

Bunge LTD  
Form 10-Q  
May 03, 2013  
[Table of Contents](#)

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 10-Q**

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

**For the quarterly period ended March 31, 2013**

**OR**

**o 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 ☐

Smaller reporting company ☐

(Do not check if a 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 April 29, 2013, the number of shares issued of the registrant was:

Common shares, par value \$.01 per share: 147,090,570

Table of Contents

**BUNGE LIMITED**

**TABLE OF CONTENTS**

|  | <b>Page</b>  |
|--|--|
| <br><b><u>PART I FINANCIAL INFORMATION</u></b> |  |
| <u>Item 1.</u>                                 | <u>Financial Statements (Unaudited)</u>  |
|  | <u>Condensed Consolidated Statements of Income for the Three Months Ended March 31, 2013 and 2012</u>  |
|  | 2  |
|  | <u>Condensed Consolidated Statements of Comprehensive Income (Loss) for the Three Months Ended March 31, 2013 and 2012</u>                               |
|  | 3  |
|  | <u>Condensed Consolidated Balance Sheets at March 31, 2013 and December 31, 2012</u>   |
|  | 4  |
|  | <u>Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2013 and 2012</u>  |
|  | 5  |
|  | <u>Condensed Consolidated Statements of Changes in Equity and Redeemable Noncontrolling Interests for the Three Months Ended March 31, 2013 and 2012</u> |
|  | 6  |
|  | <u>Notes to the Condensed Consolidated Financial Statements</u>  |
|  | 7  |
|  | <u>Cautionary Statement Regarding Forward-Looking Statements</u>   |
|  | 28   |
| <u>Item 2.</u>                                 | <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>   |
|  | 28   |
| <u>Item 3.</u>                                 | <u>Quantitative and Qualitative Disclosures About Market Risk</u>  |
|  | 40   |
| <u>Item 4.</u>                                 | <u>Controls and Procedures</u>   |
|  | 42   |
| <br><b><u>PART II INFORMATION</u></b>          |  |
| <u>Item 1.</u>                                 | <u>Legal Proceedings</u>   |
|  | 42   |
| <u>Item 1A.</u>                                | <u>Risk Factors</u>  |
|  | 43   |
| <u>Item 2.</u>                                 | <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>   |
|  | 43   |
| <u>Item 3.</u>                                 | <u>Defaults upon Senior Securities</u>   |
|  | 43   |
| <u>Item 4.</u>                                 | <u>Mine Safety Disclosures</u>   |
|  | 43   |
| <u>Item 5.</u>                                 | <u>Other Information</u>   |
|  | 43   |
| <u>Item 6.</u>                                 | <u>Exhibits</u>  |
|  | 43   |
| <u>Signatures</u>                              | 44   |



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)**

|  | <b>Three Months Ended<br/>March 31,</b> |                |
|--|---|----------------|
|  | <b>2013</b>                             | <b>2012</b>    |
| Net sales  | \$ 14,785                               | \$ 12,909      |
| Cost of goods sold   | (14,138)                                | (12,372)       |
| <b>Gross profit</b>  | <b>647</b>                              | <b>537</b>     |
| Selling, general and administrative expenses                 | (349)                                   | (393)          |
| Interest income  | 9                                       | 25             |
| Interest expense   | (76)                                    | (62)           |
| Foreign exchange gain (loss)                                 | (40)                                    | 58             |
| Other income (expense) net                                   | 39                                      | (1)            |
| <b>Income from continuing operations before income tax</b>   | <b>230</b>                              | <b>164</b>     |
| Income tax (expense) benefit                                 | (73)                                    | (40)           |
| Income from continuing operations                            | 157                                     | 124            |
| Income (loss) from discontinued operations, net of tax       | (9)                                     | (35)           |
| <b>Net income</b>  | <b>148</b>                              | <b>89</b>      |
| Net (income) loss attributable to noncontrolling interests   | 32                                      | 3              |
| <b>Net income attributable to Bunge</b>                      | <b>180</b>                              | <b>92</b>      |
| Convertible preference share dividends and other obligations | (10)                                    | (8)            |
| <b>Net income available to Bunge common shareholders</b>     | <b>\$ 170</b>                           | <b>\$ 84</b>   |
| <b>Earnings per common share basic (Note 17)</b>             |   |                |
| Net income (loss) from continuing operations                 | \$ 1.22                                 | \$ 0.81        |
| Net income (loss) from discontinued operations               | (0.06)                                  | (0.24)         |
| <b>Net income (loss) to Bunge common shareholders</b>        | <b>\$ 1.16</b>                          | <b>\$ 0.57</b> |

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## Earnings per common share diluted (Note 17)

|  |    |        |    |        |
|--|----|--------|----|--------|
| Net income (loss) from continuing operations   | \$ | 1.21   | \$ | 0.81   |
| Net income (loss) from discontinued operations |    | (0.06) |    | (0.24) |
| Net income (loss) to Bunge common shareholders | \$ | 1.15   | \$ | 0.57   |
| Dividends per common share                     | \$ | 0.27   | \$ | 0.25   |

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/>March 31,</b> |               |
|---|---|---------------|
|   | <b>2013</b>                             | <b>2012</b>   |
| Net income  | \$ 148                                  | \$ 89         |
| Other comprehensive income (loss):  |   |               |
| Foreign exchange translation adjustment   | 80                                      | 335           |
| Unrealized gains (losses) on foreign exchange contracts designated as cash flow or net investment hedges, net of tax (expense) benefit of \$(1) in 2013 and \$(4) in 2012 | 11                                      | 9             |
| Unrealized gains (losses) on investments, net of tax (expense) benefit of \$(7) in 2012   |   | 13            |
| Reclassification of realized net losses (gains) to net income, net of tax expense (benefit) of \$2 in 2013  | (3)                                     |               |
| Pension adjustment, net of tax (expense) benefit of nil in all periods  |   | 1             |
| Total other comprehensive income (loss)   | 88                                      | 358           |
| Total comprehensive income (loss)   | 236                                     | 447           |
| Less: comprehensive (income) loss attributable to noncontrolling interests  | 28                                      | (10)          |
| <b>Total comprehensive income (loss) attributable to Bunge</b>  | <b>\$ 264</b>                           | <b>\$ 437</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)**

|  | <b>March 31,<br/>2013</b> | <b>December 31,<br/>2012</b> |
|--|---------------------------|------------------------------|
| <b>ASSETS</b>  |                           |                              |
| Current assets:  |                           |                              |
| Cash and cash equivalents  | \$ 801                    | \$ 569                       |
| Time deposits under trade structured finance program (Note 5)                | 4,375                     | 3,048                        |
| Trade accounts receivable (less allowances of \$111 and \$125) (Note 13)     | 2,957                     | 2,471                        |
| Inventories (Note 6)   | 6,074                     | 6,590                        |
| Deferred income taxes  | 219                       | 108                          |
| Current assets held for sale (Note 4)  | 747                       | 660                          |
| Other current assets (Note 7)  | 4,620                     | 3,818                        |
| Total current assets   | 19,793                    | 17,264                       |
| Property, plant and equipment, net   | 6,017                     | 5,888                        |
| Goodwill   | 351                       | 351                          |
| Other intangible assets, net   | 287                       | 295                          |
| Investments in affiliates  | 277                       | 273                          |
| Deferred income taxes  | 1,163                     | 1,213                        |
| Non-current assets held for sale (Note 4)                                    | 251                       | 250                          |
| Other non-current assets (Note 8)  | 1,760                     | 1,746                        |
| <b>Total assets</b>  | <b>\$ 29,899</b>          | <b>\$ 27,280</b>             |
| <b>LIABILITIES AND EQUITY</b>  |                           |                              |
| Current liabilities:   |                           |                              |
| Short-term debt  | \$ 1,582                  | \$ 1,598                     |
| Current portion of long-term debt (Note 12)                                  | 775                       | 719                          |
| Letter of credit obligations under trade structured finance program (Note 5) | 4,375                     | 3,048                        |
| Trade accounts payable   | 3,643                     | 3,319                        |
| Deferred income taxes  | 100                       | 86                           |
| Current liabilities held for sale (Note 4)                                   | 278                       | 297                          |
| Other current liabilities (Note 10)  | 2,813                     | 2,494                        |
| Total current liabilities  | 13,566                    | 11,561                       |
| Long-term debt (Note 12)   | 3,897                     | 3,532                        |
| Deferred income taxes  | 62                        | 84                           |
| Non-current liabilities held for sale (Note 4)                               | 21                        | 13                           |
| Other non-current liabilities  | 867                       | 797                          |
| Commitments and contingencies (Note 15)                                      |                           |                              |
| Redeemable noncontrolling interests  | 32                        | 38                           |



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## Equity (Note 16):

|   |   |                    |                  |
|---|---|--------------------|------------------|
| Convertible perpetual preference shares, par value \$.01; authorized, issued and outstanding: |   |                    |                  |
| 2013 and 2012   | 6,900,000 shares (liquidation preference \$100 per share) | 690                | 690              |
| Common shares, par value \$.01; authorized 400,000,000 shares; issued and outstanding:        |   |                    |                  |
| 2013  | 147,065,424 shares, 2012                                  | 146,348,499 shares |                  |
|   |   | 1                  | 1                |
| Additional paid-in capital  |   | 4,920              | 4,909            |
| Retained earnings   |   | 6,924              | 6,792            |
| Accumulated other comprehensive income (loss) (Note 16)                                       |   | (1,326)            | (1,410)          |
| Treasury shares, at cost - 1,933,286 shares   |   | (120)              | (120)            |
| Total Bunge shareholders' equity  |   | 11,089             | 10,862           |
| Noncontrolling interests  |   | 365                | 393              |
| Total equity  |   | 11,454             | 11,255           |
| <b>Total liabilities and equity</b>   |   | <b>\$ 29,899</b>   | <b>\$ 27,280</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>Three Months Ended<br/>March 31,</b> |             |
|--|---|-------------|
|  | <b>2013</b>                             | <b>2012</b> |
| <b>OPERATING ACTIVITIES</b>  |   |             |
| Net income   | \$ 148                                  | \$ 89       |
| Adjustments to reconcile net income to cash provided by (used for) operating activities: |   |             |
| Foreign exchange loss (gain) on debt   | 77                                      | (15)        |
| Bad debt expense   | 6                                       | 16          |
| Depreciation, depletion and amortization   | 121                                     | 120         |
| Stock-based compensation expense   | 4                                       | 19          |
| Deferred income taxes  | (56)                                    | (34)        |
| Other, net   | (4)                                     |             |
| Changes in operating assets and liabilities, excluding the effects of acquisitions:      |   |             |
| Trade accounts receivable  | (583)                                   | (439)       |
| Inventories  | 415                                     | (549)       |
| Prepayments and advances to suppliers  | (171)                                   | (57)        |
| Trade accounts payable and accrued liabilities   | 302                                     | 653         |
| Net unrealized gain/loss on derivative contracts   | 165                                     | (3)         |
| Margin deposits  | (66)                                    | (95)        |
| Other, net   | (255)                                   | (7)         |
| Cash provided by (used for) operating activities   | 103                                     | (302)       |
| <b>INVESTING ACTIVITIES</b>  |   |             |
| Payments made for capital expenditures   | (224)                                   | (224)       |
| Acquisitions of businesses (net of cash acquired)  | (11)                                    | (98)        |
| Proceeds from investments  | 13                                      | 18          |
| Payments for investments   | (6)                                     | (9)         |
| Payment for investments in affiliates  | (14)                                    | (49)        |
| Other, net   | (40)                                    | 41          |
| Cash provided by (used for) investing activities   | (282)                                   | (321)       |
| <b>FINANCING ACTIVITIES</b>  |   |             |
| Net change in short-term debt with maturities of 90 days or less                         | (64)                                    | 69          |
| Proceeds from short-term debt with maturities greater than 90 days                       | 115                                     | 194         |
| Repayments of short-term debt with maturities greater than 90 days                       | (78)                                    | (225)       |
| Proceeds from long-term debt   | 1,452                                   | 1,488       |
| Repayments of long-term debt   | (972)                                   | (457)       |
| Proceeds from sale of common shares  | 9                                       | 8           |
| Dividends paid   | (48)                                    | (47)        |
| Other, net   |   | 3           |
| Cash provided by (used for) financing activities   | 414                                     | 1,033       |
| Effect of exchange rate changes on cash and cash equivalents                             | (3)                                     | 5           |
| Net increase (decrease) in cash and cash equivalents                                     | 232                                     | 415         |

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|  |    |     |    |       |
|--|----|-----|----|-------|
| Cash and cash equivalents, beginning of period |    | 569 |    | 835   |
| Cash and cash equivalents, end of period       | \$ | 801 | \$ | 1,250 |

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>Noncontrolling<br>Interests | Convertible<br>Preference<br>Shares | Amount        | Common Shares<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, 2012   | \$  | 6,900,000                           | \$ 690        | 145,610,029             | \$ 1        | \$ 4,829                         | \$ 6,917             | \$ (610)   | \$ (120)           | \$ 368                          | \$ 12,075        |
| Net income (loss)  |   |                                     |               |                         |             |                                  | 92                   |  |                    | (3)                             | 89               |
| Other comprehensive income (loss)                                |   |                                     |               |                         |             |                                  |                      | 345  |                    | 13                              | 358              |
| Dividends on common shares                                       |   |                                     |               |                         |             |                                  | (37)                 |  |                    |                                 | (37)             |
| Dividends on preference shares                                   |   |                                     |               |                         |             |                                  | (8)                  |  |                    |                                 | (8)              |
| Dividends to noncontrolling interests on subsidiary common stock |   |                                     |               |                         |             |                                  |                      |  |                    | (3)                             | (3)              |
| Capital contributions from noncontrolling interests              |   |                                     |               |                         |             |                                  |                      |  |                    | 270                             | 270              |
| Stock-based compensation expense                                 |   |                                     |               |                         |             | 19                               |                      |  |                    |                                 | 19               |
| Issuance of common shares  |   |                                     |               | 297,561                 |             | 7                                |                      |  |                    |                                 | 7                |
| <b>Balance, March 31, 2012</b>                                   | <b>\$</b>                                 | <b>6,900,000</b>                    | <b>\$ 690</b> | <b>145,907,590</b>      | <b>\$ 1</b> | <b>\$ 4,855</b>                  | <b>\$ 6,964</b>      | <b>\$ (265)</b>  | <b>\$ (120)</b>    | <b>\$ 645</b>                   | <b>\$ 12,770</b> |

|  | Redeemable<br>Noncontrolling<br>Interests | Convertible<br>Preference<br>Shares | Amount | Common Shares<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, 2013   | \$ 38                                     | 6,900,000                           | \$ 690 | 146,348,499             | \$ 1   | \$ 4,909                         | \$ 6,792             | \$ (1,410)   | \$ (120)           | \$ 393                          | \$ 11,255       |
| Net income (loss)  | (8)                                       |                                     |        |                         |        |                                  | 180                  |  |                    | (32)                            | 148             |
| Accretion of noncontrolling interests                            | 2   |                                     |        |                         |        | (2)                              |                      |  |                    |                                 | (2)             |
| Other comprehensive income (loss)                                |   |                                     |        |                         |        |                                  |                      | 84   |                    | 4                               | 88              |
| Dividends on common shares                                       |   |                                     |        |                         |        |                                  | (40)                 |  |                    |                                 | (40)            |
| Dividends on preference shares                                   |   |                                     |        |                         |        |                                  | (8)                  |  |                    |                                 | (8)             |
| Dividends to noncontrolling interests on subsidiary common stock |   |                                     |        |                         |        |                                  |                      |  |                    | (1)                             | (1)             |
| Capital contributions from noncontrolling interests              |   |                                     |        |                         |        |                                  |                      |  |                    | 1                               | 1               |
| Stock-based compensation expense                                 |   |                                     |        |                         |        | 4                                |                      |  |                    |                                 | 4               |

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Issuance of common  
shares

|                                |  |  |  |  |  |  |  |  |  |           |           |                  |           |            |                    |           |          |           |              |           |              |           |                |           |              |           |            |           |               |
|--------------------------------|--|--|--|--|--|--|--|--|--|-----------|-----------|------------------|-----------|------------|--------------------|-----------|----------|-----------|--------------|-----------|--------------|-----------|----------------|-----------|--------------|-----------|------------|-----------|---------------|
|                                |  |  |  |  |  |  |  |  |  | 716,925   |           | 9                |           | 9          |                    |           |          |           |              |           |              |           |                |           |              |           |            |           |               |
| <b>Balance, March 31, 2013</b> |  |  |  |  |  |  |  |  |  | <b>\$</b> | <b>32</b> | <b>6,900,000</b> | <b>\$</b> | <b>690</b> | <b>147,065,424</b> | <b>\$</b> | <b>1</b> | <b>\$</b> | <b>4,920</b> | <b>\$</b> | <b>6,924</b> | <b>\$</b> | <b>(1,326)</b> | <b>\$</b> | <b>(120)</b> | <b>\$</b> | <b>365</b> | <b>\$</b> | <b>11,454</b> |

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

Table of Contents

**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 it is considered 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 (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 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, 2012 has been derived from Bunge's audited consolidated financial statements at that date. Operating results for the three months ended March 31, 2013 are not necessarily indicative of the results to be expected for the year ending December 31, 2013. The financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2012, forming part of Bunge's 2012 Annual Report on Form 10-K filed with the SEC on March 1, 2013.

