaid interest and additional amounts, if any. We may, at our option, redeem the 2026 Sustainability Notes, in whole or in part, on December 14, 2025 or at any time thereafter and the 2031 Notes on October 14, 2030 or at any time thereafter, in each case at the redemption price of 100% of the principal amount of such Notes so redeemed plus accrued and unpaid interest and additional amounts, if any. If we experience certain change of control triggering events, we may be required to offer to purchase the notes at 101% of their principal amount plus any accrued and unpaid interest thereon through the purchase date.

In May 2023, we repurchased a $2 million and $44 million principal amount of the outstanding 2026 Sustainability Notes and 2031 Notes, respectively. The total amount paid amounted to $38 million. For the nine and three-month periods ended September 30, 2023, we recognized $8 million as a gain in Interest income and other financial gains in our unaudited interim condensed consolidated statements of income.

See Note 12 of our unaudited condensed consolidated financial statements for additional detail.

We are presenting the following summarized financial information for the issuer and the Subsidiary Guarantors (together, the "Obligor Group") pursuant to Rule 13-01 of Regulation S-X, Guarantors and Issuers of Guaranteed Securities Registered or Being Registered. For purposes of the following summarized financial information, transactions between the Company and the Subsidiary Guarantors, presented on a combined basis, have been eliminated. Financial information for the non-guarantor subsidiaries, and any investment in a non-guarantor subsidiary by the Company or by any Subsidiary Guarantor, have been excluded. Amounts due from, due to and transactions with the non-guarantor subsidiaries and other related parties, as applicable, have been separately presented in footnotes.

Summarized balance sheet information for the Obligor Group as of September 30, 2023 and December 31, 2022 is provided in the table below:

(In millions)	**September 30, 2023**	**December 31, 2022**
Current assets (1) (2)	$ 10,636	$ 7,966
Non-current assets (3)	2,786	2,693
Current liabilities (4)	9,087	7,214
Non-current liabilities	2,171	2,547

(1) Includes restricted cash and cash equivalents of $439 million and $687 million and guarantees in short-term investments of $1,762 million and $1,219 million as of September 30, 2023, and December 31, 2022, respectively.

(2) Includes Current assets from non-guarantor subsidiaries of $1,994 million and $863 million as of September 30, 2023, and December 31, 2022, respectively.

(3) Includes Non-current assets from non-guarantor subsidiaries of $252 million and $410 million as of September 30, 2023, and December 31, 2022, respectively.

(4) Includes Current liabilities to non-guarantor subsidiaries of $1,816 million and $1,334 million as of September 30, 2023, and December 31, 2022, respectively.

Summarized statement of income information for the Obligor Group for the nine-month period ended September 30, 2023, is provided in the table below:

(In millions)		September 30, 2023
Net revenues (1)	$	8,397
Gross profit (2)		4,088
Income from operations (3)		1,178
Net income (4)		489

(1) Includes net revenues from transactions with non-guarantor subsidiaries of $49 million for the nine-month period ended September 30, 2023.

(2) Includes charges from transactions with non-guarantor subsidiaries of $446 million for the nine-month period ended September 30, 2023.

(3) In addition to the charges included in Gross profit, Income from operations includes charges from transactions with non-guarantor subsidiaries of $603 million for the nine-month period ended September 30, 2023.

(4) Includes other income/ (expense), net from transactions with non-guarantor subsidiaries of $(83) million for the nine-month period ended September 30, 2023.

Capital expenditures

Our capital expenditures (comprised of our investments for property and equipment (such as certain assets used in our fulfillment centers), intangible assets (excluding digital assets)) for the nine-month periods ended September 30, 2023 and 2022 amounted to $329 million and $343 million, respectively.

During the nine-month period ended September 30, 2023, we invested $159 million in information and technology assets in Brazil, Argentina and Mexico, and $153 million in our Argentine, Brazilian and Mexican shipping premises and 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 and logistics network capacity in the future as we strive to maintain our position in the Latin American e-commerce and fintech market.

We believe that our existing cash and cash equivalents, including the sale of credit card receivables, short-term investments and cash generated from operations, will be sufficient to fund our operating activities, property and equipment expenditures and to pay or repay obligations in the foreseeable future.

