

Bunge LTD  
Form 10-Q  
November 06, 2015  
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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

For the quarterly period ended September 30, 2015

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 001-16625

**BUNGE LIMITED**

(Exact name of registrant as specified in its charter)

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**Bermuda**  
(State or other jurisdiction of incorporation or organization)

**98-0231912**  
(I.R.S. Employer Identification No.)

**50 Main Street, White Plains, New York**  
(Address of principal executive offices)

**10606**  
(Zip Code)

**(914) 684-2800**  
(Registrant's telephone number, including area code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer   
(Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes  No

As of October 30, 2015 the number of shares issued of the registrant was:

Common shares, par value \$.01 per share: 142,458,656



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**BUNGE LIMITED**

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Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****BUNGE LIMITED AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF INCOME****(Unaudited)****(U.S. dollars in millions, except per share data)**

|  | Three Months Ended<br>September 30, |               | Nine Months Ended<br>September 30, |               |
|--|-------------------------------------|---------------|------------------------------------|---------------|
|  | 2015                                | 2014          | 2015                               | 2014          |
| Net sales  | \$ 10,762                           | \$ 13,676     | \$ 32,350                          | \$ 43,930     |
| Cost of goods sold   | (10,017)                            | (12,957)      | (30,360)                           | (42,004)      |
| <b>Gross profit</b>  | <b>745</b>                          | <b>719</b>    | <b>1,990</b>                       | <b>1,926</b>  |
| Selling, general and administrative expenses                 | (358)                               | (403)         | (1,050)                            | (1,161)       |
| Interest income  | 18                                  | 19            | 42                                 | 71            |
| Interest expense   | (77)                                | (70)          | (187)                              | (225)         |
| Foreign exchange gains (losses)                              | (24)                                | 23            | (15)                               | 59            |
| Other income (expense) net                                   | 2                                   | (2)           | (6)                                | 5             |
| Gain on sale of Canadian grain assets                        | 47                                  |               | 47                                 |               |
| <b>Income from continuing operations before income tax</b>   | <b>353</b>                          | <b>286</b>    | <b>821</b>                         | <b>675</b>    |
| Income tax (expense) benefit                                 | (140)                               | (9)           | (270)                              | (150)         |
| <b>Income from continuing operations, net of tax</b>         | <b>213</b>                          | <b>277</b>    | <b>551</b>                         | <b>525</b>    |
| Income from discontinued operations, net of tax              | 21                                  | 27            | 36                                 | 37            |
| <b>Net income</b>  | <b>234</b>                          | <b>304</b>    | <b>587</b>                         | <b>562</b>    |
| Net loss (income) attributable to noncontrolling interests   | 5                                   | (10)          | 1                                  | 7             |
| <b>Net income attributable to Bunge</b>                      | <b>239</b>                          | <b>294</b>    | <b>588</b>                         | <b>569</b>    |
| Convertible preference share dividends and other obligations | (10)                                | (10)          | (38)                               | (40)          |
| <b>Net income available to Bunge common shareholders</b>     | <b>\$ 229</b>                       | <b>\$ 284</b> | <b>\$ 550</b>                      | <b>\$ 529</b> |
| <b>Earnings per common share basic (Note 16)</b>             |                                     |               |                                    |               |
| Net income (loss) from continuing operations                 | \$ 1.45                             | \$ 1.77       | \$ 3.57                            | \$ 3.36       |
| Net income (loss) from discontinued operations               | 0.14                                | \$ 0.19       | \$ 0.25                            | \$ 0.25       |

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|   |    |      |    |      |    |      |    |      |
|---|----|------|----|------|----|------|----|------|
| Net income (loss) attributable to Bunge common shareholders | \$ | 1.59 | \$ | 1.96 | \$ | 3.82 | \$ | 3.61 |
| <b>Earnings per common share diluted (Note 16)</b>          |    |      |    |      |    |      |    |      |
| Net income (loss) from continuing operations                | \$ | 1.42 | \$ | 1.73 | \$ | 3.53 | \$ | 3.34 |
| Net income (loss) from discontinued operations              |    | 0.14 |    | 0.17 |    | 0.24 |    | 0.24 |
| Net income (loss) attributable to Bunge common shareholders | \$ | 1.56 | \$ | 1.90 | \$ | 3.77 | \$ | 3.58 |
| Dividends declared per common share                         | \$ | 0.38 | \$ | 0.34 | \$ | 1.10 | \$ | 0.98 |