Equity investments in which Bunge has the ability to exercise significant influence but does not control are accounted for by the equity method of accounting. Investments in which Bunge does not exercise significant influence are accounted for by the cost method of accounting. Intercompany accounts and transactions are eliminated. Bunge consolidates VIEs in which it is considered the primary beneficiary and reconsiders such conclusion at each reporting period. An enterprise is determined to be the primary beneficiary if it has a controlling financial interest under GAAP, defined as (a) the power to direct the activities of a VIE that most significantly impact the VIE's business and (b) the obligation to absorb losses of or the right to receive benefits from the VIE that could potentially be significant to the VIE's operations. Performance of that analysis requires the exercise of judgment. Where Bunge has an interest in an entity that has qualified for the deferral of the consolidation rules, it follows consolidation rules prior to January 1, 2010. These rules require an analysis to (a) determine whether an entity in which Bunge has a variable interest is a VIE and (b) whether Bunge's involvement, through the holding of equity interests directly or indirectly in the entity or contractually through other variable interests, would be expected to absorb a majority of the variability of the entity. This latter evaluation resulted in the consolidation of certain private equity and other investment funds (the consolidated funds) related to an asset management business acquisition completed in 2012.

The consolidated funds are, for GAAP purposes, investment companies and therefore are not required to consolidate their majority owned and controlled investments. Rather, Bunge reflects these investments at fair value. In addition, certain of these consolidated funds have limited partner investors with investments in the form of equity, which are accounted for as noncontrolling interests and investments in the form of debt for which Bunge has elected the fair value option.

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Noncontrolling interests related to Bunge's ownership of less than 100% are reported as noncontrolling interests in subsidiaries in the condensed consolidated balance sheets. The noncontrolling ownership interests in Bunge's earnings, net of tax, are reported as net (income) loss attributable to noncontrolling interests in the condensed consolidated statements of income.

Certain prior year amounts have been reclassified to conform to the current year presentation (see Note 18).

***Discontinued Operations*** In determining whether a group of assets disposed (or to be disposed) of should be presented as discontinued operations, Bunge makes a determination of whether the group of assets being disposed of comprises a component of the entity; that is, whether it has historical operations and cash flows that can be clearly distinguished (both operationally and for financial reporting purposes). Bunge also determines whether the cash flows associated with the group of assets have been significantly (or will be significantly) eliminated from

Table of Contents

the ongoing operations of Bunge as a result of the disposal transaction and whether Bunge has no significant continuing involvement in the operations of the group of assets after the disposal transaction. If these determinations can be made affirmatively, the results of operations of the group of assets being disposed of (as well as any gain or loss on the disposal transaction) are aggregated for separate presentation apart from the continuing operations of the Company in the condensed consolidated financial statements (see Note 4).

**2. NEW ACCOUNTING PRONOUNCEMENTS**

**Adoption of New Accounting Pronouncements** In December 2011 and January 2013, Financial Accounting Standards Board (FASB) amended the guidance in ASC Topic 210, *Balance Sheet*. This amendment requires an entity to disclose both gross and net information about financial instruments that are eligible for offset in the statement of financial position and/or subject to a master netting arrangement or similar agreement. Bunge's derivative assets and liabilities are presented on a gross basis in its condensed consolidated balance sheets. The adoption of this amendment on January 1, 2013 did not have a significant impact on Bunge's condensed consolidated financial statements.

In February 2013, FASB amended the guidance in ASC Topic 220, *Comprehensive Income*. This amendment requires an entity to disclose on a prospective basis the impact on income statement line items for significant items reclassified from other comprehensive income to net income during the period. The adoption of this amendment expanded Bunge's disclosures in its condensed consolidated financial statements.

**3. BUSINESS ACQUISITIONS**

In January 2013, Bunge acquired two biodiesel facilities adjacent to existing Bunge facilities from its European biodiesel joint venture for \$11 million in cash, net of cash acquired. The preliminary purchase price allocation resulted in \$4 million of inventory, \$17 million of other current assets, \$10 million of property, plant and equipment, \$19 million of other current liabilities and \$1 million of long-term deferred taxes. There were no changes to the joint venture ownership or governance structure as a result of this transaction.

**4. DISCONTINUED OPERATIONS**

On December 6, 2012, Bunge entered into a definitive agreement with Yara International ASA (Yara) under which Yara will acquire Bunge's Brazilian fertilizer distribution business, including blending facilities, brands and warehouses, for \$750 million in cash. Upon completion of the transaction, which is expected in 2013, Bunge will not have significant ongoing cash flows related to the Brazilian fertilizer business or any significant ongoing participation in the operations of this business. Assets and liabilities subject to the purchase and sale agreement have been classified as held for sale in Bunge's condensed consolidated balance sheets. The operating results of the Brazilian fertilizer distribution businesses are reported as income from discontinued operations, net of tax, in the condensed consolidated statements of income and have been excluded from segment results for all periods presented (see Note 18).

The following table summarizes the results from discontinued operations.



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| (US\$ in millions)   | Three Months Ended March 31, |       |      |       |
|--|------------------------------|-------|------|-------|
|  | 2013                         |       | 2012 |       |
| Net sales  | \$                           | 456   | \$   | 537   |
| Cost of goods sold   |                              | (431) |      | (553) |
| Gross profit   |                              | 25    |      | (16)  |
| Selling, general and administrative expenses                 |                              | (19)  |      | (26)  |
| Interest income  |                              | 4     |      | 1     |
| Interest expense   |                              | (3)   |      |       |
| Foreign exchange gain (loss)                                 |                              | 3     |      | 8     |
| Other income (expenses) net                                  |                              | 1     |      | (28)  |
| Income (loss) from discontinued operations before income tax |                              | 11    |      | (61)  |
| Income tax (expense) benefit                                 |                              | (20)  |      | 26    |
| Income (loss) from discontinued operations, net of tax       | \$                           | (9)   | \$   | (35)  |

## Table of Contents

Assets held for sale associated with discontinued operations as of March 31, 2013 and December 31, 2012 are as follows:

| (US\$ in millions)  | March 31,<br>2013 | December 31,<br>2012 |
|---|-------------------|----------------------|
| <b>Assets:</b>  |                   |                      |
| Cash and cash equivalents                                 | \$ 2              | \$ 2                 |
| Trade accounts receivable (less allowance of \$2 and \$2) | 265               | 189                  |
| Inventories   | 445               | 402                  |
| Other current assets                                      | 35                | 67                   |
| Current assets held for sale                              | \$ 747            | \$ 660               |
| Property, plant and equipment, net                        | \$ 227            | \$ 218               |
| Deferred income taxes                                     | 24                | 40                   |
| Other non-current assets                                  |                   | (8)                  |
| Non-current assets held for sale                          | \$ 251            | \$ 250               |
| <b>Liabilities:</b>                                       |                   |                      |
| Trade accounts payable                                    | \$ 181            | \$ 157               |
| Other current liabilities                                 | 97                | 140                  |
| Current liabilities held for sale                         | \$ 278            | \$ 297               |
| Deferred income taxes                                     | \$ 8              | \$                   |
| Other non-current liabilities                             | 13                | 13                   |
| Non-current liabilities held for sale                     | \$ 21             | \$ 13                |

## 5. 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, 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. The net return from activities under this Program, including fair value changes, is included as a reduction of cost of goods sold in the accompanying condensed consolidated statements of income.

At March 31, 2013 and December 31, 2012, time deposits (with weighted-average interest rates of 8.11% and 8.95%, respectively) and LCs (including foreign exchange contracts) totaled \$4,375 million and \$3,048 million, respectively. In addition, at March 31, 2013 and December 31, 2012, the fair values of the time deposits (Level 2 measurements) totaled approximately \$4,375 million and \$3,048 million, respectively, and the fair values of the LCs (Level 2 measurements) totaled approximately \$4,295 million and \$3,024 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 \$80 million and \$24 million, respectively.

During the quarters ended March 31, 2013 and 2012, total proceeds from issuances of LCs were \$2,417 million and \$1,314 million, respectively. These cash inflows are offset by the related cash outflows resulting from placement of the time deposits and repayment of the LCs.

**6. INVENTORIES**

Inventories by segment are presented below. Readily marketable inventories refers to inventories that are readily convertible to cash because of their commodity characteristics, widely available markets and international pricing mechanisms.

# Table of Contents

| (US\$ in millions)      | March 31,<br>2013 | December 31,<br>2012 |
|-------------------------|-------------------|----------------------|
| Agribusiness (1)        | \$ 4,842          | \$ 5,240             |
| Sugar and Bioenergy (2) | 371               | 488                  |
| Edible Oil Products (3) | 561               | 617                  |
| Milling Products (4)    | 231               | 184                  |
| Fertilizer (4) (5)      | 69                | 61                   |
| <b>Total</b>            | <b>\$ 6,074</b>   | <b>\$ 6,590</b>      |

(1) Includes readily marketable agricultural commodity inventories at fair value of \$4,453 million and \$4,892 million at March 31, 2013 and December 31, 2012, respectively. All other agribusiness segment inventories are carried at lower of cost or market.

(2) Includes readily marketable sugar inventories of \$37 million and \$199 million at March 31, 2013 and December 31, 2012, respectively. Of these, \$26 million and \$144 million, respectively, are carried at fair value, in Bunge's trading and merchandising business. Sugar and ethanol inventories in Bunge's industrial production business are carried at lower of cost or market.

(3) Edible oil products inventories are generally carried at lower of cost or market, with the exception of readily marketable inventories of bulk soybean oil which are carried at fair value in the aggregate amount of \$106 million and \$215 million at March 31, 2013 and December 31, 2012, respectively.

(4) Milling products and fertilizer inventories are carried at lower of cost or market.

(5) Fertilizer inventories exclude amounts classified as held for sale (see Note 4).

## 7. OTHER CURRENT ASSETS

Other current assets consist of the following:

| (US\$ in millions)                                     | March 31,<br>2013 | December 31,<br>2012 |
|--|-------------------|----------------------|
| Prepaid commodity purchase contracts (1)               | \$ 436            | \$ 299               |
| Secured advances to suppliers, net (2)                 | 434               | 390                  |
| Unrealized gains on derivative contracts at fair value | 1,336             | 1,230                |
| Recoverable taxes, net                                 | 416               | 465                  |
| Margin deposits (3)                                    | 429               | 363                  |

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|  |                 |                 |
|--|-----------------|-----------------|
| Marketable securities                  | 167             | 105             |
| Deferred purchase price receivable (4) | 137             | 134             |
| Prepaid expenses                       | 321             | 314             |
| Other                                  | 944             | 518             |
| <b>Total</b>                           | <b>\$ 4,620</b> | <b>\$ 3,818</b> |

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(1) Prepaid commodity purchase contracts represent advance payments against fixed price contracts for future delivery of specified quantities of agricultural commodities. These contracts are recorded at fair value based on prices of the underlying 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 \$13 million and \$12 million at March 31, 2013 and December 31, 2012, respectively.

Interest earned on secured advances to suppliers of \$9 million and \$8 million for the three months ended March 31, 2013 and 2012, respectively, is included in net sales in the condensed consolidated statements of income.

(3) Margin deposits include U.S. treasury securities at fair value and cash.

(4) Deferred purchase price receivable represents additional credit support for the investment conduits in Bunge's accounts receivables sales program (see Note 13) and is recognized at its estimated fair value.

Table of Contents

## 8. OTHER NON-CURRENT ASSETS

Other non-current assets consist of the following:

| (US\$ in millions)                                | March 31,<br>2013 | December 31,<br>2012 |
|---|-------------------|----------------------|
| Recoverable taxes, net                            | \$ 344            | \$ 309               |
| Long-term receivables from farmers in Brazil, net | 166               | 164                  |
| Judicial deposits                                 | 179               | 169                  |
| Other long-term receivables                       | 41                | 60                   |
| Income taxes receivable                           | 426               | 431                  |
| Long-term investments                             | 385               | 414                  |
| Affiliate loans receivable, net                   | 76                | 59                   |
| Other   | 143               | 140                  |
| <b>Total</b>                                      | <b>\$ 1,760</b>   | <b>\$ 1,746</b>      |

*Recoverable taxes, net* Recoverable taxes are reported net of valuation allowances of \$76 million and \$47 million at March 31, 2013 and December 31, 2012, respectively.

*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)           | March 31,<br>2013 | December 31,<br>2012 |
|------------------------------|-------------------|----------------------|
| Legal collection process (1) | \$ 266            | \$ 269               |
| Renegotiated amounts (2)     | 124               | 119                  |
| <b>Total</b>                 | <b>\$ 390</b>     | <b>\$ 388</b>        |

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

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

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The average recorded investment in long-term receivables from farmers in Brazil for the three months ended March 31, 2013 and the year ended December 31, 2012 was \$398 million and \$444 million, respectively. The table below summarizes Bunge's recorded investment in long-term receivables from farmers in Brazil and the related allowance amounts.

| (US\$ in millions)                               | March 31, 2013      |               | December 31, 2012   |               |
|--|---------------------|---------------|---------------------|---------------|
|  | Recorded Investment | Allowance     | Recorded Investment | Allowance     |
| <b>For which an allowance has been provided:</b> |                     |               |                     |               |
| Legal collection process                         | \$ 177              | \$ 163        | \$ 178              | \$ 165        |
| Renegotiated amounts                             | 70                  | 61            | 67                  | 59            |
| <b>For which no allowance has been provided:</b> |                     |               |                     |               |
| Legal collection process                         | 89                  |               | 91                  |               |
| Renegotiated amounts                             | 54                  |               | 52                  |               |
| <b>Total</b>                                     | <b>\$ 390</b>       | <b>\$ 224</b> | <b>\$ 388</b>       | <b>\$ 224</b> |

Table of Contents

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>March 31, |     |      |     |
|------------------------------|---------------------------------|-----|------|-----|
|                              | 2013                            |     | 2012 |     |
| Beginning balance            | \$                              | 224 | \$   | 199 |
| Bad debt provisions          |                                 | 1   |      | 15  |
| Recoveries                   |                                 | (3) |      | (4) |
| Foreign exchange translation |                                 | 2   |      | 5   |
| Ending balance               | \$                              | 224 | \$   | 215 |

*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 (the benchmark rate of the Brazilian central bank).

*Income taxes receivable* Income taxes receivable at March 31, 2013 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 (the benchmark rate of the Brazilian central bank).

*Long-term investments* Long-term investments represent investments held by certain managed investment funds, which are included in Bunge's condensed consolidated financial statements. The consolidated funds are, for 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 \$321 million and \$349 million at March 31, 2013 and December 31, 2012, respectively.

*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.

## 9. INCOME TAXES

Income tax expense is provided on an interim basis based upon 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 upon 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.





Table of Contents

For the three months ended March 31, 2013 and 2012, income tax expense related to continuing operations was \$73 million and \$40 million, respectively. The related effective tax rates were 32% and 25%, respectively. Included in these effective tax rates were approximately \$31 million and \$5 million, respectively, of discrete items.

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 often difficult to predict the final outcome or timing of resolution of any particular matter with the various tax authorities, management believes that the condensed consolidated financial statements reflect the largest amount of tax benefit that will be more likely than not realized. During the three months ended March 31, 2013, Bunge increased its liability for uncertain tax positions by \$44 million and recorded income tax expense as a result of recently published litigation precedents in Brazil. Of this amount, \$27 million is included in income taxes related to income from continuing operations and \$17 million is included in discontinued operations, net of tax. Also during the three months ended March 31, 2013, Bunge recorded income tax expense of \$4 million related to the finalization of a tax audit in Europe.

During 2011, the Brazilian IRS commenced an examination of the income tax returns of one of Bunge's Brazilian subsidiaries for the years 2005-2009 and proposed adjustments totaling approximately \$160 million plus applicable interest and penalties. 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 it will prevail and therefore, has not recorded an uncertain tax liability.

In 2010, the Brazilian IRS had proposed certain significant adjustments to the income tax returns for one of Bunge's Brazilian subsidiaries for the years 2005 to 2007. The proposed adjustments totaled approximately \$525 million plus applicable interest and penalties. In late 2011, Bunge received a decision from the Tax Inspector that dismissed approximately \$170 million of the Brazilian IRS's case against Bunge. Management is appealing the remainder of the case, and has not changed its position that it is more likely than not that it will prevail and therefore, has not recorded an uncertain tax liability.