Other data

The following table includes eight key performance indicators, which are calculated as defined in the footnotes to the table. Each of these indicators provide a different measure of the level of activity on our ecosystem, and we use them to monitor the performance of the business.

(in millions, except percentages) (*)	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022
Unique active users (1)	167	127	120	88
Gross merchandise volume (2)	$ 31,299	$ 24,834	$ 11,360	$ 8,618
Number of items sold (3)	991	826	357	284
Number of items shipped (4)	970	794	350	276
Total payment volume (5)	$ 126,307	$ 87,683	$ 47,256	$ 32,170
Total volume of payments on marketplace (6)	$ 32,997	$ 26,180	$ 11,973	$ 9,089
Total payment transactions (7)	6,515	3,792	2,508	1,439
NIMAL (8)	35.1 %	29.0 %	37.4 %	29.7 %
Capital expenditures	$ 329	$ 343	$ 126	$ 106
Depreciation and amortization	$ 389	$ 281	$ 135	$ 97

(*) Figures have been calculated using rounded amounts. Growth calculations based on this table may not total due to rounding.

(1) New or existing user who performed at least one of the following actions during the reported period: (1) made one purchase, or reservation, or asked one question on Mercado Libre Marketplace or Classified Marketplace (2) maintained an active listing on Mercado Libre Marketplace or Classified Marketplace (3) maintained an active account in Mercado Shops (4) made a payment, money transfer, collection and/or advance using Mercado Pago (5) maintained an outstanding credit line through Mercado Credito or (6) maintained a balance of more than $5 invested in a Mercado Fondo asset management account. Management uses this metric to evaluate the size of our community of users who interact with the ecosystem and of which we have the opportunity to generate further engagement. With the changes in our businesses we believe it provides a better indication of our active user base rather than our discontinued registration metric that did not reflect any sort of interaction.

(2) Total U.S. dollar sum of all transactions completed through the Mercado Libre Marketplace, excluding Classifieds transactions.

(3) Number of items that were sold/purchased through the Mercado Libre Marketplace, excluding Classifieds items.

(4) Number of items that were shipped through our shipping service.

(5) Total U.S. dollar sum of all transactions paid for using Mercado Pago, including marketplace and non-marketplace transactions.

(6) Total U.S. dollar sum of all marketplace transactions paid for using Mercado Pago. Management uses this metric to evaluate the performance of our payments services and development of our integrated ecosystem. As from January 1, 2022, we no longer disclose our total volume of payments on marketplace net of shipping and financing fees. Given the growth of our shipping and Fintech businesses, Management believes that including shipping and financing fees in the calculation of total volume of payments on marketplace results in a more accurate indicator of that performance on a go-forward basis. Consequently, total volume of payment on marketplace for the nine and three-month periods ended September 30, 2022 has been recast to include shipping and financing fees.

(7) Number of all transactions paid for using Mercado Pago.

(8) Net interest margins after losses ("NIMAL") represents the annualized ratio between the total credits revenues less funding costs and provision for doubtful accounts for the period and total average gross loans receivable for the period. Management uses NIMAL to monitor how effectively the Company is pricing and managing the credit products relative to their risk and setting targets. Accordingly, Management is of the opinion that NIMAL provides useful information to investors and others related to the Company's risk appetite through the different periods and shows how the Company effectively prices risk.

Non-GAAP Measures of Financial Performance

To supplement our unaudited interim condensed consolidated financial statements presented in accordance with U.S. GAAP, we present earnings before interest income and other financial gains, interest expense and other financial losses, foreign currency losses, net, income tax expense, depreciation and amortization and equity in earnings of unconsolidated entity ("Adjusted EBITDA"), net debt and foreign exchange ("FX") neutral measures as non-GAAP measures. Reconciliation of these non-GAAP financial measures to the most comparable U.S. GAAP financial measures can be found in the tables below.

These non-GAAP measures 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, 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 our results of operations as determined in accordance with U.S. GAAP. These non-GAAP financial measures should only be used to evaluate our results of operations in conjunction with the most comparable U.S. GAAP financial measures.