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

Table of Contents**BUNGE LIMITED AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)****(Unaudited)****(U.S. dollars in millions)**

|   | <b>Three Months Ended<br/>September 30,</b> |                 | <b>Nine Months Ended<br/>September 30,</b> |                 |
|---|---|-----------------|--|-----------------|
|   | <b>2015</b>                                 | <b>2014</b>     | <b>2015</b>                                | <b>2014</b>     |
| Net income  | \$ 234                                      | \$ 304          | \$ 587                                     | \$ 562          |
| Other comprehensive income (loss):  |   |                 |  |                 |
| Foreign exchange translation adjustment   | (1,248)                                     | (1,025)         | (2,360)                                    | (667)           |
| Unrealized gains (losses) on designated cash flow and net investment hedges, net of tax (expense) benefit of nil and nil in 2015, nil and nil in 2014 | 166   | 29              | 146  | 13              |
| Unrealized gains (losses) on investment, net of tax (expense) benefit of nil and nil in 2015, \$1 and \$1 in 2014                                     |   | (2)             |  | (2)             |
| Reclassification of realized net losses (gains) to net income, net of tax expense (benefit) of nil and nil in 2015, nil and nil in 2014               | 33  | (7)             | 51   | (11)            |
| Pension adjustment, net of tax (expense) benefit of nil and nil in 2015, nil and nil in 2014  | 1   |                 | 5  | (1)             |
| Total other comprehensive income (loss)   | (1,048)                                     | (1,005)         | (2,158)                                    | (668)           |
| Total comprehensive income (loss)   | (814)                                       | (701)           | (1,571)                                    | (106)           |
| Less: comprehensive (income) loss attributable to noncontrolling interest   | 8   | 5               | 5  | 3               |
| <b>Total comprehensive income (loss) attributable to Bunge</b>  | <b>\$ (806)</b>                             | <b>\$ (696)</b> | <b>\$ (1,566)</b>                          | <b>\$ (103)</b> |

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



Table of Contents**BUNGE LIMITED AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****(Unaudited)****(U.S. dollars in millions, except share data)**

|   | September 30,<br>2015 | December 31,<br>2014 |
|---|-----------------------|----------------------|
| <b>ASSETS</b>   |                       |                      |
| <b>Current assets:</b>  |                       |                      |
| Cash and cash equivalents   | \$ 303                | \$ 362               |
| Time deposits under trade structured finance program (Note 4)   | 296                   | 1,343                |
| Trade accounts receivable (less allowances of \$119 and \$121) (Note 12)  | 1,908                 | 1,840                |
| Inventories (Note 5)  | 5,013                 | 5,554                |
| Deferred income taxes   | 120                   | 177                  |
| Other current assets (Note 6)   | 3,866                 | 3,805                |
| <b>Total current assets</b>   | <b>11,506</b>         | <b>13,081</b>        |
| Property, plant and equipment, net  | 4,616                 | 5,626                |
| Goodwill  | 296                   | 349                  |
| Other intangible assets, net  | 228                   | 256                  |
| Investments in affiliates   | 411                   | 294                  |
| Deferred income taxes   | 454                   | 565                  |
| Other non-current assets (Note 7)   | 928                   | 1,261                |
| <b>Total assets</b>   | <b>\$ 18,439</b>      | <b>\$ 21,432</b>     |
| <b>LIABILITIES AND EQUITY</b>   |                       |                      |
| <b>Current liabilities:</b>   |                       |                      |
| Short-term debt   | \$ 832                | \$ 594               |
| Current portion of long-term debt (Note 11)   | 519                   | 408                  |
| Letter of credit obligations under trade structured finance program (Note 4)  | 296                   | 1,343                |
| Trade accounts payable  | 3,465                 | 3,248                |
| Deferred income taxes   | 54                    | 42                   |
| Other current liabilities (Note 9)  | 3,004                 | 3,069                |
| <b>Total current liabilities</b>  | <b>8,170</b>          | <b>8,704</b>         |
| Long-term debt (Note 11)  | 2,583                 | 2,855                |
| Deferred income taxes   | 136                   | 177                  |
| Other non-current liabilities   | 851                   | 969                  |
| Commitments and contingencies (Note 14)   |                       |                      |
| Redeemable noncontrolling interests   | 38                    | 37                   |
| <b>Equity (Note 15):</b>  |                       |                      |
| Convertible perpetual preference shares, par value \$.01; authorized, issued and outstanding: 2015 and 2014 6,900,000 shares (liquidation preference \$100 per share) | 690                   | 690                  |
| Common shares, par value \$.01; authorized 400,000,000 shares; issued and outstanding: 2015 142,453,910 shares, 2014 145,703,198 shares                               | 1                     | 1                    |
| Additional paid-in capital  | 5,102                 | 5,053                |
| Retained earnings   | 7,585                 | 7,180                |
| Accumulated other comprehensive income (loss) (Note 15)   | (6,212)               | (4,058)              |

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|   |                  |                  |
|---|------------------|------------------|
| Treasury shares, at cost - 2015 - 9,586,083 and 2014 - 5,714,273 shares | (720)            | (420)            |
| Total Bunge shareholders' equity  | 6,446            | 8,446            |
| Noncontrolling interests  | 215              | 244              |
| Total equity  | 6,661            | 8,690            |
| <b>Total liabilities and equity</b>                                     | <b>\$ 18,439</b> | <b>\$ 21,432</b> |