**10. OTHER CURRENT LIABILITIES**

Other current liabilities consist of the following:

| (US\$ in millions)                                      | March 31,<br>2013 | December 31,<br>2012 |
|---|-------------------|----------------------|
| Accrued liabilities                                     | \$ 1,024          | \$ 1,069             |
| Unrealized losses on derivative contracts at fair value | 1,447             | 1,185                |
| Advances on sales                                       | 326               | 223                  |
| Other   | 16                | 17                   |
| <b>Total</b>  | <b>\$ 2,813</b>   | <b>\$ 2,494</b>      |

**11. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS**

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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 13 for deferred purchase price receivable (DPP) related to sales of trade receivables. See Note 8 for long-term receivables from farmers in Brazil, net and other long-term investments and Note 12 for long-term debt. Bunge's financial instruments also include derivative instruments and marketable securities, which are stated at fair value.

Fair value is the expected price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Bunge determines the fair values of its readily marketable inventories, derivatives, and certain other assets based on the fair value hierarchy established in ASC Topic 820, *Fair Value Measurements and Disclosures*, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs are inputs based on market data obtained

Table of Contents

from sources independent of Bunge that reflect the assumptions market participants would use in pricing the asset or liability. Unobservable inputs are inputs that are developed based on the best information available in circumstances that reflect Bunge's own assumptions based on market data and on assumptions that market participants would use in pricing the asset or liability. The topic describes three levels within its hierarchy that may be used to measure fair value.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 1 assets and liabilities include exchange traded derivative contracts.

Level 2: Observable inputs, including Level 1 prices (adjusted), quoted prices for similar assets or liabilities, quoted prices in markets that are less active than traded exchanges and other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include readily marketable inventories and over-the-counter (OTC) commodity purchase and sale contracts and other OTC derivatives whose value is determined using pricing models with inputs that are generally based on exchange traded prices, adjusted for location specific inputs that are primarily observable in the market or can be derived principally from or corroborated by observable market data.

Level 3: Unobservable inputs that are supported by little or no market activity and that are a significant component of the fair value of the assets or liabilities. In evaluating the significance of fair value inputs, Bunge gives consideration to items that individually or when aggregated with other inputs, generally represent more than 10% of the fair value of the assets or liabilities. For such identified inputs which are primarily related to inland transportation costs, judgments are required when evaluating both quantitative and qualitative factors in the determination of significance for purposes of fair value level classification and disclosure. Level 3 assets and liabilities include assets and liabilities whose value is determined using proprietary pricing models, discounted cash flow methodologies or similar techniques; as well as, assets and liabilities for which the determination of fair value requires significant management judgment or estimation. Bunge believes a change in these inputs would not result in a significant change in the fair values.

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. Bunge's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the classification of fair value assets and liabilities within the fair value hierarchy levels. 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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## Table of Contents

| (US\$ in millions)                                       | Fair Value Measurements at Reporting Date |                 |                 |                 |                   |                 |               |                 |
|--|---|-----------------|-----------------|-----------------|-------------------|-----------------|---------------|-----------------|
|  | March 31, 2013                            |                 |                 |                 | December 31, 2012 |                 |               |                 |
|  | Level 1                                   | Level 2         | Level 3         | Total           | Level 1           | Level 2         | Level 3       | Total           |
| <b>Assets:</b>   |   |                 |                 |                 |                   |                 |               |                 |
| Readily marketable inventories (Note 6)                  | \$  | \$ 3,398        | \$ 1,187        | \$ 4,585        | \$                | \$ 4,815        | \$ 436        | \$ 5,251        |
| Unrealized gain on designated derivative contracts (1)   |   |                 |                 |                 |                   |                 |               |                 |
| Interest rate  |   |                 |                 |                 |                   |                 |               |                 |
| Foreign exchange   |   | 17              |                 | 17              |                   | 1               |               | 1               |
| Unrealized gain on undesignated derivative contracts (1) |   |                 |                 |                 |                   |                 |               |                 |
| Interest rate  |   |                 |                 |                 |                   |                 |               |                 |
| Foreign exchange   |   | 229             |                 | 229             |                   | 194             |               | 194             |
| Commodities  | 376                                       | 545             | 103             | 1,024           | 61                | 697             | 264           | 1,022           |
| Freight  | 10  | 5               |                 | 15              |                   |                 | 1             | 1               |
| Energy   | 36  | 2               | 13              | 51              | 9                 | 2               | 1             | 12              |
| Deferred purchase price receivable (Note 13)             |   | 137             |                 | 137             |                   | 134             |               | 134             |
| Other (2)  | 248                                       | 75              |                 | 323             | 234               | 32              |               | 266             |
| <b>Total assets</b>                                      | <b>\$ 670</b>                             | <b>\$ 4,408</b> | <b>\$ 1,303</b> | <b>\$ 6,381</b> | <b>\$ 304</b>     | <b>\$ 5,875</b> | <b>\$ 702</b> | <b>\$ 6,881</b> |
| <b>Liabilities:</b>                                      |   |                 |                 |                 |                   |                 |               |                 |
| Unrealized loss on designated derivative contracts (3)   |   |                 |                 |                 |                   |                 |               |                 |
| Interest rate  | \$  | \$              | \$              | \$              | \$                | \$              | \$            | \$              |
| Foreign exchange   |   |                 |                 |                 |                   |                 |               |                 |
| Unrealized loss on undesignated derivative contracts (3) |   |                 |                 |                 |                   |                 |               |                 |
| Interest rate  |   |                 |                 |                 |                   |                 |               |                 |
| Foreign exchange   |   | 303             |                 | 303             | 1                 | 119             |               | 120             |
| Commodities  | 414                                       | 510             | 99              | 1,023           | 153               | 667             | 180           | 1,000           |
| Freight  | 17  |                 | 1               | 18              | 3                 |                 |               | 3               |
| Energy   | 56  |                 | 47              | 103             | 42                |                 | 20            | 62              |
| <b>Total liabilities</b>                                 | <b>\$ 487</b>                             | <b>\$ 813</b>   | <b>\$ 147</b>   | <b>\$ 1,447</b> | <b>\$ 199</b>     | <b>\$ 786</b>   | <b>\$ 200</b> | <b>\$ 1,185</b> |

(1) Unrealized gains on designated and undesignated derivative contracts are generally included in other current assets. There are \$20 million and zero included in other non-current assets at March 31, 2013 and December 31, 2012.

(2) Other assets include primarily the fair values of U.S. Treasury securities held as margin deposits and other marketable securities.

(3) Unrealized losses on designated and undesignated derivative contracts are generally included in other current liabilities. There are no such amounts included in other non-current liabilities at March 31, 2013 and December 31, 2012.

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*Derivatives* Exchange traded futures and options contracts are valued based on unadjusted quoted prices in active markets and are classified within Level 1. Bunge's forward commodity purchase and sale contracts are classified as derivatives along with other OTC derivative instruments relating primarily to freight, energy, foreign exchange and interest rates, and are classified within Level 2 or Level 3 as described below. Bunge estimates fair values based on exchange quoted prices, adjusted as appropriate for differences in local markets. These differences are generally valued using inputs from broker or dealer quotations, or market transactions in either the listed or OTC markets. In such cases, these derivative contracts are classified within Level 2. Changes in the fair values of these contracts are recognized in the condensed consolidated financial statements as a component of cost of goods sold, foreign exchange gains (losses), interest income (expense), other income (expense)-net or other comprehensive income (loss).

Table of Contents

OTC derivative contracts include swaps, options and structured transactions that are valued at fair value generally determined using quantitative models that require the use of multiple market inputs including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets which are not highly active, other observable inputs relevant to the asset or liability, and market inputs corroborated by correlation or other means. These valuation models include inputs such as interest rates, prices and indices to generate continuous yield or pricing curves and volatility factors. Where observable inputs are available for substantially the full term of the asset or liability, the instrument is categorized in Level 2. Certain OTC derivatives trade in less active markets with less availability of pricing information and certain structured transactions can require internally developed model inputs that might not be observable in or corroborated by the market. When unobservable inputs have a significant impact on the measurement of fair value, the instrument is categorized in Level 3.

Bunge's policy is to only classify exchange traded or cleared derivative contracts in Level 1, thus transfers of assets and liabilities into and/or out of Level 1 occur infrequently. Transfers into Level 1 would generally only be expected to occur when an exchange cleared derivative contract historically valued using a valuation model as the result of a lack of observable inputs becomes sufficiently observable, resulting in the valuation price being essentially the exchange traded price. There were no significant transfers into or out of Level 1 during the periods presented.

Bunge may designate certain derivative instruments as either fair value hedges or cash flow hedges and assesses, both at inception of the hedge and on an ongoing basis, whether derivatives that are designated as hedges are highly effective in offsetting changes in the hedged items or anticipated cash flows.

*Readily marketable inventories* The majority of Bunge's readily marketable commodity inventories are valued at fair value. These agricultural commodity inventories are readily marketable, have quoted market prices and may be sold without significant additional processing. Changes in the fair values of these inventories are recognized in the condensed consolidated statements of income as a component of cost of goods sold.

Readily marketable inventories reported at fair value are valued based on commodity futures exchange quotations, broker or dealer quotations, or market transactions in either listed or OTC markets with appropriate adjustments for differences in local markets where Bunge's inventories are located. In such cases, the inventory is classified within Level 2. Certain inventories may utilize significant unobservable data related to local market adjustments to determine fair value; in such cases, the inventory is classified as Level 3.

If Bunge used different methods or factors to determine fair values, amounts reported as unrealized gains and losses on derivative contracts and readily marketable inventories at fair value in the condensed consolidated balance sheets and condensed consolidated statements of income could differ. Additionally, if market conditions change subsequent to the reporting date, amounts reported in future periods as unrealized gains and losses on derivative contracts and readily marketable inventories at fair value in the condensed consolidated balance sheets and condensed consolidated statements of income could differ.

*Level 3 Valuation* Bunge's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the classification of assets and liabilities within the fair value hierarchy. In evaluating the significance of fair value inputs, Bunge gives consideration to items that individually, or when aggregated with other inputs, represent more than 10% of the fair value of the asset or liability. For such identified inputs, judgments are required when evaluating both quantitative and qualitative factors in the determination of significance for purposes of fair value level classification and disclosure. Because of differences in the availability of market pricing data over their terms, inputs for some assets and liabilities may fall into any one of the three levels in the fair value hierarchy or some combination thereof. While FASB guidance requires Bunge to classify these assets and liabilities in the lowest level in the hierarchy for which inputs are significant to the fair value measurement, a portion of that measurement may be determined using inputs from a higher level in the hierarchy.

The significant unobservable inputs resulting in Level 3 classification relate to freight in the interior of Brazil and the lack of market corroborated information in Canada. In both situations, Bunge uses proprietary information such as purchase and sale contracts and contracted prices for freight, premiums and discounts to value its contracts. Movements in the price of these unobservable inputs alone would not have a material effect on Bunge's financial statements as these contracts do not typically exceed one future crop cycle.



# Table of Contents

Transfers in and/or out of Level 3 represent existing assets or liabilities that were either previously categorized as a higher level for which the inputs to the model became unobservable or assets and liabilities that were previously classified as Level 3 for which the lowest significant input became observable during the period. Bunge's policy regarding the timing of transfers between levels is to record the transfers at the beginning of the reporting period.

**Level 3 Derivatives** Level 3 derivative instruments utilize both market observable and unobservable inputs within the fair value measurements. These inputs include commodity prices, price volatility factors, interest rates, volumes and locations. In addition, with the exception of the exchange cleared instruments where Bunge clears trades through an exchange, Bunge is exposed to loss in the event of the non-performance by counterparties on over-the-counter derivative instruments and forward purchase and sale contracts. Adjustments are made to fair values on occasions when non-performance risk is determined to represent a significant input in Bunge's fair value determination. These adjustments are based on Bunge's estimate of the potential loss in the event of counterparty non-performance. Bunge did not have significant adjustments related to non-performance by counterparties at March 31, 2013.

**Level 3 Readily marketable inventories** Readily marketable inventories are considered Level 3 when at least one significant assumption or input is unobservable. These assumptions or unobservable inputs include certain management estimations regarding costs of transportation and other local market or location-related adjustments.

The tables below present reconciliations for all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the three months ended March 31, 2013 and 2012. Level 3 instruments presented in the tables include readily marketable inventories and derivatives. These instruments were valued using pricing models that, in management's judgment, reflect the assumptions that would be used by a marketplace participant to determine fair value.

| (US\$ in millions)  | Level 3 Instruments<br>Fair Value Measurements<br>Three Months Ended March 31, 2013 |                                      |           | Total        |
|---|---|--------------------------------------|-----------|--------------|
|   | Derivatives,<br>Net (1)   | Readily<br>Marketable<br>Inventories |           |              |
| Balance, January 1, 2013  | \$ 66   | \$ 436                               | \$        | 502          |
| Total gains and (losses) (realized/unrealized) included in cost of goods sold | (24)  | (84)                                 |           | (108)        |
| Purchases   |   | 952                                  |           | 952          |
| Sales   |   | (266)                                |           | (266)        |
| Settlements   | (73)  |                                      |           | (73)         |
| Transfers into Level 3  | (1)   | 149                                  |           | 148          |
| Transfers out of Level 3  | 1   |                                      |           | 1            |
| <b>Balance, March 31, 2013</b>  | <b>\$ (31)</b>  | <b>\$ 1,187</b>                      | <b>\$</b> | <b>1,156</b> |

(1) Derivatives, net include Level 3 derivative assets and liabilities.

Table of Contents

| <b>Level 3 Instruments<br/>Fair Value Measurements<br/>Three Months Ended March 31, 2012</b> |                         |           |                                      |               |
|--|-------------------------|-----------|--------------------------------------|---------------|
| (US\$ in millions)   | Derivatives,<br>Net (1) |           | Readily<br>Marketable<br>Inventories | Total         |
| Balance, January 1, 2012   | \$                      | (2)       | \$ 283                               | \$ 281        |
| Total gains and (losses) (realized/unrealized) included in cost of goods sold                |                         | 75        | 40                                   | 115           |
| Purchases  |                         | 2         | 765                                  | 767           |
| Sales  |                         |           | (526)                                | (526)         |
| Issuances  |                         | (1)       |                                      | (1)           |
| Settlements  |                         | 17        |                                      | 17            |
| Transfers into Level 3   |                         | (14)      | 180                                  | 166           |
| Transfers out of Level 3   |                         | (15)      | (65)                                 | (80)          |
| <b>Balance, March 31, 2012</b>   | <b>\$</b>               | <b>62</b> | <b>\$ 677</b>                        | <b>\$ 739</b> |

(1) Derivatives, net include Level 3 derivative assets and liabilities.

The table below summarizes changes in unrealized gains or (losses) recorded in earnings during the three months ended March 31, 2013 and 2012 for Level 3 assets and liabilities that were held at March 31, 2013 and 2012.

| <b>Level 3 Instruments<br/>Fair Value Measurements<br/>Three Months Ended</b>                             |                         |       |                                      |        |
|---|-------------------------|-------|--------------------------------------|--------|
| (US\$ in millions)  | Derivatives,<br>Net (1) |       | Readily<br>Marketable<br>Inventories | Total  |
| <b>Changes in unrealized gains and (losses) relating to assets and liabilities held at March 31, 2013</b> |                         |       |                                      |        |
| Cost of goods sold  | \$                      | (106) | \$ 703                               | \$ 597 |
| <b>Changes in unrealized gains and (losses) relating to assets and liabilities held at March 31, 2012</b> |                         |       |                                      |        |
| Cost of goods sold  | \$                      | 83    | \$ 568                               | \$ 651 |

(1) Derivatives, net include Level 3 derivative assets and liabilities.

**Derivative Instruments**

**Interest rate derivatives** Interest rate swaps used by Bunge as hedging instruments are recorded at fair value in the condensed consolidated balance sheets with changes in fair value recorded contemporaneously in earnings. Certain of these swap agreements may be designated as fair value hedges. The carrying amount of the associated hedged debt is also adjusted through earnings for changes in the fair value arising from changes in benchmark interest rates. Ineffectiveness is recognized to the extent that these two adjustments do not offset. Bunge may enter into interest rate swap agreements for the purpose of managing certain of its interest rate exposures. Bunge may also enter into interest rate basis swap agreements that do not qualify as hedges for accounting purposes. Changes in fair value of such interest rate basis swap agreements are

recorded in earnings.

## Table of Contents

**Foreign exchange derivatives** Bunge uses a combination of foreign exchange forward, swap and option contracts in certain of its operations to mitigate the risk from exchange rate fluctuations in connection with certain commercial and balance sheet exposures. The foreign exchange forward and option contracts may be designated as cash flow hedges. Bunge may also use net investment hedges to partially offset the translation adjustments arising from the remeasurement of its investment in certain of its foreign subsidiaries.

Bunge assesses, both at the inception of the hedge and on an ongoing basis, whether the derivatives that are used in hedge transactions are highly effective in offsetting changes in the hedged items.