We believe that reconciliation of these non-GAAP measures to the most directly comparable GAAP measure provides investors an overall understanding of our current financial performance and its prospects for the future.

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP financial measure that represents our net income, adjusted to eliminate the effect of depreciation and amortization charges, interest income and other financial gains, interest expense and other financial losses, foreign currency losses, net, income tax expense and equity in earnings of an unconsolidated entity. We have included this non-GAAP financial measure because it is used by our Management to evaluate our operating performance and trends, make strategic decisions and the calculation of leverage ratios. Accordingly, we believe this measure provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our Management. In addition, it provides a useful measure for period-to-period comparisons of our business, as it removes the effect of certain items.

The following table presents a reconciliation of net income to Adjusted EBITDA for the period indicated (in millions of U.S. dollars):

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2023	2022	2023	2022
Net income	$ 822	$ 317	$ 359	$ 129
Adjustments:				
Depreciation and amortization	389	281	135	97
Interest income and other financial gains	(545)	(142)	(196)	(65)
Interest expense and other financial losses	297	221	111	92
Foreign currency losses, net	508	134	239	71
Income tax expense	504	154	172	69
Equity in earnings of unconsolidated entity	(3)	1	—	—
Adjusted EBITDA	$ 1,972	$ 966	$ 820	$ 393

Net debt

We define net debt as total debt which includes current and non-current loans payable and other financial liabilities and current and non-current operating lease liabilities, less cash and cash equivalents, short-term investments and long-term investments, excluding foreign government debt securities restricted and held in guarantee, securitization transactions and equity securities held at cost. We have included this non-GAAP financial measure because it is used by our Management to analyze our current leverage ratios and set targets to be met, which will also impact other components of the Company's balance sheet, cash flows and income statement. Accordingly, we believe this measure provides useful information to investors and other market participants in showing the evolution of the Company's indebtedness and its capability of repayment as a means to, alongside other measures, monitor our leverage based on widely-used measures.

The following table presents a reconciliation of net debt for each of the periods indicated (in millions of U.S. dollars):

	September 30, 2023	December 31, 2022
Current Loans payable and other financial liabilities	$ 2,272	$ 2,131
Non-current Loans payable and other financial liabilities	2,182	2,627
Current Operating lease liabilities	171	142
Non-current Operating lease liabilities	615	514
Total debt	$ 5,240	$ 5,414
Less:		
Cash and cash equivalents	$ 2,171	$ 1,910
Short-term investments (1)	1,551	1,120
Long-term investments (2)	52	245
Net debt	$ 1,466	$ 2,139

(1) Excludes foreign government debt securities restricted and held in guarantee and investments held in VIEs as a consequence of securitization transactions.

(2) Excludes foreign government debt securities restricted, investments held in VIEs as a consequence of securitization transactions and equity securities held at cost.

FX neutral

We believe that FX neutral measures 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 2022 and applying them to the corresponding months in 2023, so as to calculate what our results would have been had exchange rates remained stable from one year to the next. The table below excludes intercompany allocation FX effects. Finally, these measures do 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 nine and three-month periods ended September 30, 2023:

	Nine Months Ended September 30,					
	As reported			FX Neutral Measures	As reported	
(In millions, except percentages)	2023	2022	Percentage Change	2023	2022	Percentage Change
	(Unaudited)			(Unaudited)		
Net revenues	$ 10,212	$ 7,535	35.5 %	$ 12,195	$ 7,535	61.8 %
Cost of net revenues	(4,961)	(3,830)	29.5 %	(5,742)	(3,830)	49.9 %
Gross profit	5,251	3,705	41.7 %	6,453	3,705	74.2 %
Operating expenses	(3,668)	(3,020)	21.5 %	(4,493)	(3,020)	48.8 %
Income from operations	$ 1,583	$ 685	131.1 %	$ 1,960	$ 685	186.1 %