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

Table of Contents**BUNGE LIMITED AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)****(U.S. dollars in millions)**

|   | <b>Nine Months Ended<br/>September 30,</b> |             |
|---|--|-------------|
|   | <b>2015</b>                                | <b>2014</b> |
| <b>OPERATING ACTIVITIES</b>   |  |             |
| Net income  | \$ 587                                     | \$ 562      |
| Adjustments to reconcile net income (loss) to cash provided by (used for) operating activities: |  |             |
| Gain on sale of Canadian grain assets   | (47)                                       |             |
| Impairment charges  | 24   | 4           |
| Foreign exchange loss (gain) on debt  | (227)                                      | (61)        |
| Bad debt expense  | 20   | 22          |
| Depreciation, depletion and amortization  | 403  | 448         |
| Stock-based compensation expense  | 38   | 36          |
| Deferred income tax expense (benefit)   | (13)                                       | (17)        |
| Other, net  | (40)                                       | (86)        |
| Changes in operating assets and liabilities, excluding the effects of acquisitions:             |  |             |
| Trade accounts receivable   | (330)                                      | (424)       |
| Inventories   | (114)                                      | 590         |
| Secured advances to suppliers   | (382)                                      | (4)         |
| Trade accounts payable and accrued liabilities  | 722  | 439         |
| Advances on sales   | (104)                                      | (109)       |
| Net unrealized gain/loss on derivative contracts  | 7  | (296)       |
| Margin deposits   | (32)                                       | 86          |
| Other, net  | 121  | (74)        |
| Cash provided by (used for) operating activities  | 633  | 1,116       |
| <b>INVESTING ACTIVITIES</b>   |  |             |
| Payments made for capital expenditures  | (365)                                      | (515)       |
| Acquisitions of businesses (net of cash acquired)   | (54)                                       | (14)        |
| Proceeds from the sale of Canadian grain assets   | 90   |             |
| Proceeds from investments   | 269  | 261         |
| Payments for investments  | (203)                                      | (140)       |
| Payments for investments in affiliates  | (158)                                      | (40)        |
| Other, net  | 4  | (5)         |
| Cash provided by (used for) investing activities  | (417)                                      | (453)       |
| <b>FINANCING ACTIVITIES</b>   |  |             |
| Net change in short-term debt with maturities of 90 days or less                                | 31   | (58)        |
| Proceeds from short-term debt with maturities greater than 90 days                              | 562  | 802         |
| Repayments of short-term debt with maturities greater than 90 days                              | (303)                                      | (630)       |
| Proceeds from long-term debt  | 5,781                                      | 7,492       |
| Repayments of long-term debt  | (5,792)                                    | (8,191)     |
| Proceeds from sale of common shares   | 24   | 34          |
| Repurchases of common shares  | (300)                                      | (300)       |
| Dividends paid  | (178)                                      | (162)       |
| Other, net  | (10)                                       | (18)        |

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|  |               |               |
|--|---------------|---------------|
| Cash provided by (used for) financing activities             | (185)         | (1,031)       |
| Effect of exchange rate changes on cash and cash equivalents | (90)          | (17)          |
| Net increase (decrease) in cash and cash equivalents         | (59)          | (385)         |
| Cash and cash equivalents, beginning of period               | 362           | 742           |
| Cash and cash equivalents, end of period                     | <b>\$ 303</b> | <b>\$ 357</b> |

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

Table of Contents**BUNGE LIMITED AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY AND REDEEMABLE NONCONTROLLING INTERESTS**

(Unaudited)

(U.S. dollars in millions, except share data)