The table below summarizes the notional amounts of open foreign exchange positions.

| (US\$ in millions)      | March 31, 2013                               |    |                                    |          | Unit of Measure |
|-------------------------|--|----|------------------------------------|----------|-----------------|
|                         | Exchange Traded<br>Net (Short)<br>& Long (1) |    | Non-exchange Traded<br>(Short) (2) | Long (2) |                 |
| <b>Foreign Exchange</b> |  |    |                                    |          |                 |
| Options                 | \$ (4)                                       | \$ | (311)                              | \$ 135   | Delta           |
| Forwards                | 30   |    | (14,819)                           | 11,996   | Notional        |
| Swaps                   |  |    | (106)                              | 235      | Notional        |

(1) Exchange traded futures and options are presented on a net (short) and long position basis.

(2) Non-exchange traded swaps, options and forwards are presented on a gross (short) and long position basis.

**Commodity derivatives** Bunge uses derivative instruments to manage its exposure to movements associated with agricultural commodity prices. Bunge generally uses exchange traded futures and options contracts to minimize the effects of changes in the prices of agricultural commodities on its agricultural commodity inventories and forward purchase and sale contracts, but may also from time to time enter into OTC commodity transactions, including swaps, which are settled in cash at maturity or termination based on exchange-quoted futures prices. Changes in fair values of exchange traded futures contracts representing the unrealized gains and/or losses on these instruments are settled daily generally through Bunge's wholly-owned futures clearing subsidiary. Forward purchase and sale contracts are primarily settled through delivery of agricultural commodities. While Bunge considers these exchange traded futures and forward purchase and sale contracts to be effective economic hedges, Bunge does not designate or account for the majority of its commodity contracts as hedges. Changes in fair values of these contracts and related readily marketable agricultural commodity inventories are included in cost of goods sold in the condensed consolidated statements of income. The forward contracts require performance of both Bunge and the contract counterparty in future periods. Contracts to purchase agricultural commodities generally relate to current or future crop years for delivery periods quoted by regulated commodity exchanges. Contracts for the sale of agricultural commodities generally do not extend beyond one future crop cycle.

The table below summarizes the volumes of open agricultural commodities derivative positions.

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|                          | March 31, 2013         |                     |            | Unit of Measure |
|--------------------------|------------------------|---------------------|------------|-----------------|
|                          | Exchange Traded        | Non-exchange Traded |            |                 |
|                          | Net (Short) & Long (1) | (Short) (2)         | Long (2)   |                 |
| Agricultural Commodities |                        |                     |            |                 |
| Futures                  | (3,697,199)            |                     |            | Metric Tons     |
| Options                  | (4,410,008)            | (49,206)            |            | Metric Tons     |
| Forwards                 |                        | (27,344,262)        | 26,110,212 | Metric Tons     |
| Swaps                    |                        | (6,110,451)         |            | Metric Tons     |

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(1) Exchange traded futures and options are presented on a net (short) and long position basis.

(2) Non-exchange traded swaps, options and forwards are presented on a gross (short) and long position basis.

# Table of Contents

*Ocean freight derivatives* Bunge uses derivative instruments referred to as freight forward agreements, or FFAs, and FFA options, to hedge portions of its current and anticipated ocean freight costs. Changes in the fair value of the ocean freight derivatives that are qualified, designated and highly effective as a fair value hedge, along with the gain or loss on the hedged firm commitments to purchase time on ocean freight vessels that is attributable to the hedged risk, are recorded in earnings. Changes in the fair values of ocean freight derivatives that are not designated as hedges are also recorded in earnings.

The table below summarizes the open ocean freight positions.

|                      | Exchange Cleared<br>Net (Short) &<br>Long (1) | March 31, 2013                      |          | Unit of<br>Measure |
|----------------------|---|-------------------------------------|----------|--------------------|
|                      |   | Non-exchange Cleared<br>(Short) (2) | Long (2) |                    |
| <b>Ocean Freight</b> |   |                                     |          |                    |
| FFA                  | (8,755)                                       |                                     |          | Hire Days          |
| FFA Options          | (1,247)                                       |                                     |          | Hire Days          |

(1) Exchange cleared futures and options are presented on a net (short) and long position basis.

(2) Non-exchange cleared options and forwards are presented on a gross (short) and long position basis.

*Energy derivatives* Bunge uses derivative instruments for various purposes including to manage its exposure to volatility in energy costs. Bunge's operations use substantial amounts of energy, including natural gas, coal and fuel oil, including bunker fuel.

The table below summarizes the open energy positions.

|                        | Exchange<br>Traded<br>Net (Short) &<br>Long (1) | March 31, 2013                      |            | Unit of<br>Measure (3) |
|------------------------|---|-------------------------------------|------------|------------------------|
|                        |   | Non-exchange Cleared<br>(Short) (2) | Long (2)   |                        |
| <b>Natural Gas (3)</b> |   |                                     |            |                        |
| Futures                | 5,639,563                                       |                                     |            | MMBtus                 |
| Swaps                  |   |                                     | 583,791    | MMBtus                 |
| Options                | (8,017,907)                                     |                                     |            | MMBtus                 |
| <b>Energy Other</b>    |   |                                     |            |                        |
| Futures                | 3,693,601                                       |                                     |            | Metric Tons            |
| Forwards               |   | (938,203)                           | 48,834,157 | Metric Tons            |
| Swaps                  | 3,000   |                                     |            | Metric Tons            |
| Options                | (59,178)  |                                     |            | Metric Tons            |

- (1) Exchange traded and exchange cleared futures and options are presented on a net (short) and long position basis.
- (2) Non-exchange cleared swaps, options and forwards are presented on a gross (short) and long position basis.
- (3) Million British Thermal Units (MMBtus) are the standard unit of measurement used to denote an amount of natural gas.

***The Effect of Derivative Instruments on the Condensed Consolidated Statements of Income***

The table below summarizes the effect of derivative instruments that are designated as fair value hedges and also derivative instruments that are undesignated on the condensed consolidated statements of income for the three months ended March 31, 2013 and 2012.

Table of Contents

|                                    |  |    |      |          |
|------------------------------------|--|----|------|----------|
| Designated Derivative Contracts:   |  |    |      |          |
| Interest Rate                      | Interest income/Interest expense                       | \$ |      | \$       |
| <b>Total</b>                       |  | \$ |      | \$       |
| Undesignated Derivative Contracts: |  |    |      |          |
| Foreign Exchange                   | Foreign exchange gains (losses)                        | \$ | 10   | \$ (7)   |
| Foreign Exchange                   | Income (loss) from discontinued operations, net of tax |    | 1    |          |
| Foreign Exchange                   | Cost of goods sold                                     |    | 137  | 17       |
| Commodities                        | Cost of goods sold                                     |    | 88   | (193)    |
| Freight                            | Cost of goods sold                                     |    | (10) | 15       |
| Energy                             | Cost of goods sold                                     |    | 3    | (8)      |
| <b>Total</b>                       |  | \$ | 229  | \$ (176) |

The table below summarizes the effect of derivative instruments that are designated and qualify as cash flow and net investment hedges on the condensed consolidated statement of income for the three months ended March 31, 2013.

| Three Months Ended March 31, 2013 |                 |  |  |           |   |            |
|-----------------------------------|-----------------|--|--|-----------|---|------------|
| (US\$ in millions)                | Notional Amount | Gain or (Loss) Recognized in Accumulated OCI (1) | Gain or (Loss) Reclassified from Accumulated OCI into Income (1) |           | Amount of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing) |            |
|                                   |                 |  | Location   | Amount    | Location  | Amount (2) |
| Cash Flow Hedge:                  |                 |  |  |           |   |            |
| Foreign Exchange (3)              | \$ 186          | \$ 2   | Cost of goods sold   | \$        | Cost of goods sold  | \$         |
| <b>Total</b>                      | <b>\$ 186</b>   | <b>\$ 2</b>                                      |  | <b>\$</b> |   | <b>\$</b>  |
| Net Investment Hedge:             |                 |  |  |           |   |            |
| Foreign Exchange (3)              | \$ 300          | \$ 9   | Foreign exchange gains (losses)                                  | \$        | Foreign exchange gains (losses)   | \$         |
| <b>Total</b>                      | <b>\$ 300</b>   | <b>\$ 9</b>                                      |  | <b>\$</b> |   | <b>\$</b>  |

(1) The gain or (loss) recognized relates to the effective portion of the hedging relationship. At March 31, 2013, Bunge expects to reclassify into income in the next 12 months \$2 million after-tax gains related to its foreign exchange cash flow hedges.

(2) There was no gain or loss recognized in income relating to the ineffective portion of the hedging relationships or relating to amounts excluded from the assessment of hedge effectiveness.

(3) The foreign exchange contracts mature at various dates in 2013.



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The table below summarizes the effect of derivative instruments that are designated and qualify as cash flow hedges on the condensed consolidated statement of income for the three months ended March 31, 2012.

# Edgar Filing: Bunge LTD - Form 10-Q

## Table of Contents

| Three Months Ended March 31, 2012 |                 |  |                    |  |          |   |           |
|-----------------------------------|-----------------|--|--------------------|--|----------|---|-----------|
| (US\$ in millions)                | Notional Amount | Gain or (Loss) Recognized in Accumulated OCI (1) | Location           | Gain or (Loss) Reclassified from Accumulated OCI into Income (1) |          | Amount of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing) |           |
|                                   |                 |  |                    | Amount   | Location | Amount (2)  | Location  |
| Cash Flow Hedge:                  |                 |  |                    |  |          |   |           |
| Foreign Exchange (3)              | \$ 519          | \$ 9   | Cost of goods sold | \$ (1)   |          | Cost of goods sold  | \$        |
| <b>Total</b>                      | <b>\$ 519</b>   | <b>\$ 9</b>                                      |                    | <b>\$ (1)</b>  |          |   | <b>\$</b> |

(1) The gain or (loss) recognized relates to the effective portion of the hedging relationship. At March 31, 2012, Bunge expected to reclassify into income in the next 12 months approximately \$9 million of after-tax gains related to its foreign exchange cash flow hedges.

(2) There was no gain or loss recognized in income relating to the ineffective portion of the hedging relationships or to amounts excluded from the assessment of hedge effectiveness.

(3) The foreign exchange contracts mature at various dates in 2012.

## 12. DEBT

Bunge's commercial paper program is supported by committed back-up bank credit lines (the liquidity facility) equal to the amount of the commercial paper program provided by lending institutions that are rated at least A-1 by Standard & Poor's and P-1 by Moody's Investors Service. The liquidity facility, which matures in November 2016, permits Bunge, at its option, to set up direct borrowings or issue commercial paper. The cost of borrowing under the liquidity facility would typically be higher than the cost of borrowing under Bunge's commercial paper program. In January 2013, Bunge increased its commitments under the liquidity facility from \$526 million to \$600 million and therefore simultaneously increased the size of its commercial paper program to \$600 million. There were no outstanding borrowings under either the commercial paper program or the liquidity facility at March 31, 2013 or December 31, 2012.

The fair value of Bunge's long-term debt is based on interest rates currently available on comparable maturities to companies with credit standing similar to that of Bunge. The carrying amounts and fair value of long-term debt are as follows:

| (US\$ in millions)                        | Carrying Value | March 31, 2013       |                      | Carrying Value | December 31, 2012    |                      |
|---|----------------|----------------------|----------------------|----------------|----------------------|----------------------|
|   |                | Fair Value (Level 2) | Fair Value (Level 3) |                | Fair Value (Level 2) | Fair Value (Level 3) |
| Long-term debt, including current portion | \$ 4,672       | \$ 4,750             | \$ 236               | \$ 4,251       | \$ 4,322             | \$ 259               |

**13. TRADE RECEIVABLES SECURITIZATION PROGRAM**

Bunge accounts for its trade receivables securitization program (the Program) under the provisions of ASC Topic 860, *Transfers and Servicing*. The securitization program terminates on June 1, 2016. However, each committed purchaser's commitment to fund trade receivables sold under the securitization program will terminate on May 29, 2013 unless extended for additional 364-day periods in accordance with the terms of the receivables transfer agreement.

As of March 31, 2013 and December 31, 2012, \$751 million and \$772 million, respectively, of receivables sold under the Program were derecognized from Bunge's condensed consolidated balance sheets. Proceeds received in cash related to transfers of receivables under the program totaled \$3,017 million and \$3,240 million for the three months ended March 31, 2013 and 2012, respectively. In addition, cash collections from customers on receivables previously sold were \$3,177 million and \$3,549 million, respectively. As this is a revolving facility, cash collections from customers are reinvested to fund new receivable sales. Gross receivables sold under the program for the three months ended March 31, 2013 and 2012 were \$3,174 million and \$3,466 million, respectively. These

## Table of Contents

sales resulted in discounts of \$2 million for each of the three months ended March 31, 2013 and 2012, which were included in SG&A in the condensed consolidated statements of income. Servicing fees under the program were not significant in any period.

Bunge's risk of loss following the sale of the accounts receivable is limited to the deferred purchase price receivable, which was \$137 million and \$134 million at March 31, 2013 and December 31, 2012, respectively, and is included in other current assets in the condensed consolidated balance sheets (see Note 7). The deferred purchase price will be repaid in cash as receivables are collected, generally within 30 days. Delinquencies and credit losses on accounts receivable sold under the program during the three months ended March 31, 2013 and 2012 were insignificant. Bunge has reflected all cash flows under the securitization program as operating cash flows in the condensed consolidated statements of cash flows for the three months ended March 31, 2013 and 2012, including changes in the fair value of the deferred purchase price of less than \$1 million for each of those periods.

## 14. RELATED PARTY TRANSACTIONS

Bunge purchased commodities and commodity products and fertilizer products from certain of its investees, totaling \$129 million and \$150 million for the three months ended March 31, 2013 and 2012, respectively. Bunge also sold commodities and commodity products to certain of its investees, totaling \$181 million and \$109 million for the three months ended March 31, 2013 and 2012, respectively.

## 15. COMMITMENTS AND CONTINGENCIES

Bunge is party to a large number of claims and lawsuits, primarily tax and labor claims in Brazil and tax claims in Argentina, arising in the normal course of business. The ability to predict the ultimate outcome of such matters involves judgments, estimates and inherent uncertainties. Bunge records liabilities related to its general claims and lawsuits when the exposure item becomes probable and can be reasonably estimated. The range of possible losses for such matters cannot be reasonably estimated and could differ materially from amounts already accrued by the Company. After taking into account the recorded liabilities for these matters, management believes that the ultimate resolution of such matters will not have a material effect on Bunge's financial condition, results of operations or liquidity. Included in other non-current liabilities at March 31, 2013 and December 31, 2012 are the following amounts related to these matters:

| (US\$ in millions)     | March 31,<br>2013 | December 31,<br>2012 |
|------------------------|-------------------|----------------------|
| Tax claims             | \$ 75             | \$ 70                |
| Labor claims           | 80                | 75                   |
| Civil and other claims | 113               | 109                  |
| <b>Total</b>           | <b>\$ 268</b>     | <b>\$ 254</b>        |

*Tax claims* The tax claims relate principally to claims against Bunge's Brazilian subsidiaries, primarily value-added tax claims (ICMS, IPI, PIS and COFINS). The determination of the manner in which various Brazilian federal, state and municipal taxes apply to the operations of Bunge is subject to varying interpretations arising from the complex nature of Brazilian tax law. Bunge monitors the Brazilian federal and state governments' responses to recent Brazilian Supreme Court decisions invalidating certain ICMS incentives and benefits granted by various states on constitutional grounds. While Bunge was not a recipient of any of the incentives and benefits that were the subject of the Supreme Court decisions, it has received certain similar tax incentives and benefits. Bunge has not received any tax assessment related to the validity of ICMS

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incentives or benefits it has received and, based on its assessment of the matter under the provisions of GAAP, no liability has been recorded in the condensed consolidated financial statements.

The Argentine tax authorities have been conducting a review of income and other taxes paid by exporters and processors of cereals and other agricultural commodities in the country. In that regard, in October 2010, the Argentine tax authorities carried out inspections at several of Bunge's locations in Argentina relating to allegations

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### Table of Contents

of income tax evasion covering the periods from 2007 to 2009. In December 2012, Bunge's Argentine subsidiary received an income tax assessment relating to fiscal years 2006 and 2007 with a claim of approximately 436 million *pesos* (approximately \$85 million as of March 31, 2013), plus accrued interest of approximately 632 million *pesos* (approximately \$123 million as of March 31, 2013). Bunge's Argentine subsidiary has appealed this assessment before the National Tax Court. Additionally, in April 2011, the Argentine tax authorities conducted inspections of Bunge's locations and those of several other grain exporters with respect to allegations of evasion of liability for value-added taxes and an inquest proceeding has been initiated in the first quarter of 2012 to determine whether there is any potential criminal culpability relating to these matters. Also during 2011, Bunge paid \$112 million of accrued export tax obligations in Argentina under protest while reserving all of its rights in respect of such payment. In the first quarter of 2012, the Argentine tax authorities assessed Bunge's interest on these paid export taxes, which as of March 31, 2013, would total approximately \$130 million. Additionally, in April 2012, the Argentine government suspended Bunge's Argentine subsidiary from a registry of grain traders and, in October 2012, the government excluded Bunge's subsidiary from this registry in connection with the income tax allegations. These actions primarily result in additional administrative requirements and increased logistical costs on domestic grain shipments within Argentina. While the suspension and exclusion have not had a material adverse effect on Bunge's business in Argentina, Bunge is challenging the exclusion from the grain registry in the Argentine courts. Management believes that these tax-related allegations and claims are without merit and intends to vigorously defend against them. However, management is, at this time, unable to predict their outcome.