	Three Months Ended September 30,					
	As reported			FX Neutral Measures	As reported	
(In millions, except percentages)	2023	2022	Percentage Change	2023	2022	Percentage Change
	(Unaudited)			(Unaudited)		
Net revenues	$ 3,760	$ 2,690	39.8 %	$ 4,549	$ 2,690	69.1 %
Cost of net revenues	(1,765)	(1,342)	31.5 %	(2,060)	(1,342)	53.5 %
Gross profit	1,995	1,348	48.0 %	2,489	1,348	84.6 %
Operating expenses	(1,310)	(1,052)	24.5 %	(1,620)	(1,052)	54.0 %
Income from operations	$ 685	$ 296	131.4 %	$ 869	$ 296	193.6 %

See “Summary of significant accounting policies - Foreign currency translation - Argentine currency status and Argentine exchange regulations” in Note 2 of our unaudited interim condensed consolidated financial statements for further detail on the currency status and the exchange regulations of our Argentine segment.

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 macroeconomic instability and the possibility that changes in interest rates and the U.S. dollar exchange rate with local currencies, particularly the Brazilian Real, Argentine Peso and Mexican Peso due to Brazil's, Argentina's and Mexico's respective share of our revenues, may affect the value of our financial assets and liabilities.

We are also exposed to market risks arising from our long-term retention programs ("LTRPs"). These market risks arise from our obligations to pay employees cash payments in amounts that vary based on the market price of our stock.

Foreign currencies

We have significant operations internationally that are denominated in foreign currencies, primarily the Brazilian Real, 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.

We use foreign currency exchange forward contracts and currency swaps to protect our foreign currency exposure and our investment in a foreign subsidiary from adverse changes in foreign currency exchange rates. These hedging contracts reduce, but do not entirely eliminate, the impact of adverse foreign currency exchange rate movements. We designate these contracts as cash flow, net investment and fair value hedges for accounting purposes. The derivative's gain or loss for cash flow and net investment hedges is initially reported as a component of accumulated other comprehensive income ("AOCI"). Cash flow hedges and net investment hedges are subsequently reclassified into the financial statement line item in which the hedged item is recorded in the same period the forecasted transaction affects earnings. The derivative's gain or loss for fair value hedges is reported in earnings in the same line items as the change in the value of the hedged item due to the hedged risks.

As of September 30, 2023, 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 September 30, 2023, the total cash and cash equivalents, restricted cash and cash equivalent denominated in foreign currencies totaled $2,808 million, short-term investments denominated in foreign currencies totaled $2,196 million and accounts receivable, credit card receivables and other means of payment and loans receivable in foreign currencies totaled $5,914 million. As of September 30, 2023, we had $91 million 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 and to enter into certain foreign exchange derivatives, such as currency forwards contracts, in order to mitigate our exposure to foreign exchange risk. As of September 30, 2023, our U.S. dollar-denominated cash and cash equivalents, restricted cash and cash equivalents and short-term investments totaled $1,572 million and our U.S. dollar-denominated long-term investments totaled $58 million.

For the nine and three-month periods ended September 30, 2023, we had a consolidated loss on foreign currency of $508 million and $239 million, respectively, mainly related to higher foreign exchange losses attributable to our own common stock acquisition in the Argentine market at a price that reflects the additional cost of accessing U.S. dollars through an indirect mechanism due to restrictions imposed by the Argentine government for buying U.S. dollars at the official exchange rate, higher foreign exchange losses from our Argentinian subsidiaries, partially offset by foreign exchange gains from our Brazilian and Mexican subsidiaries. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of operations—Other income (expenses), net" for more information.

Foreign currency sensitivity analysis

The table below shows the impact on our net revenues, cost of net revenues, operating expenses, other income (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 at the moment of translating our financial statements to U.S. dollars for the nine-month period ended September 30, 2023:

Foreign Currency Sensitivity Analysis

(In millions)	-10%	Actual	+10%
	(1)		(2)
Net revenues	$ 11,346	$ 10,212	$ 9,284
Expenses (*)	(9,545)	(8,629)	(7,880)
Income from operations	1,801	1,583	1,404
Other income/(expenses), equity in earning of unconsolidated entity and income tax related to P&L items	(275)	(253)	(234)
Foreign Currency impact related to the remeasurement of our Net Asset position	(521)	(508)	(497)
Net Income	$ 1,005	$ 822	$ 673
Total Shareholders' Equity	$ 2,902	$ 2,741	$ 2,610

(1) Appreciation of the subsidiaries' local currency against U.S. Dollar.