|  | Redeemable<br>Non-<br>Controlling<br>Interests | Convertible<br>Preference<br>Shares | Amount        | Common<br>Shares   | Amount      | Additional<br>Paid-in<br>Capital | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) | Treasury<br>Shares | Non-<br>Controlling<br>Interests | Total<br>Equity |
|--|--|-------------------------------------|---------------|--------------------|-------------|----------------------------------|----------------------|--|--------------------|----------------------------------|-----------------|
| Balance, January 1, 2015   | \$ 37  | 6,900,000                           | \$ 690        | 145,703,198        | \$ 1        | \$ 5,053                         | \$ 7,180             | \$ (4,058)   | \$ (420)           | \$ 244                           | \$ 8,690        |
| Net income (loss)  | (9)  |                                     |               |                    |             |                                  | 588                  |  |                    | (1)                              | 587             |
| Accretion of noncontrolling interests                            | 13   |                                     |               |                    |             | (13)                             |                      |  |                    |                                  | (13)            |
| Other comprehensive income (loss)                                | (3)  |                                     |               |                    |             |                                  |                      | (2,154)  |                    | (4)                              | (2,158)         |
| Dividends on common shares                                       |  |                                     |               |                    |             |                                  | (158)                |  |                    |                                  | (158)           |
| Dividends on preference shares                                   |  |                                     |               |                    |             |                                  | (25)                 |  |                    |                                  | (25)            |
| Dividends to noncontrolling interests on subsidiary common stock |  |                                     |               |                    |             |                                  |                      |  |                    | (7)                              | (7)             |
| Return of capital to noncontrolling interests                    |  |                                     |               |                    |             |                                  |                      |  |                    | (17)                             | (17)            |
| Stock-based compensation expense                                 |  |                                     |               |                    |             | 38                               |                      |  |                    |                                  | 38              |
| Repurchase of common shares                                      |  |                                     |               | (3,871,810)        |             |                                  |                      |  | (300)              |                                  | (300)           |
| Issuance of common shares  |  |                                     |               | 622,522            |             | 24                               |                      |  |                    |                                  | 24              |
| <b>Balance, September 30, 2015</b>                               | <b>\$ 38</b>                                   | <b>6,900,000</b>                    | <b>\$ 690</b> | <b>142,453,910</b> | <b>\$ 1</b> | <b>\$ 5,102</b>                  | <b>\$ 7,585</b>      | <b>\$ (6,212)</b>                                      | <b>\$ (720)</b>    | <b>\$ 215</b>                    | <b>\$ 6,661</b> |
|  | Redeemable<br>Non-<br>Controlling<br>Interests | Convertible<br>Preference<br>Shares | Amount        | Common<br>Shares   | Amount      | Additional<br>Paid-in<br>Capital | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) | Treasury<br>Shares | Non-<br>Controlling<br>Interests | Total<br>Equity |
| Balance, January 1, 2014   | \$ 37  | 6,900,000                           | \$ 690        | 147,796,784        | \$ 1        | \$ 4,967                         | \$ 6,891             | \$ (2,572)   | \$ (120)           | \$ 231                           | \$ 10,088       |
| Net income (loss)  | (11)   |                                     |               |                    |             |                                  | 569                  |  |                    | (7)                              | 562             |
| Accretion of noncontrolling interest                             | 15   |                                     |               |                    |             | (15)                             |                      |  |                    |                                  | (15)            |
| Other comprehensive income (loss)                                | (3)  |                                     |               |                    |             |                                  |                      | (672)  |                    | 4                                | (668)           |

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|  |           |           |                  |             |            |                    |           |          |           |              |           |              |           |                |           |              |           |            |           |              |
|--|-----------|-----------|------------------|-------------|------------|--------------------|-----------|----------|-----------|--------------|-----------|--------------|-----------|----------------|-----------|--------------|-----------|------------|-----------|--------------|
| Dividends on common shares                                       |           |           |                  |             | (143)      |                    |           |          |           |              |           |              | (143)     |                |           |              |           |            |           |              |
| Dividends on preference shares                                   |           |           |                  |             | (25)       |                    |           |          |           |              |           |              | (25)      |                |           |              |           |            |           |              |
| Dividends to noncontrolling interests on subsidiary common stock |           |           |                  |             |            |                    |           |          |           |              | (8)       |              | (8)       |                |           |              |           |            |           |              |
| Acquisition of noncontrolling interest                           |           |           |                  |             | (23)       |                    |           |          |           |              | 23        |              |           |                |           |              |           |            |           |              |
| Stock-based compensation expense                                 |           |           |                  |             |            | 36                 |           |          |           |              |           |              | 36        |                |           |              |           |            |           |              |
| Repurchase of common shares                                      |           |           |                  | (3,780,987) |            |                    |           |          |           |              | (300)     |              | (300)     |                |           |              |           |            |           |              |
| Issuance of common shares  |           |           |                  | 1,037,927   |            |                    | 35        |          |           |              |           |              | 35        |                |           |              |           |            |           |              |
| <b>Balance, September 30, 2014</b>                               | <b>\$</b> | <b>38</b> | <b>6,900,000</b> | <b>\$</b>   | <b>690</b> | <b>145,053,724</b> | <b>\$</b> | <b>1</b> | <b>\$</b> | <b>5,000</b> | <b>\$</b> | <b>7,292</b> | <b>\$</b> | <b>(3,244)</b> | <b>\$</b> | <b>(420)</b> | <b>\$</b> | <b>243</b> | <b>\$</b> | <b>9,562</b> |

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

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**BUNGE LIMITED AND SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

**1. BASIS OF PRESENTATION AND PRINCIPLES OF CONSOLIDATION**

The accompanying unaudited condensed consolidated financial statements include the accounts of Bunge Limited ( Bunge ), its subsidiaries and variable interest entities ( VIEs ) in which Bunge is considered to be the primary beneficiary, and as a result, include the assets, liabilities, revenues and expenses of all entities over which Bunge exercises control. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ( U.S. GAAP ) for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X under the Securities Exchange Act of 1934, as amended ( Exchange Act ). Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to Securities and Exchange Commission ( SEC ) rules. In the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation have been included. The condensed consolidated balance sheet at December 31, 2014 has been derived from Bunge s audited consolidated financial statements at that date. Operating results for the nine months ended September 30, 2015 are not necessarily indicative of the results to be expected for the year ending December 31, 2015. The financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2014, forming part of Bunge s 2014 Annual Report on Form 10-K filed with the SEC on March 2, 2015.