In December, 2012, the Brazilian IRS concluded an examination of the PIS COFINS tax returns of one of Bunge's Brazilian subsidiaries for the years 2004-2007 and proposed adjustments totaling approximately \$140 million plus applicable interest and penalties. Management, in consultation with external legal advisors, has reviewed and responded to the proposed adjustments. In conjunction with this review, management has established appropriate reserves for potential exposures.

**Labor claims** The labor claims relate principally to claims against Bunge's Brazilian subsidiaries. The labor claims primarily relate to dismissals, severance, health and safety, salary adjustments and supplementary retirement benefits.

**Civil and other** The civil and other claims relate to various disputes with third parties, including suppliers and customers.

**Guarantees** Bunge has issued or was a party to the following guarantees at March 31, 2013:

| (US\$ in millions)                      | Maximum<br>Potential<br>Future<br>Payments |
|---|--|
| Customer financing (1)                  | \$ 45                                      |
| Unconsolidated affiliates financing (2) | 40   |
| Residual value guarantee (3)            | 69   |
| <b>Total</b>                            | <b>\$ 154</b>                              |

(1) Bunge has issued guarantees to third parties in Brazil related to amounts owed to these third parties by certain of Bunge's customers. The terms of the guarantees are equal to the terms of the related financing arrangements, which are generally one year or less, with the exception of guarantees issued under certain Brazilian government programs, primarily from 2006 and 2007, where terms are up to five years. In the event that the customers default on their payments to the third parties and Bunge would be required to perform under the guarantees, Bunge has obtained collateral from the customers. At March 31, 2013, Bunge had approximately \$22 million of tangible property that had been pledged to

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Bunge as collateral against certain of these financing arrangements. Bunge evaluates the likelihood of customer repayments of the amounts due under these guarantees based upon an expected loss analysis and records the value of such guarantees as an obligation in its condensed consolidated financial statements. Bunge's recorded obligation related to these outstanding guarantees was \$15 million at March 31, 2013.

## Table of Contents

(2) Bunge issued guarantees to certain financial institutions related to debt of certain of its unconsolidated joint ventures. The terms of the guarantees are equal to the terms of the related financings which have maturity dates in 2014 through 2017. There are no recourse provisions or collateral that would enable Bunge to recover any amounts paid under these guarantees. At March 31, 2013, Bunge had no outstanding recorded obligation related to these guarantees.

(3) Bunge issued guarantees to certain financial institutions which are party to certain operating lease arrangements for railcars and barges. These guarantees provide for a minimum residual value to be received by the lessor at conclusion of the lease term. These leases expire in 2016. At March 31, 2013, Bunge's recorded obligation related to these guarantees was \$4 million.

In addition, Bunge Limited has provided full and unconditional parent level guarantees of the indebtedness outstanding under certain senior credit facilities and senior notes entered into, or issued by, its 100% owned subsidiaries. At March 31, 2013, Bunge's condensed consolidated balance sheet includes debt with a carrying amount of \$4,682 million related to these guarantees. This debt includes the senior notes issued by two of Bunge's 100% owned finance subsidiaries, Bunge Limited Finance Corp. and Bunge N.A. Finance L.P. There are no significant restrictions on the ability of Bunge Limited Finance Corp., Bunge N.A. Finance L.P. or any other Bunge subsidiary to transfer funds to Bunge Limited.

## 16. EQUITY

*Share repurchase program* Bunge has established a program for the repurchase of up to \$975 million of Bunge's issued and outstanding common shares. The program runs indefinitely. There were no share repurchases under the program during the three months ended March 31, 2013. Total repurchases under the program from its inception on June 8, 2010 through March 31, 2013 were 8,647,859 shares for \$474 million.

*Accumulated other comprehensive income (loss) attributable to Bunge* The following table summarizes the balances of related after-tax components of accumulated other comprehensive income (loss) attributable to Bunge:

| (US\$ in millions)                                   | Foreign<br>Exchange<br>Translation<br>Adjustment | Deferred<br>Gain (Loss)<br>on Hedging<br>Activities | Pension<br>and Other<br>Postretirement<br>Liability<br>Adjustments | Unrealized<br>Gain (Loss)<br>on<br>Investments | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) |
|--|--|---|--|--|--|
| Balance, December 31, 2012                           | \$ (1,265)                                       | \$ 3  | \$ (157)   | \$ 9   | \$ (1,410)   |
| Other comprehensive income (loss)                    | 76   | 12  |  |  | 88   |
| Income tax benefit (expense)                         |  | (1)   |  |  | (1)  |
| Other comprehensive income before reclassifications  | (1,189)  | 14  | (157)  | 9  | (1,323)  |
| (Gain) loss reclassified into earnings               |  |   |  | (5)  | (5)  |
| Income tax (benefit) expense on reclassified amounts |  |   |  | 2  | 2  |
| <b>Balance, March 31, 2013</b>                       | <b>\$ (1,189)</b>                                | <b>\$ 14</b>  | <b>\$ (157)</b>  | <b>\$ 6</b>                                    | <b>\$ (1,326)</b>                                      |



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| (US\$ in millions)                | Foreign<br>Exchange<br>Translation<br>Adjustment | Deferred<br>Gain (Loss)<br>on Hedging<br>Activities | Pension<br>and Other<br>Postretirement<br>Liability<br>Adjustments | Unrealized<br>Gain (Loss)<br>on<br>Investments | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) |
|-----------------------------------|--|---|--|--|--|
| Balance, December 31, 2011        | \$ (460)   | \$ (24)   | \$ (124)   | \$ (2)   | \$ (610)   |
| Other comprehensive income (loss) | 322  | 13  | 1  | 21   | 357  |
| Income tax benefit (expense)      |  | (4)   |  | (8)  | (12)   |
| <b>Balance, March 31, 2012</b>    | <b>\$ (138)</b>                                  | <b>\$ (15)</b>                                      | <b>\$ (123)</b>  | <b>\$ 11</b>                                   | <b>\$ (265)</b>  |

# Table of Contents

## 17. EARNINGS PER COMMON SHARE

The following table sets forth the computation of basic and diluted earnings per common share.

| (US\$ in millions, except for share data)                    | Three Months Ended<br>March 31, |             |
|--|---------------------------------|-------------|
|  | 2013                            | 2012        |
| Income from continuing operations                            | \$ 157                          | \$ 124      |
| Net (income) loss attributable to noncontrolling interests   | 32                              | 3           |
| Income from continuing operations attributable to Bunge      | 189                             | 127         |
| Convertible preference share dividends and other obligations | (10)                            | (8)         |
| Income (loss) from discontinued operations, net of tax       | (9)                             | (35)        |
| Net income available to Bunge common shareholders            | \$ 170                          | \$ 84       |
| Weighted-average number of common shares outstanding:        |                                 |             |
| Basic  | 146,648,822                     | 145,718,123 |
| Effect of dilutive shares:                                   |                                 |             |
| stock options and award <sup>(1)</sup>                       | 1,218,995                       | 864,776     |
| convertible preference shares                                |                                 |             |
| Diluted  | 147,867,817                     | 146,582,899 |
| <b>Basic earnings per common share:</b>                      |                                 |             |
| Net income (loss) from continuing operations                 | \$ 1.22                         | \$ 0.81     |
| Net income (loss) from discontinued operations               | (0.06)                          | (0.24)      |
| Net income attributable to Bunge common shareholders basic   | \$ 1.16                         | \$ 0.57     |
| <b>Diluted earnings per common share:</b>                    |                                 |             |
| Net income (loss) from continuing operations                 | \$ 1.21                         | \$ 0.81     |
| Net income (loss) from discontinued operations               | (0.06)                          | (0.24)      |
| Net income attributable to Bunge common shareholders diluted | \$ 1.15                         | \$ 0.57     |

(1) Approximately 4 million and 5 million outstanding stock options and contingently issuable restricted stock units were not dilutive and not included in the weighted-average number of common shares outstanding for the three months ended March 31, 2013 and 2012, respectively. Approximately 8 million weighted-average common shares that are issuable upon conversion of the convertible preference shares were not dilutive and not included in the weighted-average number of common shares outstanding for both the three months ended March 31, 2013 and 2012.

## 18. SEGMENT INFORMATION

Bunge has five reportable segments agribusiness, sugar and bioenergy, edible oil products, milling products and fertilizer which are organized based upon similar economic characteristics and are similar in nature of products and services offered, the nature of production processes, the type and class of customer and distribution methods. The agribusiness segment is characterized by both inputs and outputs being agricultural commodities and thus high volume and low margin. The sugar and bioenergy segment involves sugarcane growing and milling in Brazil, sugar merchandising in various countries, as well as sugarcane-based ethanol production and corn-based ethanol investments and related activities. The edible oil products segment involves the manufacturing and marketing of products derived from vegetable oils. The milling products segment involves the manufacturing and marketing of products derived primarily from wheat and corn. Following the classification of the

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Brazilian fertilizer distribution and North American fertilizer businesses as discontinued operations (see Note 4), the activities of the fertilizer segment include its port operations in Brazil and its operations in Argentina. Additionally, Bunge has retained its 50% interest in its fertilizer joint venture in Morocco.

The Discontinued Operations & Unallocated column in the following table contains the reconciliation between the totals for reportable segments and Bunge consolidated totals, which consist primarily of amounts attributable to discontinued operations, corporate items not allocated to the operating segments and inter-segment eliminations. Transfers between the segments are generally valued at market. The revenues generated

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## Table of Contents

from these transfers are shown in the following table as Inter-segment revenues segments or inter-segment eliminations.

## (US\$ in millions)

| Three Months Ended<br>March 31, 2013        | Agribusiness | Sugar and<br>Bioenergy | Edible<br>Oil<br>Products | Milling<br>Products | Fertilizer | Discontinued<br>Operations &<br>Unallocated (1) | Total     |
|---|--------------|------------------------|---------------------------|---------------------|------------|---|-----------|
| Net sales to external customers             | \$ 10,774    | \$ 1,113               | \$ 2,297                  | \$ 535              | \$ 66      | \$  | \$ 14,785 |
| Inter segment revenues                      | 1,417        |                        | 20                        |                     | 9          | (1,446)   |           |
| Gross profit                                | 398          | 57                     | 116                       | 63                  | 13         |   | 647       |
| Foreign exchange gains (losses)             | (41)         | 3                      | (1)                       |                     | (1)        |   | (40)      |
| Noncontrolling interests (1)                | 26           | 1                      |                           |                     | (1)        | 6   | 32        |
| Other income (expense) net                  | (3)          | (1)                    | 8                         | 6                   | 29         |   | 39        |
| Segment EBIT (2)                            | 191          | 23                     | 38                        | 36                  | 35         |   | 323       |
| Discontinued operations (3)                 |              |                        |                           |                     |            | (9)   | (9)       |
| Depreciation, depletion and<br>amortization | (60)         | (26)                   | (24)                      | (7)                 | (4)        |   | (121)     |
| Total assets                                | 20,266       | 4,064                  | 2,655                     | 976                 | 940        | 998   | 29,899    |

| Three Months Ended<br>March 31, 2012        |          |        |          |        |       |         |           |
|---|----------|--------|----------|--------|-------|---------|-----------|
| Net sales to external customers             | \$ 9,317 | \$ 881 | \$ 2,221 | \$ 427 | \$ 63 | \$      | \$ 12,909 |
| Inter segment revenues                      | 1,060    |        | 31       |        | 17    | (1,108) |           |
| Gross profit                                | 352      | 8      | 113      | 56     | 8     |         | 537       |
| Foreign exchange gains (losses)             | 54       | 5      | (1)      |        |       |         | 58        |
| Noncontrolling interests (1)                | (2)      | 1      |          |        |       | 4       | 3         |
| Other income (expense) net                  | 7        | (3)    | 2        | 2      | (9)   |         | (1)       |
| Segment EBIT (2)                            | 197      | (33)   | 21       | 27     | (12)  |         | 200       |
| Discontinued operations (3)                 |          |        |          |        |       | (35)    | (35)      |
| Depreciation, depletion and<br>amortization | (49)     | (27)   | (24)     | (7)    | (4)   |         | (111)     |
| Total assets                                | 15,824   | 3,983  | 2,842    | 689    | 2,458 |         | 25,796    |

(1) Includes noncontrolling interests share of interest and tax to reconcile to consolidated noncontrolling interest.

(2) Total segment earnings before interest and taxes (EBIT) is an operating performance measure used by Bunge's management to evaluate segment operating activities. Bunge's management believes total segment EBIT is a useful measure of operating profitability, since the measure allows for an evaluation of the performance of its segments without regard to its financing methods or capital structure. In addition, EBIT is a financial measure that is widely used by analysts and investors in Bunge's industries.

(3) Represents net income (loss) from discontinued operations (see Note 4).

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A reconciliation of total segment EBIT to net income attributable to Bunge follows:

| (US\$ in millions)                                     | Three Months Ended |      |      |      |
|--|--------------------|------|------|------|
|  | March 31,          |      |      |      |
|  | 2013               |      | 2012 |      |
| Total segment EBIT from continuing operations          | \$                 | 323  | \$   | 200  |
| Interest income  |                    | 9    |      | 25   |
| Interest expense                                       |                    | (76) |      | (62) |
| Income tax (expense) benefit                           |                    | (73) |      | (40) |
| Income (loss) from discontinued operations, net of tax |                    | (9)  |      | (35) |
| Noncontrolling interests share of interest and tax     |                    | 6    |      | 4    |
| Net income attributable to Bunge                       | \$                 | 180  | \$   | 92   |

Table of Contents

**Cautionary Statement Regarding Forward Looking Statements**

This report contains both historical and forward looking statements. All statements, other than statements of historical fact are, or may be deemed to be, forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (Exchange Act). These forward looking statements are not based on historical facts, but rather reflect our current expectations and projections about our future results, performance, prospects and opportunities. We have tried to identify these forward looking statements by using words including may, will, should, could, expect, anticipate, believe, plan, intend, e and similar expressions. These forward looking statements are subject to a number of risks, uncertainties and other factors that could cause our actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward looking statements. The following important factors, among others, could affect our business and financial performance, industry conditions, including fluctuations in supply, demand and prices for agricultural commodities and other raw materials and products used in our business, fluctuations in energy and freight costs and competitive developments in our industries; the effects of weather conditions and the outbreak of crop and animal disease on our business; global and regional agricultural, economic, financial and commodities market, political, social and health conditions; the outcome of pending regulatory and legal proceedings; our ability to complete, integrate and benefit from acquisitions, dispositions, joint ventures and strategic alliances; our ability to achieve the efficiencies, savings and other benefits anticipated from our cost reduction, margin improvement and other business optimization initiatives; changes in government policies, laws and regulations affecting our business, including agricultural and trade policies, tax regulations and biofuels legislation; and other factors affecting our business generally.

The forward looking statements included in this report are made only as of the date of this report, and except as otherwise required by federal securities law, we do not have any obligation to publicly update or revise any forward looking statements to reflect subsequent events or circumstances.

You should refer to Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2012, filed with the SEC on March 1, 2013, and Part II Item 1A. Risk Factors in this Quarterly Report on Form 10-Q for a more detailed discussion of these factors.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

***First Quarter 2013 Overview***

You should refer to Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations Factors Affecting Operating Results in our Annual Report on Form 10-K for the year ended December 31, 2012 for a discussion of key factors affecting operating results in each of our business segments.

***Segment Overview***

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*Agribusiness* Agribusiness segment EBIT for the first quarter of 2013 declined 3% when compared to the same period of 2012. Improved oilseed processing results were more than offset by lower results in grain merchandising. Our merchandising business benefited from strong global demand for Brazilian corn and soybean exports; however, lower grain origination in Argentina and the Northern Hemisphere due to tight supplies adversely impacted results. Soybean processing was higher in all geographies with the largest contribution coming from the U.S., which benefited from strong export demand due to tight supplies and delays in South American harvests. Results in softseed processing in Canada and Europe were lower due to margin pressure from weather-related supply shortages and slow farmer selling. Total volumes increased 3% from the same period last year driven primarily by our U.S. Pacific Northwest export terminal being fully operational in the first quarter of 2013, increasing our merchandising activities to and in Asia. Results for the first quarter of 2013 included a \$16 million gain related to the sale of certain legal claims in Brazil.