(2) Depreciation of the subsidiaries' local currency against U.S. Dollar.

(*) Includes cost of net revenues and operating expenses.

The table above shows an increase in our net income when the U.S. dollar weakens against foreign currencies because of the positive impact of the increase in income from operations. On the other hand, the table above shows a decrease in our net income when the U.S. dollar strengthens against foreign currencies because of the negative impact of the decrease in income from operations.

Brazilian segment

Considering a hypothetical devaluation of 10% of the Brazilian Real against the U.S. dollar on September 30, 2023, the reported net assets in our Brazilian subsidiaries would have decreased by approximately $227 million with the related impact in Other Comprehensive Income. Additionally, we would have recorded a foreign currency loss amounting to approximately $46 million in our Brazilian subsidiaries.

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. Argentina's inflation rate for the nine-month periods ended September 30, 2023 and 2022 was 103.2% and 66.1%, respectively.

We use Argentina's official exchange rate to account for transactions in our Argentine segment, which as of September 30, 2023 and December 31, 2022 was 349.95 and 177.16 Argentine Pesos, respectively, against the U.S. dollar. For the nine-month periods ended September 30, 2023 and 2022 Argentina's depreciation of its local currency against the U.S. dollar was 97.5% and 43.4%, respectively.

Considering a hypothetical devaluation of 10% of the Argentine Peso against the U.S. dollar on September 30, 2023, the effect on non-functional currency net liability position in our Argentine subsidiaries would have been a foreign exchange gain amounting to approximately $9 million in our Argentine subsidiaries.

See “Summary of significant accounting policies - Foreign currency translation - Argentine currency status and Argentine exchange regulations” in Note 2 of our unaudited interim condensed consolidated financial statements for further detail on the currency status and the exchange regulations of our Argentine segment.

Mexican segment

Considering a hypothetical devaluation of 10% of the Mexican Peso against the U.S. dollar on September 30, 2023, the reported net assets in our Mexican subsidiaries would have decreased by approximately $90 million with the related impact in Other Comprehensive Income. Additionally, we would have recorded a foreign currency loss amounting to approximately $17 million in our Mexican 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 and on the financial debt that we use to fund Mercado Pago and Mercado Credito’s operations. As of September 30, 2023, Mercado Pago’s receivables totaled $3,375 million. Interest rate fluctuations could also impact interest earned through our Mercado Credito solution. As of September 30, 2023, loans receivable from our Mercado Credito solution totaled $2,378 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 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.

As of September 30, 2023, our short-term investments amounted to $3,320 million and our long-term investments amounted to $149 million. Our short-term investments 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. See Notes 3 and 5 of our unaudited interim condensed consolidated financial statements for further detail on our restricted investments.

Fluctuations of the interest rate could also have a negative impact on interest expense related to our Loans payable and other financial liabilities, as a portion of these instruments is subject to variable interest rates. As of September 30, 2023, our loans payable and other financial liabilities, which accrue interest based on variable rates, amounted to $2,666 million, while our loans payable and other financial liabilities, which accrue interest based on fixed rates, amounted to $1,788 million. See Notes 12 and 13 of our unaudited interim condensed consolidated financial statements for further detail. Considering a hypothetical increase of 100 basic points in the interest rates, the reported Loans payable and other financial liabilities as of September 30, 2023 would have increased by approximately $13 million with the related impact in Interest expense and other financial losses. We have entered into swap contracts to hedge the interest rate fluctuation of $493 million notional amount, $244 million of which have been designated as hedging instruments. See Note 15 of our unaudited interim condensed consolidated financial statements for further detail on derivative instruments.

Equity price risk

Our Board, upon the recommendation of the compensation committee, approved the 2018 Long Term Retention Program (the “2018 LTRP”).