**2. ACCOUNTING PRONOUNCEMENTS**

*New Accounting Pronouncements* In July 2015, the FASB issued Accounting Standards Update ( ASU ), *Inventory Simplifying the Measurement of Inventory*, which requires entities that measure inventory using the first-in, first-out or average cost methods to measure inventory at the lower of cost and net realizable value. Net realizable value is defined as estimated selling price in the ordinary course of business less reasonably predictable costs of completion, disposal and transportation. The update is effective for fiscal years beginning after December 15, 2016 on a prospective basis, with earlier application permitted. The adoption of this update is not expected to have a material impact on Bunge s results of operations, financial position or cash flows.

In April 2015, the FASB issued ASU ( Subtopic 835-30 ) *Interest - Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs*. The amendments in this update require debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability, consistent with debt discounts, instead of being presented as an asset. The update requires retrospective application and is effective for fiscal years beginning after December 15, 2015, early adoption is permitted. Bunge is evaluating the potential impact of this standard on its consolidated financial statements.

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In February 2015, the FASB issued ASU ( Topic 810 ) *Consolidation-Amendments to the Consolidation Analysis*. The standard makes targeted amendments to the current consolidation guidance and ends the deferral granted to investment companies from applying the VIE guidance. The standard is effective for interim and annual reporting periods beginning after December 15, 2015, early adoption is permitted. Bunge expects the adoption of this standard to result in the deconsolidation of investment funds in its asset management business and is evaluating the potential impact of this standard on the consolidation of certain other legal entities.

In May 2014, the FASB amended the Accounting Standards Codification ( ASC ) and created ASC ( Topic 606 ) *Revenue from Contracts with Customers*. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The initial effective date is for interim and annual periods beginning on or after December 15, 2016, however, in August 2015, FASB issued an ASU effectively deferring the implementation date by one year. In addition, the ASU permits companies to early adopt the guidance as of the original effective date, but not before January 1, 2017. The new requirements may be implemented either retrospectively for all prior periods presented, or retrospectively with a cumulative-effect adjustment at the date of initial application. Bunge is evaluating the potential impact of this standard on its consolidated financial statements.



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**3. BUSINESS ACQUISITIONS**

On June 1, 2015, Bunge entered into a transaction to acquire the 80% majority interest in a biodiesel entity operating a plant in Spain where Bunge had, prior to this transaction, a 20% interest accounted for under the equity method in its agribusiness segment. The purchase price of the majority interest was \$7 million, net of cash acquired. In addition, existing loans and other receivables totaling \$3 million owed to Bunge by the entity were extinguished as part of the transaction. The preliminary purchase price of \$7 million was allocated primarily to property, plant and equipment and \$2 million to goodwill.

On April 15, 2015, Bunge and Saudi Agricultural and Livestock Investment Company ( SALIC ), formed a Canadian entity, G3 Global Grain Group Limited ( G3 ). See Note 13.

On March 6, 2015, Bunge acquired the assets of Heartland Harvest, Inc. ( HHI ) for \$48 million, including \$41 million in cash and cash settlement of an existing third-party loan to HHI of \$7 million. The final purchase price allocation resulted in \$19 million in property, plant and equipment, \$2 million in inventory and \$18 million of finite-lived intangible assets. The transaction also resulted in \$9 million of goodwill. HHI produces die cut pellets made of a variety of starches which are then expanded through popping, baking or frying in the production of certain lower fat snacks. HHI consists of one facility in the United States.

**4. TRADE STRUCTURED FINANCE PROGRAM**

Bunge engages in various trade structured finance activities to leverage the value of its trade flows across its operating regions. These activities include a program under which a Bunge entity generally obtains U.S. dollar-denominated letters of credit ( LCs ) (each based on an underlying commodity trade flow) from financial institutions, as well as foreign exchange forward contracts, and time deposits denominated in the local currency of the financial institution counterparties, all of which are subject to legally enforceable set-off agreements. The LCs and foreign exchange contracts are presented within the line item letter of credit obligations under trade structured finance program on the condensed consolidated balance sheets as of September 30, 2015 and December 31, 2014. The net return from activities under this program, including fair value changes, is included as a reduction of cost of goods sold in the condensed consolidated statements of income.

At September 30, 2015 and December 31, 2014, time deposits and LCs, including foreign exchange contracts totaled \$296 million and \$1,343 million, respectively. In addition, at September 30, 2015 and December 31, 2014, the fair values of the time deposits (Level 2 measurements) totaled approximately \$296 million and \$1,343 million, respectively, and the fair values of the LCs, including foreign exchange contracts (Level 2 measurements) totaled approximately \$296 million and \$1,353 million, respectively. The fair values approximated the carrying amount of the related financial instruments due to their short-term nature. The fair values of the foreign exchange forward contracts (Level 2 measurements) were nil and gains of \$10 million at September 30, 2015 and December 31, 2014, respectively. Additionally, as of September 30, 2015 and December 31, 2014, time deposits, LCs, and foreign exchange contracts of nil and \$1,496 million, respectively, were presented net on the condensed consolidated balance sheets as the criteria of ASC 210-20, *Offsetting*, had been met.