*Sugar and Bioenergy* Sugar and bioenergy segment EBIT in the first quarter of 2013 was significantly improved over the first quarter of 2012 with improvements in all parts of the segment. Volumes increased 73%

## Table of Contents

driven by trading and merchandising export programs. The first quarter is the inter-harvest period in Brazil when sugarcane mills in the Center-South region typically do not operate until the end of the quarter, and are selling inventories from the previous sugarcane harvest. Sugarcane milling benefited from the combination of lower inventory costs and higher average ethanol prices. Due to heavy rains in March, the start-up of some of our mills was postponed; as a result, a portion of the start-up costs associated with the mills that is normally experienced in the first quarter was delayed. Trading and merchandising benefitted from significantly higher volumes, stronger export margins and good risk management. U.S. biofuels benefited from higher results in our ethanol joint venture due to improved margins.

**Edible oil products** Edible oil products EBIT for the first quarter of 2013 was higher than in the first quarter of 2012 as improved performance in Brazil, which experienced a challenging prior year period due to start-up issues with an ERP implementation, and in India more than offset lower results in North America and Europe. Volumes increased 6% during the period, primarily in Europe and China. Results for the first quarter of 2013 included a \$9 million gain related to the sale of certain legal claims in Brazil.

**Milling products** Higher EBIT in the first quarter of 2013 compared to the same period last year was primarily due to improved performance in our Brazilian wheat milling business, which experienced a challenging prior year period due to start-up issues with an ERP implementation, and contributions from our 2012 acquisition in Mexico, which more than offset lower results in corn milling that primarily resulted from lower volumes. Results for the first quarter of 2013 include a \$6 million gain related to the sale of certain legal claims in Brazil.

**Fertilizer** Fertilizer segment EBIT improved in Argentina, driven by higher volumes, and in our Morocco joint venture, which reported losses in both periods, but benefited from margin improvement in 2013 compared with the first quarter of last year. Results for the first quarter of 2013 included a \$32 million gain related to the sale of certain legal claims in Brazil.

## Segment Results

A summary of certain items in our condensed consolidated statements of income and volumes by reportable segment for the periods indicated is set forth below.

| (US\$ in millions, except volumes)            | Three Months Ended<br>March 31, |          |
|---|---------------------------------|----------|
|   | 2013                            | 2012     |
| <b>Volumes (in thousands of metric tons):</b> |                                 |          |
| Agribusiness                                  | 31,446                          | 30,650   |
| Sugar and Bioenergy                           | 2,303                           | 1,331    |
| Edible oil products                           | 1,643                           | 1,550    |
| Milling products                              | 1,011                           | 1,046    |
| Fertilizer                                    | 135                             | 124      |
| <b>Net sales:</b>                             |                                 |          |
| Agribusiness                                  | \$ 10,774                       | \$ 9,317 |
| Sugar and Bioenergy                           | 1,113                           | 881      |
| Edible oil products                           | 2,297                           | 2,221    |
| Milling products                              | 535                             | 427      |



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|                            |    |          |    |          |
|----------------------------|----|----------|----|----------|
| Fertilizer                 |    | 66       |    | 63       |
| Total                      | \$ | 14,785   | \$ | 12,909   |
|                            |    |          |    |          |
| <b>Cost of goods sold:</b> |    |          |    |          |
| Agribusiness               | \$ | (10,376) | \$ | (8,965)  |
| Sugar and Bioenergy        |    | (1,056)  |    | (873)    |
| Edible oil products        |    | (2,181)  |    | (2,108)  |
| Milling products           |    | (472)    |    | (371)    |
| Fertilizer                 |    | (53)     |    | (55)     |
| Total                      | \$ | (14,138) | \$ | (12,372) |

Table of Contents

|  |    |       |          |
|--|----|-------|----------|
| <b>Gross profit:</b>                                 |    |       |          |
| Agribusiness   | \$ | 398   | \$ 352   |
| Sugar and Bioenergy                                  |    | 57    | 8        |
| Edible oil products                                  |    | 116   | 113      |
| Milling products                                     |    | 63    | 56       |
| Fertilizer   |    | 13    | 8        |
| Total  | \$ | 647   | \$ 537   |
| <b>Selling, general and administrative expenses:</b> |    |       |          |
| Agribusiness   | \$ | (191) | \$ (215) |
| Sugar and Bioenergy                                  |    | (37)  | (44)     |
| Edible oil products                                  |    | (84)  | (92)     |
| Milling products                                     |    | (33)  | (31)     |
| Fertilizer   |    | (4)   | (11)     |
| Total  | \$ | (349) | \$ (393) |
| <b>Foreign exchange gains (losses):</b>              |    |       |          |
| Agribusiness   | \$ | (41)  | \$ 54    |
| Sugar and Bioenergy                                  |    | 3     | 5        |
| Edible oil products                                  |    | (1)   | (1)      |
| Milling products                                     |    |       |          |
| Fertilizer   |    | (1)   |          |
| Total  | \$ | (40)  | \$ 58    |
| <b>Noncontrolling interests:</b>                     |    |       |          |
| Agribusiness   | \$ | 26    | \$ (2)   |
| Sugar and Bioenergy                                  |    | 1     | 1        |
| Edible oil products                                  |    |       |          |
| Milling products                                     |    |       |          |
| Fertilizer   |    | (1)   |          |
| Total  | \$ | 26    | \$ (1)   |
| <b>Other income (expense) - net:</b>                 |    |       |          |
| Agribusiness   | \$ | (3)   | \$ 7     |
| Sugar and Bioenergy                                  |    | (1)   | (3)      |
| Edible oil products                                  |    | 8     | 2        |
| Milling products                                     |    | 6     | 2        |
| Fertilizer   |    | 29    | (9)      |
| Total  | \$ | 39    | \$ (1)   |
| <b>Segment earnings before interest and tax:</b>     |    |       |          |
| Agribusiness   | \$ | 191   | \$ 197   |
| Sugar and Bioenergy                                  |    | 23    | (33)     |
| Edible oil products                                  |    | 38    | 21       |
| Milling products                                     |    | 36    | 27       |
| Fertilizer   |    | 35    | (12)     |
| Total (1)  | \$ | 323   | \$ 200   |
| <b>Depreciation, depletion and amortization:</b>     |    |       |          |
| Agribusiness   | \$ | (60)  | \$ (49)  |
| Sugar and Bioenergy                                  |    | (26)  | (27)     |
| Edible oil products                                  |    | (24)  | (24)     |
| Milling products                                     |    | (7)   | (7)      |
| Fertilizer   |    | (4)   | (4)      |
| Total  | \$ | (121) | \$ (111) |



## Table of Contents

(1) Total segment earnings before interest and taxes (EBIT) is an operating performance measure used by Bunge's management to evaluate segment operating activities. Bunge's management believes total segment EBIT is a useful measure of operating profitability, since the measure allows for an evaluation of the performance of its segments without regard to its financing methods or capital structure. In addition, EBIT is a financial measure that is widely used by analysts and investors in Bunge's industries. Total segment EBIT is not a measure of consolidated operating results under U.S. GAAP and should not be considered as an alternative to net income or any other measure of consolidated operating results under U.S. GAAP.

A reconciliation of total segment EBIT to net income attributable to Bunge follows:

| (US\$ in millions)                                     | Three Months Ended<br>March 31, |      |      |      |
|--|---------------------------------|------|------|------|
|  | 2013                            |      | 2012 |      |
| Total segment EBIT                                     | \$                              | 323  | \$   | 200  |
| Interest income  |                                 | 9    |      | 25   |
| Interest expense                                       |                                 | (76) |      | (62) |
| Income tax (expense) benefit                           |                                 | (73) |      | (40) |
| Income (loss) from discontinued operations, net of tax |                                 | (9)  |      | (35) |
| Noncontrolling share of interest and tax               |                                 | 6    |      | 4    |
| Net income attributable to Bunge                       | \$                              | 180  | \$   | 92   |

### Three Months Ended March 31, 2013 Compared to Three Months Ended March 31, 2012

**Agribusiness Segment** - Agribusiness segment net sales increased 16% to \$10.8 billion in the first quarter of 2013 compared to \$9.3 billion in the first quarter of 2012. Price increases, driven by higher average global commodity prices for wheat, corn and soybean meal, accounted for approximately 80% of the increase with higher volumes accounting for approximately 20% of the increase in sales. The volume increase relates primarily to our U.S. Pacific Northwest export terminal being fully operational in the first quarter of 2013, increasing our merchandising activities to and in Asia. In addition, increased oilseed processing volumes in China and full operations of our Mannheim, Germany oilseed processing facility that was still under repair from a 2011 fire during the first quarter of 2012, contributed to the higher sales volumes in the quarter.

Cost of goods sold increased 16% primarily as a result of the rise in global commodity prices mentioned above and, to a lesser extent, the increase in volumes. These increases were partially offset by the favorable impact of the devaluation of the Brazilian *real* and Argentine *peso* relative to the U.S. dollar on the valuation of U.S. dollar-denominated inventories.

Gross profit of \$398 million in the first quarter of 2013 increased 13% compared to the first quarter of 2012. Soybean processing margins were stronger in all regions and particularly strong in the U.S., where tight supplies and delays in South American harvests benefited margins. Partially offsetting this were lower softseed processing results in Canada and Europe, where margin pressures from weather-related supply shortages and slow farmer selling reduced results, and in grain merchandising, where margins were generally lower in all regions. Risk management performed well in the quarter.

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SG&A expenses were \$191 million in the first quarter of 2013 compared to \$215 million in the first quarter of 2012, primarily as a result of lower bad debt expenses, mainly in Brazil, and the favorable impact of the devaluation of the Brazilian *real* when compared to the U.S. dollar on local currency costs.

Foreign exchange losses were \$41 million in the first quarter of 2013 compared to gains of \$54 million in 2012 related primarily to the weakening of global currencies, particularly the Brazilian *real* and Argentine *peso*, relative to the U.S. dollar during the first quarter of 2013. Foreign exchange results for both periods were substantially offset by mark-to-market adjustments on dollar-linked inventories, which are included in cost of goods sold.

Other income (expenses)-net was an expense of \$3 million in the first quarter of 2013 and includes a loss of \$23 million in the investment funds acquired in 2012, largely offset by a \$16 million gain from the sale of certain legal claims in Brazil. Other income (expenses)-net was income of \$7 million in the same quarter of 2012.

Table of Contents

Noncontrolling interests represent (income)/loss attributed to the noncontrolling interests and was \$26 million of losses in the first quarter of 2013 compared to \$(2) million of profits in the first quarter of 2012. The losses in the first quarter of 2013 primarily reflected the \$23 million of losses in the investment funds acquired in 2012 referred to above.

Segment EBIT decreased by \$6 million to \$191 million in the first quarter of 2013 from \$197 million in the first quarter of 2012 as lower grain trading and merchandising gross profit across all regions was not fully offset by improved oilseed processing results and the \$16 million gain on sale of certain legal claims in Brazil.

*Sugar and Bioenergy Segment* - Sugar and Bioenergy segment net sales increased \$232 million compared to the first quarter of 2012. The increased sales were entirely driven by a 73% increase in volumes, primarily in our trading and merchandising business, where sales volumes more than doubled. Volumes were slightly lower in our industrial and U.S. biofuels businesses. The impact of these volume increases was reduced by approximately 20% lower average sugar selling prices. Average ethanol prices in Brazil increased by approximately 4%.

Cost of goods sold increased 21% in the first quarter of 2013 compared to the same period of 2012 driven by higher volumes in our trading and merchandising business partially offset by lower cost inventories in our industrial business that were carried over from the 2012 harvest. Cost of goods sold in 2013 benefited from the favorable impact of the devaluation of the Brazilian *real* on local currency costs translated to U.S. dollars.

Gross profit increased to \$57 million in the first quarter of 2013 from \$8 million in the comparable period of 2012 primarily as a result of strong volumes, good margins and good risk management performance in our trading and merchandising business. Improved margins in our industrial business driven by higher Brazilian ethanol prices and the sale of lower cost inventories carried over from the end of 2012 in our industrial operations, also contributed to the increase in gross profit.

SG&A expenses decreased to \$37 million in the first quarter of 2013 from \$44 million in the comparable period of 2012 primarily due to the favorable impact of the devaluation of the Brazilian *real* on translated local currency costs.

Foreign exchange gains in the first quarters of 2013 and 2012 were \$3 million and \$5 million, respectively, and related to movements of the Brazilian *real*.

Other income (expenses)-net was a loss of \$1 million in the first quarter of 2013 compared to a loss of \$3 million in the same quarter of 2012 primarily due to improved results in our North American bioenergy investments.

Noncontrolling interests were \$1 million in the first quarter of 2013 and 2012 and represent the noncontrolling interests' shares of period loss from our non-wholly owned Brazilian sugarcane mills.

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Segment EBIT increased by \$56 million to income of \$23 million in the first quarter of 2013 from a loss of \$33 million in the first quarter of 2012 due to higher gross profit driven by improved results in all parts of the segment.

*Edible Oil Products Segment* - Edible oil products segment net sales increased by approximately 3% in the first quarter of 2013 compared to the first quarter of 2012, resulting from a 6% increase in volumes, primarily in Asia and Europe. Volume increases were partially offset by slightly lower average selling prices.

Cost of goods sold in the first quarter of 2013 increased 3% from the same period of 2012 primarily due to the increase in volumes.

Gross profit increased 3% compared to the first quarter of 2012. The increase was driven by higher margins in Brazil, driven by tight soybean processing supplies in the domestic market from harvest delays in the first quarter of 2013, and in Asia, from our Amrit acquisition in India and increased operations in China.

SG&A expenses decreased 9%, primarily as a result of lower advertising expenditures in Brazil, and the favorable impact of the weakening of the Brazilian *real* relative to the U.S dollar during the first quarter of 2013.

Foreign exchange results in the first quarters of 2013 and 2012 were losses of \$1 million in both periods.

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### Table of Contents

Other income (expenses)-net was income of \$8 million in the first quarter of 2013 compared to income of \$2 million in the comparable period of 2012. The first quarter of 2013 included a \$9 million gain on the sale of certain legal claims in Brazil.

Segment EBIT increased 81% as a result of higher gross profit and the gain on the sale of certain legal claims.

*Milling Products Segment* - Milling products segment net sales increased 25%. This increase was entirely attributable to an average commodity price increase of 30% compared to the first quarter of 2012. This was partially offset by a 3% decline in volumes, primarily in U.S. corn milling.

Cost of goods sold increased by 27% primarily as a result of increased raw material costs from higher commodity prices when compared to the first quarter of 2012.

Gross profit was \$63 million compared with \$56 million in the first quarter of 2012, primarily due to our Brazilian wheat milling operations largely recovering from difficulties associated with a 2012 ERP implementation and from our 2012 wheat mill acquisition in Mexico.

SG&A expenses increased 6% during the first quarter of 2013 compared to the first quarter of 2012, resulting from inclusion of our 2012 acquisition in Mexico.

Other income (expenses)-net was income of \$6 million in the first quarter of 2013 compared to income of \$2 million in the comparable period of 2012. The first quarter of 2013 included a \$6 million gain on the sale of certain legal claims in Brazil.

Segment EBIT increased 33% to \$36 million in the first quarter of 2013 from \$27 million in the first quarter of 2012 primarily as a result of higher gross profit and the \$6 million gain on the sale of certain legal claims.

*Fertilizer Segment* - Fertilizer segment net sales increased 5% to \$66 million in the first quarter of 2013 when compared to \$63 million in the first quarter of 2012 primarily due to a 9% increase in volumes in Argentina. The increase in volumes was partially offset by a decline of 4% in average fertilizer selling prices.

Cost of goods sold decreased 4%, despite the volume increases, primarily as a result of lower raw material costs. The decline in costs was driven by an increase in our nitrogen fertilizer production activities in Argentina, which replaced higher cost purchases from third parties.



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Gross profit increased to \$13 million in the first quarter of 2013 from \$8 million in the comparable period of 2012. The increase in gross profit was primarily driven by additional volume in the first quarter of 2013.

SG&A decreased to \$4 million in the first quarter of 2013 from \$11 million in the comparable period of 2012, generally due to a combination of factors, including the favorable impact of the devaluation of the Brazilian *real* and Argentine *peso* on local currency costs and the impact of cost savings initiatives.

Foreign exchange losses were \$1 million in the first quarter of 2013 compared to nil in the first quarter of 2012.

Other income (expenses)-net was income of \$29 million in the first quarter of 2013 compared to a loss of \$9 million in the first quarter of 2012. The improved results were primarily due to a \$32 million gain on the sale of certain legal claims in Brazil and improved results in our Moroccan phosphate joint venture.