In order to receive an award under the 2018 LTRP, each eligible employee must satisfy the performance conditions established by the Board 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 2018 LTRP award, payable as follows:

- the eligible employee will receive a fixed payment, equal to 8.333% of his or her 2018 LTRP bonus once a year for a period of six years starting no later than April 30, 2019 (the “2018 Annual Fixed Payment”); and
- on each date we pay the respective Annual Fixed Payment to an eligible employee, he or she will also receive a payment (the “2018 Variable Payment”) equal to the product of (i) 8.333% of the applicable 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 2017 Stock Price, defined as $270.84, which was the average closing price of our common stock on the NASDAQ Global Select Market during the final 60 trading days of 2017. 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, upon the recommendation of the compensation committee, approved the 2019, 2020, 2021, 2022 and 2023 Long Term Retention Programs (the "2019, 2020, 2021, 2022 and 2023 LTRPs"), respectively, under which certain eligible employees have the opportunity to receive cash payments annually for a period of six years (with the first payment occurring no later than April 30, 2020, 2021, 2022, 2023 and 2024 for the 2019, 2020, 2021, 2022 and 2023 LTRPs, respectively). In order to receive the full target award under the 2019, 2020, 2021, 2022 and/or 2023 LTRPs, each eligible employee must remain employed as of each applicable payment date. The 2019, 2020, 2021, 2022 and 2023 LTRP awards are payable as follows:

- the eligible employee will receive 16.66% of half of his or her target 2019, 2020, 2021, 2022 and/or 2023 LTRP bonus once a year for a period of six years, with the first payment occurring no later than April 30, 2020, 2021, 2022, 2023 and 2024, respectively (the "2019, 2020, 2021, 2022 or 2023 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 "2019, 2020, 2021, 2022 or 2023 Variable Payment") equal to the product of (i) 16.66% of half of the target 2019, 2020, 2021, 2022 or 2023 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 2018, 2019, 2020, 2021 and 2022 defined as $322.91, $553.45, $1,431.26, $1,391.81 and $888.69 for the 2019, 2020, 2021, 2022 and 2023 LTRPs, 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.

As of September 30, 2023, the total contractual obligation fair value of our outstanding LTRP Variable Award Payment obligation subject to equity price risk amounted to $442 million. As of September 30, 2023, the accrued liability related to the outstanding Variable Award Payment of the LTRP included in Salaries and social security payable in our consolidated balance sheet amounted to $74 million. The following table shows a sensitivity analysis of the risk associated with our total contractual obligation fair value related to the outstanding LTRP Variable Award Payment subject to equity price risk if our common stock price per share were to increase or decrease by up to 40%:

	As of September 30, 2023	
	MercadoLibre, Inc Equity Price	**2018, 2019, 2020, 2021, 2022 and 2023 LTRP Variable contractual obligation**
Change in equity price in percentage	**(In millions, except equity price)**	
40%	1,785.27	619
30%	1,657.75	574
20%	1,530.23	530
10%	1,402.71	486
Static (*)	1,275.19	442
(10)%	1,147.67	398
(20)%	1,020.15	353
(30)%	892.63	309
(40)%	765.11	265

(*) Present value of average closing stock price for the last 60 trading days of the year preceding the applicable payment date.

In November 2021, we acquired Kangú Participações S.A. Former Kangú's shareholders who after the acquisition became the Company's employees will receive cash payments annually over a three-year period subject to certain performance and stay conditions. The payments will be indexed based on changes in equity price of our common stock. As of September 30, 2023, the total contractual obligation fair value of the mentioned payments amounted to $8 million.

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 nine-month period ended September 30, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We permit remote work for most positions of our Company, and we monitor and assess the impact of this remote work environment on our internal controls.

PART II. OTHER INFORMATION

Item 1 — Legal Proceedings

See Item 1 of Part I, "Financial Statements—Note 10 Commitments and Contingencies—Litigation and other Legal Matters".

Item 1A — Risk Factors

As of September 30, 2023, there have been no material changes in our risk factors from those disclosed in the Company's 2022 10-K.