At September 30, 2015 and December 31, 2014, time deposits had weighted-average interest rates of 7.62% and 8.77%, respectively. During the nine months ended September 30, 2015 and 2014, total proceeds from issuances of LCs under the program were \$1,125 million and \$4,240 million, respectively. These cash inflows are offset by the related cash outflows resulting from placement of the time deposits and repayment of

the LCs. All cash flows related to the program are included in operating activities in the condensed consolidated statements of cash flows.

**5. INVENTORIES**

Inventories by segment are presented below. Readily marketable inventories ( RMI ) are agricultural commodity inventories, which are non-perishable with a high shelf life and exceptionally liquid due to their homogenous nature and widely available markets with international pricing mechanisms. RMI are carried at fair value. All other inventories are carried at lower of cost or market.

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| (US\$ in millions)      | September 30,<br>2015 | December 31,<br>2014 |
|-------------------------|-----------------------|----------------------|
| Agribusiness (1)        | \$ 4,041              | \$ 4,273             |
| Edible Oil Products (2) | 330                   | 411                  |
| Milling Products        | 151                   | 198                  |
| Sugar and Bioenergy (3) | 385                   | 602                  |
| Fertilizer              | 106                   | 70                   |
| <b>Total</b>            | <b>\$ 5,013</b>       | <b>\$ 5,554</b>      |

- (1) Includes RMI of \$3,914 million and \$4,125 million at September 30, 2015 and December 31, 2014, respectively. Of these amounts \$2,989 million and \$2,937 million can be attributable to merchandising activities at September 30, 2015 and December 31, 2014, respectively.
- (2) Includes RMI of bulk soybean and canola oil in the aggregate amount of \$96 million and \$127 million at September 30, 2015 and December 31, 2014, respectively.
- (3) Includes sugar RMI, which can be attributable to Bunge's trading and merchandising business of \$128 million and \$157 million at September 30, 2015 and December 31, 2014, respectively.

**6. OTHER CURRENT ASSETS**

Other current assets consist of the following:

| (US\$ in millions)                                      | September 30,<br>2015 | December 31,<br>2014 |
|---|-----------------------|----------------------|
| Prepaid commodity purchase contracts (1)                | \$ 355                | \$ 153               |
| Secured advances to suppliers, net (2)                  | 441                   | 520                  |
| Unrealized gains on derivative contracts, at fair value | 1,676                 | 1,569                |
| Recoverable taxes, net                                  | 236                   | 349                  |
| Margin deposits   | 352                   | 323                  |
| Marketable securities, at fair value                    | 132                   | 108                  |
| Deferred purchase price receivable, at fair value (3)   | 84                    | 78                   |
| Prepaid expenses  | 173                   | 183                  |
| Other   | 417                   | 522                  |
| <b>Total</b>  | <b>\$ 3,866</b>       | <b>\$ 3,805</b>      |

- (1) Prepaid commodity purchase contracts represent advance payments against fixed price contracts for future delivery of specified quantities of agricultural commodities.
- (2) Bunge provides cash advances to suppliers, primarily Brazilian farmers of soybeans and sugarcane, to finance a portion of the suppliers production costs. Bunge does not bear any of the costs or risks associated with the related growing crops. The advances are largely collateralized by future crops and physical assets of the suppliers, carry a local market interest rate and settle when the farmer's crop is harvested and sold. The secured advances to farmers are reported net of allowances of \$1 million and \$2 million at September 30, 2015 and December 31, 2014, respectively.

Interest earned on secured advances to suppliers of \$7 million and \$8 million for the three months ended September 30, 2015 and 2014, respectively, and \$27 million and \$27 million for the nine months ended September 30, 2015 and 2014, respectively, is included in net sales in the condensed consolidated statements of income.

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- (3) Deferred purchase price receivable represents additional credit support for the investment conduits in Bunge's accounts receivables sales program (see Note 12).

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Other non-current assets consist of the following:

| (US\$ in millions)                                    | September 30,<br>2015 | December 31,<br>2014 |
|---|-----------------------|----------------------|
| Recoverable taxes, net (1)                            | \$ 261                | \$ 337               |
| Judicial deposits (1)                                 | 121                   | 159                  |
| Other long-term receivables                           | 23                    | 40                   |
| Income taxes receivable (1)                           | 180                   | 188                  |
| Long-term investments                                 | 125                   | 263                  |
| Affiliate loans receivable, net                       | 12                    | 18                   |
| Long-term receivables from farmers in Brazil, net (1) | 90                    | 102                  |
| Other   | 116                   | 154                  |
| <b>Total</b>  | <b>\$ 928</b>         | <b>\$ 1,261</b>      |

(1) These non-current assets arise primarily from Bunge's Brazilian operations and their realization could take in excess of five years.

*Recoverable taxes, net*-Recoverable taxes are reported net of valuation allowances of \$22 million and \$31 million at September 30, 2015 and December 31, 2014, respectively.

*Judicial deposits*-Judicial deposits are funds that Bunge has placed on deposit with the courts in Brazil. These funds are held in judicial escrow relating to certain legal proceedings pending legal resolution and bear interest at the SELIC rate, which is the benchmark rate of the Brazilian central bank.