Segment EBIT was \$35 million compared to a loss of \$12 million in the same period of 2012 driven by the \$32 million gain on the sale of certain legal claims in Brazil and improved performances in Argentina and our Moroccan joint venture.

*Interest* - A summary of consolidated interest income and expense for the periods indicated follows:

Table of Contents

| (US\$ in millions) | Three Months Ended |      |      |      |
|--------------------|--------------------|------|------|------|
|                    | March 31,          |      |      |      |
|                    | 2013               |      | 2012 |      |
| Interest income    | \$                 | 9    | \$   | 25   |
| Interest expense   |                    | (76) |      | (62) |

Interest income decreased when compared to the same period of 2012 as a result of lower average interest bearing cash balances. Interest expense increased when compared to the same period last year primarily due to higher average local borrowings and borrowing rates.

**Income Tax Expense** In the quarter ended March 31, 2013, income tax expense was \$73 million compared to income tax expense of \$40 million in the quarter ended March 31, 2012. The effective tax rate in the first quarter of 2013 increased to 32% compared to 25% in the first quarter of 2012 primarily due to discrete income tax charges of \$31 million in the first quarter of 2013. These discrete charges are comprised of \$27 million related to an uncertain tax position in Brazil and \$4 million related to the finalization of a tax audit in Europe.

**Discontinued Operations** Discontinued operations results for the first quarter of 2013 were a loss of \$9 million, net of tax, compared to loss of \$35 million, net of tax, in the first quarter of 2012. Improved results were driven by higher margins that were partially offset by the impact of lower volumes and by a \$17 million provision related to an uncertain tax position in Brazil.

**Net Income Attributable to Bunge** For the quarter ended March 31, 2013, net income attributable to Bunge increased to \$180 million from \$92 million in the quarter ended March 31, 2012. This increase resulted from higher EBIT in most segments, particularly sugar and bioenergy, partially offset by higher income tax expense. Improved results from our discontinued operations in fertilizer in Brazil also contributed to the higher net income attributable to Bunge.

## Liquidity and Capital Resources

### Liquidity

Our primary financial objective is to maintain sufficient liquidity, balance sheet strength and financial flexibility in order to fund the requirements of our business efficiently. We generally finance our ongoing operations with cash flows generated from operations, issuance of commercial paper, borrowings under various revolving credit facilities and term loans, as well as proceeds from the issuance of senior notes. Acquisitions and long-lived assets are generally financed with a combination of equity and long-term debt.

Our current ratio, which is a widely used measure of liquidity and is defined as current assets divided by current liabilities, was 1.46 and 1.50 at March 31, 2013 and December 31, 2012, respectively.

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*Cash and Cash Equivalents* Cash and cash equivalents were \$801 million and \$569 million at March 31, 2013 and December 31, 2012, respectively. Cash balances are managed in accordance with our investment policy, the objectives of which are to preserve capital, maximize liquidity and provide appropriate returns. Under our policy, cash balances have been primarily invested in bank time deposits with highly-rated financial institutions and U.S. government securities.

*Readily Marketable Inventories* Readily marketable inventories are agricultural commodity inventories such as soybeans, soybean meal, soybean oil, corn, wheat and sugar that are readily convertible to cash because of their commodity characteristics, widely available markets and international pricing mechanisms. Readily marketable inventories in our agribusiness segment are reported at fair value and were \$4,453 million and \$4,892 million at March 31, 2013 and December 31, 2012, respectively. The sugar and bioenergy segment included readily marketable sugar inventories of \$37 million and \$199 million at March 31, 2013 and December 31, 2012, respectively. Of these, \$26 million and \$144 million were inventories carried at fair value at March 31, 2013 and December 31, 2012, respectively, in our trading and merchandising business. Sugar inventories in our industrial production business are readily marketable, but are carried at lower of cost or market. Readily marketable inventories at fair value in the aggregate amount of \$106 million and \$215 million at March 31, 2013 and December 31, 2012, respectively, were included in our edible oil products segment inventories.

## Table of Contents

We recorded interest expense on debt financing readily marketable inventories of \$16 million and \$17 million in the three months ended March 31, 2013 and 2012, respectively.

**Financing Arrangements and Outstanding Indebtedness** We conduct most of our financing activities through a centralized financing structure that enables us and our subsidiaries to borrow more efficiently. This structure includes a master trust facility, the primary assets of which consist of intercompany loans made to Bunge Limited and its subsidiaries. Certain of Bunge Limited's 100% owned finance subsidiaries, Bunge Limited Finance Corp., Bunge Finance Europe B.V., and Bunge Asset Funding Corp., fund the master trust with short and long-term debt obtained from third parties, including through our commercial paper program and certain credit facilities, as well as the issuance of senior notes. Borrowings by these finance subsidiaries carry full, unconditional guarantees by Bunge Limited.

**Revolving credit facilities** At March 31, 2013, we had approximately \$3,435 million of aggregate committed borrowing capacity under our commercial paper program and revolving credit facilities, of which \$2,960 million was unused and available. The following table summarizes these facilities as of the periods presented:

| Commercial Paper<br>Program and Revolving<br>Credit Facilities | Maturities | Total<br>Availability<br>March 31,<br>2013 | Borrowings Outstanding |                      |
|--|------------|--|------------------------|----------------------|
|  |            |  | March 31,<br>2013      | December 31,<br>2012 |
|  |            | (US\$ in millions)                         |                        |                      |
| Commercial paper   | 2016       | \$ 600                                     | \$                     | \$                   |
| Long-term revolving credit facilities (1)                      | 2014-2016  | 2,360                                      | 475                    |                      |
| Total  |            | \$ 2,960                                   | \$ 475                 | \$                   |

(1) Borrowings under the revolving credit facilities that have maturities greater than one year from the date of the condensed consolidated balance sheets are classified as long-term debt, consistent with the long-term maturity of the underlying facilities. However, individual borrowings under the revolving credit facilities are generally short-term in nature, bear interest at variable rates and can be repaid or renewed as each such individual borrowing matures.

Our commercial paper program is supported by committed back-up bank credit lines (the liquidity facility) equal to the amount of the commercial paper program provided by lending institutions that are required to be rated at least A-1 by Standard & Poor's and P-1 by Moody's Investor Services. The cost of borrowing under the liquidity facility would typically be higher than the cost of borrowing under our commercial paper program. In January 2013, we increased the commitments under the liquidity facility by \$74 million to \$600 million and therefore simultaneously increased the size of our commercial paper program to \$600 million. At March 31, 2013, there were no outstanding borrowings under the commercial paper program or the liquidity facility. Our commercial paper program is our only revolving credit facility that requires lenders to maintain minimum credit ratings.

We had no borrowings outstanding at March 31, 2013 under our \$1,085 million revolving credit facility that matures on November 17, 2016. Borrowings under this credit facility bear interest at LIBOR plus an applicable margin ranging from 1.125% to 1.75%, based on the credit ratings of our long-term senior unsecured debt. Amounts under the credit facility that remain undrawn are subject to commitment fees payable each quarter based on the average undrawn portion of the credit facility at rates ranging from 0.125% to 0.275% per annum, based generally on the credit ratings of our long-term senior unsecured debt.

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We had \$475 million of borrowings outstanding at March 31, 2013 under our \$1,750 million revolving credit facility that matures on April 19, 2014. Borrowings under this credit facility bear interest at LIBOR plus an applicable margin ranging from 1.30% to 2.75% per annum, based on the credit ratings of our unsecured senior long-term debt. Amounts under the credit facility that remain undrawn are subject to a commitment fee payable quarterly on the average undrawn portion of the credit facility at 35% of the applicable margin.

In addition to the committed facilities discussed above, from time-to-time, we enter into bilateral short-term credit lines as necessary based on our financing requirements. At March 31, 2013 and December 31, 2012, \$875 million and \$1,000 million, respectively, were outstanding under these bilateral short-term credit lines.

Table of Contents

*Short and long-term debt* - Our short and long-term debt increased by \$405 million at March 31, 2013 from December 31, 2012, primarily due to higher working capital financing requirements. For the three months ended March 31, 2013, our average short and long-term debt outstanding was \$6,363 million compared to \$4,427 million for the three months ended March 31, 2012. Our long-term debt balance was \$4,672 million at March 31, 2013 compared to \$4,251 million at December 31, 2012. The following table summarizes our short-term debt activity at March 31, 2013:

| (US\$ in millions) | Outstanding<br>Balance at<br>Quarter End | Weighted<br>Average<br>Interest<br>Rate at<br>Quarter<br>End (1) | Highest<br>Balance<br>Outstanding<br>During<br>Quarter (1) | Average<br>Balance<br>During<br>Quarter (1) | Weighted<br>Average<br>Interest<br>Rate<br>During<br>Quarter |
|--------------------|--|--|--|---|--|
| Bank borrowings    | \$ 1,582                                 | 6.37%  | \$ 1,598   | \$ 1,575                                    | 6.44%  |
| Commercial paper   |  | 0.00%  | 260  | 105   | 0.40%  |
| Total              | \$ 1,582                                 | 6.37%  | \$ 1,858   | \$ 1,680                                    | 6.06%  |

(1) Based on monthly balances.

The following table summarizes our short and long-term indebtedness:

| (US\$ in millions)   | March 31,<br>2013 | December 31,<br>2012 |
|--|-------------------|----------------------|
| Short-term debt:   |                   |                      |
| Short-term debt (1)  | \$ 1,582          | \$ 1,598             |
| Current portion of long-term debt  | 775               | 719                  |
| Total short-term debt  | 2,357             | 2,317                |
| Long-term debt (2)   |                   |                      |
| Revolving credit facilities  | 475               |                      |
| Term loan due 2013 fixed interest rate of 3.32% (Tranche A)                                | 300               | 300                  |
| Term loan due 2013 variable interest rate of LIBOR plus 1.38% (Tranche B)                  | 100               | 100                  |
| 5.875% Senior Notes due 2013   | 300               | 300                  |
| 5.35% Senior Notes due 2014  | 500               | 500                  |
| 5.10% Senior Notes due 2015  | 382               | 382                  |
| 4.10% Senior Notes due 2016  | 500               | 500                  |
| 3.20% Senior Notes due 2017  | 600               | 600                  |
| 5.90% Senior Notes due 2017  | 250               | 250                  |
| 8.50% Senior Notes due 2019  | 600               | 600                  |
| BNDES loans, variable interest rate indexed to TJLP plus 3.20% payable through 2016 (3)(4) | 40                | 42                   |
| Other  | 325               | 323                  |
| Subtotal   | 4,372             | 3,897                |
| Less: Current portion of long-term debt  | (775)             | (719)                |
| Total long-term debt excluding investment fund debt  | 3,597             | 3,178                |
| Consolidated non-recourse investment fund debt (5)   | 300               | 354                  |
| <b>Total debt</b>  | <b>\$ 6,254</b>   | <b>\$ 5,849</b>      |

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(1) Includes \$509 million of local currency borrowings in certain Eastern European, South American and Asian countries at a weighted-average interest rate of 16.24% as of March 31, 2013 and \$378 million at a weighted-average interest rate of 18.78% as of December 31, 2012.

(2) Includes secured debt of \$128 million and \$130 million at March 31, 2013 and December 31, 2012, respectively.

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## Table of Contents

- (3) Industrial development loans provided by BNDES, an agency of the Brazilian government.
- (4) TJLP is a long-term interest rate published by the BNDES on a quarterly basis; TJLP was 5.00% per annum as of March 31, 2013 and December 31, 2012.
- (5) Long-term debt of consolidated investment funds as of March 31, 2013 with no recourse to Bunge maturing at various dates through 2017.

*Credit Ratings* Bunge's debt ratings and outlook by major credit rating agencies at March 31, 2013 were as follows:

|                   | Short-term<br>Debt | Long-term<br>Debt | Outlook  |
|-------------------|--------------------|-------------------|----------|
| Standard & Poor's | A-1                | BBB-              | Positive |
| Moody's           | P-1                | Baa2              | Negative |
| Fitch             | Not Rated          | BBB               | Negative |

Our debt agreements do not have any credit rating downgrade triggers that would accelerate the maturity of our debt. However, credit rating downgrades would increase our borrowing costs under our credit facilities and, depending on their severity, could impede our ability to obtain credit facilities or access the capital markets in the future on favorable terms. A significant increase in our borrowing costs could impair our ability to compete effectively in our business relative to competitors with higher credit ratings.

Our credit facilities and certain senior notes require us to comply with specified financial covenants including minimum net worth, minimum current ratio, a maximum debt to capitalization ratio and limitations on secured indebtedness. We were in compliance with these covenants as of March 31, 2013.

## *Equity*

Total equity was \$11,454 million at March 31, 2013, as set forth in the following table:

| (US\$ in millions)                      | March 31,<br>2013 | December 31,<br>2012 |
|---|-------------------|----------------------|
| Equity:                                 |                   |                      |
| Convertible perpetual preference shares | \$ 690            | \$ 690               |
| Common shares                           | 1                 | 1                    |
| Additional paid-in capital              | 4,920             | 4,909                |



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|   |                  |                  |
|---|------------------|------------------|
| Retained earnings                       | 6,924            | 6,792            |
| Accumulated other comprehensive income  | (1,326)          | (1,410)          |
| Treasury shares, at cost - 1,933,286    | (120)            | (120)            |
| <b>Total Bunge shareholders' equity</b> | <b>11,089</b>    | <b>10,862</b>    |
| Noncontrolling interest                 | 365              | 393              |
| <b>Total equity</b>                     | <b>\$ 11,454</b> | <b>\$ 11,255</b> |

Total Bunge shareholders' equity increased to \$11,089 million at March 31, 2013 from \$10,862 million at December 31, 2012. The increase in shareholders' equity was due primarily to net income attributable to Bunge for the three months ended March 31, 2013 of \$180 million.

Noncontrolling interest decreased to \$365 million at March 31, 2013 from \$393 million at December 31, 2012 due primarily to losses in the investment funds which are consolidated in our financial statements.

As of March 31, 2013, we had 6,900,000 4.875% cumulative convertible perpetual preference shares outstanding with an aggregate liquidation preference of \$690 million. Each convertible perpetual preference share has an initial liquidation preference of \$100, which will be adjusted for any accumulated and unpaid dividends. The convertible perpetual preference shares carry an annual dividend of \$4.875 per share payable quarterly. As a result of adjustments made to the initial conversion price because cash dividends paid on Bunge Limited's common shares exceeded certain specified thresholds, each convertible perpetual preference share is convertible, at the holder's option, at any time into 1.1059 Bunge Limited common shares, based on the conversion price of \$90.4265 per share,

Table of Contents

subject to certain additional anti-dilution adjustments (which represents 7,630,710 Bunge Limited common shares at March 31, 2013). At any time on or after December 1, 2012, if the closing price of our common shares equals or exceeds 130% of the conversion price for 20 trading days during any consecutive 30 trading days (including the last trading day of such period), we may elect to cause the convertible perpetual preference shares to be automatically converted into Bunge Limited common shares at the then prevailing conversion price. The convertible perpetual preference shares are not redeemable by us at any time.

***Cash Flows***

Our cash flow from operations varies depending on, among other items, the market prices and timing of the purchase and sale of our inventories. Generally, during periods when commodity prices are rising, our agribusiness operations require increased use of cash to support working capital to acquire inventories and fund daily settlement requirements on exchange traded futures that we use to minimize price risk related to our inventories.

For the three months ended March 31, 2013, our cash and cash equivalents increased by \$232 million, reflecting the net effect of cash flows from operating, investing and financing activities. This compares to an increase of \$415 million in cash and cash equivalents for the three months ended March 31, 2012.

Cash generated from operating activities was \$103 million for the three months ended March 31, 2013 compared to cash used of \$302 million for the three months ended March 31, 2012. Net cash inflows from operating activities for the three months ended March 31, 2013 was principally due to higher net income, including adjustments for non-cash items. The higher cash results more than offset our increase in net operating assets and liabilities which was less of an increase than last year as commodity prices generally fell during the first quarter of 2013. The net cash outflows for operating activities for the three months ended March 31, 2012 was principally due to higher working capital requirements as commodity prices generally increased during that period.

Cash used for investing activities was \$282 million in the three months ended March 31, 2013 compared to cash used of \$321 million in the three months ended March 31, 2012. During the first three months of 2013, we acquired two biodiesel facilities in Europe from our joint venture which are adjacent to our plants for \$11 million (net of cash acquired). Payments made for capital expenditures of \$224 million in the three months ended March 31, 2013 primarily included investments in property, plant and equipment related to the expansion of our sugar business in Brazil, investments in edible oil refining and packaging facilities in the U.S. and Canada, construction of a refining facility in India, construction of a port terminal in Brazil and the continued implementation of an ERP system in Brazil. During the three months ended March 31, 2012, we acquired an edible oils and fats business in India for \$94 million net of cash acquired consisting of \$77 million in cash and debt acquired of \$17 million. In addition, we acquired an asset management company for \$9 million (net of cash acquired).