Item 2 — Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased (2)	Average Price per Share (1)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Program (in millions) (2)
July, 2023	—	—	—	Up to $479
August, 2023	69,807	2,718.29	69,807	Up to $290
September, 2023	43,343	3,063.36	43,343	Up to $157

(1) Average price paid per share does not include costs associated with the repurchases. It includes the foreign exchange loss recognized for the nine-month period ended September 30, 2023. Please refer to Note 16 of our unaudited interim condensed consolidated financial statements for additional detail.

(2) On February 21, 2023, the Board authorized the Company to repurchase shares of the Company's common stock, for aggregate consideration of up to $900 million to expire on March 31, 2024 (the "Program"). As of September 30, 2023, the estimated remaining balance available for share repurchases under this Program was $157 million. Please refer to Note 16 of our unaudited interim condensed consolidated financial statements for additional detail.

Item 5 — Other Information

Rule 10b5-1 Trading Plans

During the three months ended September 30, 2023, none of the Company's directors or officers (as defined in Rule 16a-1(f) under the Exchange Act) adopted or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act or any "non-Rule 10b5-1 trading arrangement" as defined in Item 408(c) of Regulation S-K.

Item 6 — Exhibits

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

MercadoLibre, Inc.

INDEX TO EXHIBITS

Exhibit Number	Exhibit Description	Filed (*) or Furnished (**) Herewith	Incorporated by Reference	
			Form	Filing Date
3.1	Registrant's Amended and Restated Certificate of Incorporation.		S-1	May 11, 2007
3.2	Registrant's Amended and Restated Bylaws.		S-1	May 11, 2007
4.1	Form of Specimen Certificate for the Registrant's Common Stock.		10-K	February 27, 2009
4.2	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.		8-K	August 24, 2018
4.3	Indenture, dated January 14, 2021, between MercadoLibre, Inc., MercadoLibre S.R.L., Ibazar.com Atividades de Internet Ltda., eBazar.com.br Ltda., Mercado Envios Servicos de Logistica Ltda., MercadoPago.com Representações Ltda., MercadoLibre Chile Ltda., MercadoLibre, S. de R.L. de C.V., DeRemate.com de México, S. de R.L. de C.V. and MercadoLibre Colombia Ltda. and The Bank of New York Mellon, as trustee.		8-K	January 14, 2021
4.4	First Supplemental Indenture, dated January 14, 2021, between MercadoLibre, Inc., MercadoLibre S.R.L., Ibazar.com Atividades de Internet Ltda., eBazar.com.br Ltda., Mercado Envios Servicos de Logistica Ltda., MercadoPago.com Representações Ltda., MercadoLibre Chile Ltda., MercadoLibre, S. de R.L. de C.V., DeRemate.com de México, S. de R.L. de C.V. and MercadoLibre Colombia Ltda. and The Bank of New York Mellon, as trustee.		8-K	January 14, 2021
4.5	Form of Global Note representing the Registrant's 2.375% Sustainability Notes due 2026.		8-K	January 14, 2021
4.6	Form of Global Note representing the Registrant's 3.125% Notes due 2031.		8-K	January 14, 2021
4.7	Second Supplemental Indenture, dated October 27, 2021 among MP Agregador, S. de R.L. de C.V., MercadoLibre, Inc. and The Bank of New York Mellon, as Trustee		10-K	February 23, 2022
22.1	List of Subsidiary Guarantors for the Registrant's 2.375% Sustainability Notes due 2026 and 3.125% Notes due 2031.		10-K	February 24, 2023
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	The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2023, formatted in Inline XBRL: (i) Interim Condensed Consolidated Balance Sheets, (ii) Interim Condensed Consolidated Statements of Income, (iii) Interim Condensed Consolidated Statements of Comprehensive Income, (iv) Interim Condensed Statements of Equity, (v) Interim Condensed Consolidated Statements of Cash Flows, and (vi) Notes to Interim Condensed Consolidated Financial Statements.	*		
104	The cover page from the Company's Form 10-Q for the quarterly period ended September 30, 2023, formatted in Inline XBRL and contained in Exhibit 101	*		

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: November 2, 2023.	By:	/s/ Marcos Galperin
		Marcos Galperin
		President and Chief Executive Officer
	By:	/s/ Martín de los Santos
		Martín de los Santos
		Sr. Vice President and Chief Financial Officer