*Income taxes receivable*-Income taxes receivable includes overpayments of current income taxes plus accrued interest. These income tax prepayments are expected to be utilized for settlement of future income tax obligations. Income taxes receivable in Brazil bear interest at the SELIC rate.

*Long-term investments*-Long-term investments represent primarily investments held by certain managed investment funds, which are included in Bunge's consolidated financial statements. The consolidated funds are, for U.S. GAAP purposes, investment companies and therefore are not required to consolidate their majority owned and controlled investments. Bunge reflects these investments at fair value. The fair value of these investments (a Level 3 measurement) is \$76 million and \$208 million at September 30, 2015 and December 31, 2014, respectively. The decline of these investments is a result of the discontinuance of Bunge's asset management activities.

*Affiliate loans receivable, net*-Affiliate loans receivable, net is primarily interest bearing receivables from unconsolidated affiliates with an initial maturity of greater than one year.

*Long-term receivables from farmers in Brazil, net*-Bunge provides financing to farmers in Brazil, primarily through secured advances against farmer commitments to deliver agricultural commodities (primarily soybeans) upon harvest of the then-current year's crop and through credit sales of fertilizer to farmers.

The table below summarizes Bunge's recorded investment in long-term receivables from farmers in Brazil for amounts in the legal collection process and renegotiated amounts.

| (US\$ in millions)           | September 30,<br>2015 | December 31,<br>2014 |
|------------------------------|-----------------------|----------------------|
| Legal collection process (1) | \$ 115                | \$ 179               |
| Renegotiated amounts (2)     | 71                    | 76                   |
| <b>Total</b>                 | <b>\$ 186</b>         | <b>\$ 255</b>        |

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(1) All amounts in legal process are considered past due upon initiation of legal action.

(2) All renegotiated amounts are current on repayment terms.

The average recorded investment in long-term receivables from farmers in Brazil for the nine months ended September 30, 2015 and the year ended December 31, 2014 was \$217 million and \$289 million, respectively. The table below summarizes Bunge's recorded investment in long-term receivables from farmers in Brazil and the related allowance amounts.

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| (US\$ in millions)                               | September 30, 2015  |              | December 31, 2014   |               |
|--|---------------------|--------------|---------------------|---------------|
|  | Recorded Investment | Allowance    | Recorded Investment | Allowance     |
| <b>For which an allowance has been provided:</b> |                     |              |                     |               |
| Legal collection process                         | \$ 104              | \$ 66        | \$ 164              | \$ 103        |
| Renegotiated amounts                             | 40                  | 30           | 65                  | 50            |
| <b>For which no allowance has been provided:</b> |                     |              |                     |               |
| Legal collection process                         | 11                  |              | 15                  |               |
| Renegotiated amounts                             | 31                  |              | 11                  |               |
| <b>Total</b>                                     | <b>\$ 186</b>       | <b>\$ 96</b> | <b>\$ 255</b>       | <b>\$ 153</b> |

The table below summarizes the activity in the allowance for doubtful accounts related to long-term receivables from farmers in Brazil.

| (US\$ in millions)           | Three Months Ended<br>September 30, |        | Nine Months Ended<br>September 30, |        |
|------------------------------|-------------------------------------|--------|------------------------------------|--------|
|                              | 2015                                | 2014   | 2015                               | 2014   |
| Beginning balance            | \$ 127                              | \$ 176 | \$ 153                             | \$ 196 |
| Bad debt provisions          | 1                                   | 3      | 6                                  | 5      |
| Recoveries                   | (4)                                 | (6)    | (18)                               | (21)   |
| Write-offs                   | (1)                                 |        | (1)                                | (21)   |
| Transfers (1)                |                                     |        | 5                                  | 4      |
| Foreign exchange translation | (27)                                | (17)   | (49)                               | (7)    |
| Ending balance               | \$ 96                               | \$ 156 | \$ 96                              | \$ 156 |

(1) Represents reclassifications from allowances for doubtful accounts-current for secured advances to suppliers.

## 8. INCOME TAXES

Income tax expense is provided on an interim basis based on management's estimate of the annual effective income tax rate and includes the tax effects of certain discrete items, such as changes in tax laws or tax rates or other unusual or nonrecurring tax adjustments in the interim period in which they occur. In addition, jurisdictions with a projected loss for the year or a year-to-date loss where no tax benefit can be recognized are excluded from the estimated annual effective tax rate. The effective tax rate is highly dependent on the geographic distribution of Bunge's worldwide earnings or losses and tax regulations in each jurisdiction. Management regularly monitors the assumptions used in estimating its annual effective tax rate and adjusts estimates accordingly. If actual results differ from management's estimates, reported income tax expense in future periods could be materially affected.

For the nine months ended September 30, 2015 and 2014, income tax expense related to continuing operations was \$270 million and \$150 million, respectively. The related effective tax rates were 33% and 22%. The higher effective tax rate for the nine months ended September 30, 2015, resulted mainly from geographical earnings mix that included profits in higher tax jurisdictions and the establishment of valuation allowances. Income tax expense in 2014 included \$53 million of discrete tax benefits, primarily resulting from a deferred tax asset recorded for operating losses of a subsidiary effectively taxable in Brazil.