Our financing activities generated cash of \$414 million in the three months ended March 31, 2013, compared to \$1,033 million in the three months ended March 31, 2012. In the three months ended March 31, 2013, we had a net increase of \$453 million in borrowings to meet working capital requirements. In the three months ended March 31, 2012, we had a net increase of \$1,069 million in borrowings due to higher working capital balances. Dividends paid in the three months ended March 31, 2013 and 2012 were \$48 million and \$47 million, respectively.

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*Trade Receivable Securitization Program* Our trade receivable securitization program entered into in June 2011 provides us with an additional source of liquidity. The program provides funding for up to \$700 million against receivables sold into the program. The securitization program terminates on June 1, 2016. However, each committed purchaser's commitment to fund trade receivables sold under the securitization program will terminate on May 29, 2013 unless extended for additional 364-day periods in accordance with the terms of the receivables transfer agreement. We are currently negotiating the renewal of the purchasers' commitments with the respective banks and expect the renewal of the full \$700 million facility commitments to be completed on or before the termination date.

### **Off-Balance Sheet Arrangements**

*Guarantees* - We have issued or were a party to the following guarantees at March 31, 2013:

Table of Contents

| (US\$ in millions)                      |           | Maximum<br>Potential<br>Future<br>Payments |
|---|-----------|--|
| Customer financing (1)                  | \$        | 45   |
| Unconsolidated affiliates financing (2) |           | 40   |
| Residual value guarantee (3)            |           | 69   |
| <b>Total</b>                            | <b>\$</b> | <b>154</b>                                 |

(1) We have issued guarantees to third parties in Brazil related to amounts owed to these third parties by certain of our customers. The terms of the guarantees are equal to the terms of the related financing arrangements, which are generally one year or less, with the exception of guarantees issued under certain Brazilian government programs, primarily from 2006 and 2007, where terms are up to five years. In the event that the customers default on their payments to the third parties and we would be required to perform under the guarantees, we have obtained collateral from the customers. At March 31, 2013, we had approximately \$22 million of tangible property that had been pledged as collateral against certain of these refinancing arrangements. We evaluate the likelihood of customer repayments of the amounts due under these guarantees based upon an expected loss analysis and record the fair value of such guarantees as an obligation in our condensed consolidated financial statements. Our recorded obligation related to these outstanding guarantees was \$15 million at March 31, 2013.

(2) We issued guarantees to certain financial institutions related to debt of certain of our unconsolidated joint ventures. The terms of the guarantees are equal to the terms of the related financings which have maturity dates in 2014 through 2017. There are no recourse provisions or collateral that would enable us to recover any amounts paid under these guarantees. At March 31, 2013, we had no outstanding obligation related to these guarantees.

(3) We issued guarantees to certain financial institutions which are party to certain operating lease arrangements for railcars and barges. These guarantees provide for a minimum residual value to be received by the lessor at the conclusion of the lease term. These leases expire in 2016. At March 31, 2013, our recorded obligation related to these guarantees was \$4 million.

In addition, Bunge Limited has provided full and unconditional parent level guarantees of the indebtedness outstanding under certain senior credit facilities and senior notes entered into or issued by its 100% owned subsidiaries. At March 31, 2013, debt with a carrying amount of \$4,682 million related to these guarantees is included in our condensed consolidated balance sheet. This debt includes the senior notes issued by two of our 100% owned finance subsidiaries, Bunge Limited Finance Corp. and Bunge N.A. Finance L.P. There are no significant restrictions on the ability of Bunge Limited Finance Corp., Bunge N.A. Finance L.P. or any other of our subsidiaries to transfer funds to Bunge Limited.

**Dividends**

We paid a regular quarterly cash dividend of \$0.27 per share on March 4, 2013 to common shareholders of record on February 15, 2013. In addition, we paid a quarterly dividend of \$1.21875 per share on our cumulative convertible perpetual preference shares on March 1, 2013 to shareholders of record on February 15, 2013. On March 5, 2013, we announced that our Board of Directors had approved a regular quarterly cash dividend of \$0.27 per common share. The dividend will be payable on June 3, 2013 to common shareholders of record on May 20, 2013. We also announced on March 5, 2013 that we will pay a quarterly cash dividend of \$1.21875 per share on our cumulative convertible perpetual preference shares on June 1, 2013 to shareholders of record on May 15, 2013.

### **Critical Accounting Policies**

Critical accounting policies are defined as those policies that are both important to the portrayal of our financial condition and results of operations and require management to exercise significant judgment. For a complete discussion of our accounting policies, see our Annual Report on Form 10-K for the year ended December 31, 2012, filed with the Securities and Exchange Commission. There were no material changes to Bunge's critical accounting policies during the three months ended March 31, 2013.

***Adoption of New Accounting Pronouncements*** In December 2011 and January 2013, FASB amended the guidance in ASC Topic 210, *Balance Sheet*. This amendment requires an entity to disclose both gross and net information about financial instruments that are eligible for offset in the statement of financial position and/or subject to a master netting arrangement or similar agreement. Bunge's derivative assets and liabilities are presented on a gross basis in its condensed consolidated balance sheets. The adoption of this amendment on January 1, 2013 did not have a significant impact on Bunge's condensed consolidated financial statements.

Table of Contents

In February 2013, FASB amended the guidance in ASC Topic 220, *Comprehensive Income*. This amendment requires an entity to disclose on a prospective basis the impact on income statement line items for significant items reclassified from other comprehensive income to net income during the period. The adoption of this amendment expanded Bunge's disclosures in its condensed consolidated financial statements.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

***Risk Management***

As a result of our global operating and financing activities, we are exposed to changes in, among other things, agricultural commodity prices, transportation costs, foreign currency exchange rates, interest rates and energy costs which may affect our results of operations and financial position. We actively monitor and manage these various market risks associated with our business activities. Our risk management decisions take place in various locations but exposure limits are centrally set and monitored. We have a corporate risk management group which analyzes and monitors various risk exposures globally. Additionally, our Board of Directors' finance and risk policy committee oversees and reviews our overall risk management policies and limits.

We use derivative instruments for the purpose of managing the exposures associated with commodity prices, transportation costs, foreign currency exchange rates, interest rates and energy costs and for positioning our overall portfolio relative to expected market movements in accordance with established policies and procedures. We enter into derivative instruments primarily with major financial institutions, commodity exchanges in the case of commodity futures and options, or approved exchange clearing shipping companies in the case of ocean freight. While these derivative instruments are subject to fluctuations in value, for hedged exposures those fluctuations are generally offset by the changes in fair value of the underlying exposures. The derivative instruments that we use for hedging purposes are intended to reduce the volatility on our results of operations, however, they can occasionally result in earnings volatility, which may be material. See Note 11 of the notes to the condensed consolidated financial statements in this Quarterly Report on Form 10-Q for a more detailed discussion of our derivative instruments.

***Credit and Counterparty Risk***

Through our normal business activities, we are subject to significant credit and counterparty risks that arise through normal commercial sales and purchases, including forward commitments to buy or sell, and through various other over-the-counter (OTC) derivative instruments that we utilize to manage risks inherent in our business activities. We define credit and counterparty risk as a potential financial loss due to the failure of a counterparty to honor its obligations. The exposure is measured based upon several factors, including unpaid accounts receivable from counterparties and unrealized gains from OTC derivative instruments (including forward purchase and sale contracts). Credit and counterparty risk also includes sovereign credit risk. We actively monitor credit and counterparty risk through credit analysis by local credit staffs and review by various local and corporate committees which monitor counterparty performance. We record provisions for counterparty losses from time to time as a result of our credit and counterparty analysis.

During periods of tight conditions in global credit markets, downturns in regional or global economic conditions, and/or significant price volatility, credit and counterparty risks are heightened. This increased risk is monitored through, among other things, increased communication with key counterparties, management reviews and specific focus on counterparties or groups of counterparties that we may determine as high

risk. In addition, we have limited new credit extensions in certain cases and reduced our use of non-exchange cleared derivative instruments.

***Commodities Risk***

We operate in many areas of the food industry, from agricultural raw materials to the production and sale of branded food ingredients. As a result, we purchase and produce various materials, many of which are agricultural commodities, including soybeans, soybean oil, soybean meal, softseeds (including sunflower seed, rapeseed and canola) and related oil and meal derived from them, wheat and corn. In addition, we grow and purchase sugarcane to produce sugar, ethanol and electricity. Agricultural commodities are subject to price fluctuations due to a number of unpredictable factors that may create price risk. As described above, we are also subject to the risk of counterparty non-performance under forward purchase or sale contracts. From time-to-time, we have experienced instances of counterparty non-performance, including as a result of significant declines in counterparty profitability

## Table of Contents

under these contracts due to significant movements in commodity prices between the time the contracts were executed and the contractual forward delivery period.

We enter into various derivative contracts with the primary objective of managing our exposure to adverse price movements in the agricultural commodities used and produced in our business operations. We have established policies that limit the amount of unhedged fixed price agricultural commodity positions permissible for our operating companies, which are generally a combination of volume and value-at-risk (VaR) limits. We measure and review our net commodities position on a daily basis.

Our daily net agricultural commodity position consists of inventory, forward purchase and sale contracts, over-the-counter and exchange traded derivative instruments, including those used to hedge portions of our production requirements. The fair value of that position is a summation of the fair values calculated for each agricultural commodity by valuing all of our commodity positions at quoted market prices for the period where available or utilizing a close proxy. VaR is calculated on the net position and monitored at the 95% and 99% confidence intervals. In addition, scenario analysis and stress testing are performed. For example, one measure of market risk is estimated as the potential loss in fair value resulting from a hypothetical 10% adverse change in prices. The results of this analysis, which may differ from actual results, are as follows:

| (US\$ in millions)     | Three Months Ended<br>March 31, 2013 |             | Year Ended<br>December 31, 2012 |             |
|------------------------|--------------------------------------|-------------|---------------------------------|-------------|
|                        | Fair Value                           | Market Risk | Fair Value                      | Market Risk |
| Highest long position  | \$ 154                               | \$ (15)     | \$ 2,500                        | \$ (250)    |
| Highest short position | (842)                                | (84)        | (129)                           | (13)        |

### *Ocean Freight Risk*

Ocean freight represents a significant portion of our operating costs. The market price for ocean freight varies depending on the supply and demand for ocean vessels, global economic conditions and other factors. We enter into time charter agreements for time on ocean freight vessels based on forecasted requirements for the purpose of transporting agricultural commodities. Our time charter agreements generally have terms ranging from two months to approximately five years. We use financial derivatives, generally freight forward agreements, to hedge portions of our ocean freight costs. The ocean freight derivatives are included in other current assets and other current liabilities on the condensed consolidated balance sheets at fair value.

### *Energy Risk*

We purchase various energy commodities such as bunker fuel, electricity and natural gas that are used to operate our manufacturing facilities and ocean freight vessels. The energy commodities are subject to price risk. We use financial derivatives, including exchange traded and OTC swaps and options for various purposes, including to manage our exposure to volatility in energy costs. These energy derivatives are included in other current assets and other current liabilities on the condensed consolidated balance sheets at fair value.



***Currency Risk***

Our global operations require active participation in foreign exchange markets. Our primary foreign currency exposures are the Brazilian *real*, the *Euro* and other European currencies, the Argentine *peso* and the Chinese *yuan/renminbi*. To reduce the risk arising from foreign exchange rate fluctuations, we enter into derivative instruments, such as forward contracts and swaps, and foreign currency options. The changes in market value of such contracts have a high correlation to the price changes in the related currency exposures. The potential loss in fair value for such net currency position resulting from a hypothetical 10% adverse change in foreign currency exchange rates as of March 31, 2013 was not material.

When determining our exposure, we exclude intercompany loans that are deemed to be permanently invested. The repayments of permanently invested intercompany loans are not planned or anticipated in the foreseeable future and therefore are treated as analogous to equity for accounting purposes. As a result, the foreign exchange gains and losses on these borrowings are excluded from the determination of net income and recorded as a component of accumulated other comprehensive income (loss) in the condensed consolidated balance sheets.

Table of Contents

Included in other comprehensive income (loss) is foreign exchange income of \$72 million for the three months ended March 31, 2013 and foreign exchange losses of \$295 million for the year ended December 31, 2012 related to permanently invested intercompany loans.

***Interest Rate Risk***

We have debt in fixed and floating rate instruments. We are exposed to market risk due to changes in interest rates. We may enter into interest rate swap agreements to manage our interest rate exposure related to our debt portfolio.

The aggregate fair value of our short and long-term debt including non-recourse investment fund debt, based on market yields at March 31, 2013, was \$6,568 million with a carrying value of \$6,254 million. There was no significant change in our interest rate risk at March 31, 2013.

**ITEM 4. CONTROLS AND PROCEDURES**

*Disclosure Controls and Procedures* As of March 31, 2013 we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as that term is defined in Exchange Act Rules 13a-15(e) and 15d-15(e) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of the end of the fiscal quarter covered by this Quarterly Report on Form 10-Q.

*Internal Control Over Financial Reporting* In connection with the restructuring and consolidation of Bunge's operations in Brazil and related commercial, organizational and personnel changes, management has been and continues to review and, in some cases, implement new or enhanced systems and procedures that have led, or are expected to lead, to changes in internal control over financial reporting in Bunge's Brazilian operations.

Except as described above, there has been no change in our internal control over financial reporting during the first fiscal quarter ended March 31, 2013 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**PART II.**  
**INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

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From time to time, we are involved in litigation that we consider to be ordinary and incidental to our business. While the outcome of pending legal actions cannot be predicted with certainty, we believe the outcome of these proceedings, net of established reserves, will not have a material adverse effect on our consolidated financial position, results of operations or liquidity.

The Argentine tax authorities have been conducting a review of income and other taxes paid by exporters and processors of cereals and other agricultural commodities in the country. In that regard, in October 2010, the Argentine tax authorities carried out inspections at several of our locations in Argentina relating to allegations of income tax evasion covering the periods from 2007 to 2009. In December 2012, our Argentine subsidiary received an income tax assessment relating to fiscal years 2006 and 2007 with a claim of approximately 436 million *pesos* (approximately \$85 million as of March 31, 2013), plus accrued interest of approximately 632 million *pesos* (approximately \$123 million as of March 31, 2013). Our Argentine subsidiary has appealed this assessment before the National Tax Court. Additionally, in April 2011, the Argentine tax authorities conducted inspections of our locations and those of several other grain exporters with respect to allegations of evasion of liability for value-added taxes and an inquest proceeding has been initiated in the first quarter of 2012 to determine whether there is any potential criminal culpability relating to these matters. Also during 2011, we paid \$112 million of accrued export tax obligations in Argentina under protest while reserving all of our rights in respect of such payment. In the first quarter of 2012, the Argentine tax authorities assessed us interest on these paid export taxes, which as of March 31, 2013, would total approximately \$130 million. Additionally, in April 2012, the Argentine government suspended our Argentine subsidiary from a registry of grain traders and, in October 2012, the government excluded our subsidiary from this registry in connection with the income tax allegations. These actions primarily result in additional administrative

Table of Contents

requirements and increased logistical costs on domestic grain shipments within Argentina. While the suspension and exclusion have not had a material adverse effect on our business in Argentina, we are challenging the exclusion from the grain registry in the Argentine courts. Management believes that these tax-related allegations and claims are without merit and intends to vigorously defend against them. However, management is, at this time, unable to predict their outcome.

**ITEM 1A. RISK FACTORS**

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A. Risk Factors in our 2012 Annual Report on Form 10-K, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

None.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**ITEM 5. OTHER INFORMATION**

None.

**ITEM 6.**

**EXHIBITS**

(a) The exhibits in the accompanying Exhibit Index on page E-1 are filed or furnished as part of this Quarterly Report.

Table of Contents

**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.

**BUNGE LIMITED**

Date: May 3, 2013

By:

/s/ Andrew J. Burke  
Andrew J. Burke  
Chief Financial Officer and Global Operational  
Excellence Officer

/s/ Karen D. Roebuck  
Karen D. Roebuck  
Controller and Principal Accounting Officer

Table of Contents

**EXHIBIT INDEX**

- 10.1      Employment Offer Letter for Frank R. Jimenez dated May 23, 2012, effective July 5, 2012.
- 31.1      Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes Oxley Act of 2002
- 31.2      Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, 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. 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. 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002
- 101      The following financial information from Bunge Limited's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2013 formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Statements of Income, (ii) the Condensed Consolidated Statements of Comprehensive Income (Loss), (iii) the Condensed Consolidated Balance Sheets, (iv) the Condensed Consolidated Statements of Cash Flows, (v) the Condensed Consolidated Statements of Changes in Equity and Redeemable Noncontrolling Interests, and (vi) the Notes to the Condensed Consolidated Financial Statements.\*

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\*      Users of this interactive data file are advised pursuant to Rule 406T of Regulation S-T that this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.