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As a global enterprise, Bunge files income tax returns that are subject to periodic examination and challenge by federal, state and foreign tax authorities. In many jurisdictions, income tax examinations, including settlement negotiations or litigation, may take several years to finalize. While it is difficult to predict the final outcome or timing of resolution of any particular matter, management believes that the consolidated financial statements reflect the largest amount of tax benefit that is more likely than not to be realized.



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Bunge had received from the Brazilian tax authorities proposed adjustments (reduced by existing net operating loss carryforwards) totaling an aggregate amount of 1,177 million and 1,135 million Brazilian *reais* (\$296 million and \$427 million) as of September 30, 2015 and December 31, 2014, respectively, plus applicable interest and penalties, related to multiple examinations of income tax returns for certain subsidiaries for years up to 2010. Management, in consultation with external legal advisors, has reviewed and responded to the proposed adjustments and believes that it is more likely than not that Bunge will prevail on the majority of the proposed adjustments. As of September 30, 2015 and December 31, 2014, Bunge had recognized uncertain tax positions related to these tax assessments of 59 million and 38 million Brazilian *reais* (\$15 million and \$14 million, respectively). In 2014, the Brazilian tax authorities commenced an audit of Bunge's largest Brazilian subsidiary for the tax years 2010, 2011 and 2012.

In addition, as of September 30, 2015 and December 31, 2014, Bunge's Argentine subsidiary had received income tax assessments relating to fiscal years 2006 and 2007 with a claim of approximately 436 million Argentine *pesos* (approximately \$46 million and \$51 million, respectively), plus applicable interest on the outstanding amount due of approximately 1,024 million and 907 million Argentine *pesos* as of September 30, 2015 and December 31, 2014, (approximately \$109 million and \$106 million, respectively). Management, in consultation with external legal advisors, has received and responded to the proposed adjustments and believes that it is more likely than not that Bunge will prevail on the proposed adjustments. Fiscal years 2008 and 2009 are currently being audited by the tax authorities (see also Note 14).

## 9. OTHER CURRENT LIABILITIES

Other current liabilities consist of the following:

| (US\$ in millions)                                      | September 30,<br>2015 | December 31,<br>2014 |
|---|-----------------------|----------------------|
| Accrued liabilities                                     | \$ 700                | \$ 769               |
| Unrealized losses on derivative contracts at fair value | 1,705                 | 1,629                |
| Advances on sales                                       | 257                   | 392                  |
| Other   | 342                   | 279                  |
| <b>Total</b>  | <b>\$ 3,004</b>       | <b>\$ 3,069</b>      |

## 10. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

Bunge's various financial instruments include certain components of working capital such as cash and cash equivalents, trade accounts receivable and trade accounts payable. Additionally, Bunge uses short and long-term debt to fund operating requirements. Cash and cash equivalents, trade accounts receivable, trade accounts payable and short-term debt are stated at their carrying value, which is a reasonable estimate of fair value. See Note 12 for deferred purchase price (DPP) receivable related to sales of trade receivables. See Note 7 for long-term receivables from farmers in Brazil, net and other long-term investments and Note 11 for long-term debt. Bunge's financial instruments also include derivative instruments and marketable securities, which are stated at fair value.

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The majority of Bunge's exchange traded agricultural commodity futures are settled daily generally through its clearing subsidiary and, therefore, such futures are not included in the table below. Assets and liabilities are classified in their entirety based on the lowest level of input that is a significant component of the fair value measurement. The lowest level of input is considered Level 3.

The following table sets forth, by level, Bunge's assets and liabilities that were accounted for at fair value on a recurring basis.

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| (US\$ in millions)   | Fair Value Measurements at Reporting Date |          |         |          |                   |          |         |          |
|--|---|----------|---------|----------|-------------------|----------|---------|----------|
|  | September 30, 2015                        |          |         |          | December 31, 2014 |          |         |          |
|  | Level 1                                   | Level 2  | Level 3 | Total    | Level 1           | Level 2  | Level 3 | Total    |
| <b>Assets:</b>   |   |          |         |          |                   |          |         |          |
| Readily marketable inventories<br>(Note 5)                   | \$  | \$ 3,527 | \$ 611  | \$ 4,138 | \$                | \$ 4,154 | \$ 255  | \$ 4,409 |
| Trade accounts receivable(1)                                 |   | 1        |         | 1        |                   | 23       |         | 23       |
| Unrealized gain on designated<br>derivative contracts(2):    |   |          |         |          |                   |          |         |          |
| Foreign exchange   |   | 132      |         | 132      |                   | 10       |         | 10       |
| Unrealized gain on undesignated<br>derivative contracts (2): |   |          |         |          |                   |          |         |          |
| Foreign exchange   |   | 274      |         | 274      | 5                 | 361      |         | 366      |
| Commodities  | 328                                       | 516      | 365     | 1,209    | 486               | 538      |         |          |