

Bunge LTD
Form 10-Q
November 01, 2017
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

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

For the quarterly period ended September 30, 2017

OR

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

For the transition period from _____ to _____
Commission File Number 001-16625

BUNGE LIMITED

(Exact name of registrant as specified in its charter)

Bermuda 98-0231912
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

50 Main Street, White Plains, New York 10606
(Address of principal executive offices) (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, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Non-accelerated filer
Large accelerated filer Accelerated filer (Do not check if a smaller reporting company) Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Securities Exchange Act of 1934). Yes No

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

As of October 25, 2017 the number of shares issued of the registrant was:

Common shares, par value \$.01 per share: 140,625,046



Table of Contents

BUNGE LIMITED
TABLE OF CONTENTS

	Page
<u>PART I — FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements (Unaudited)</u>	
<u>Condensed Consolidated Statements of Income for the Three and Nine Months Ended September 30, 2017 and 2016</u>	3
<u>Condensed Consolidated Statements of Comprehensive Income (Loss) for the Three and Nine Months Ended September 30, 2017 and 2016</u>	4
<u>Condensed Consolidated Balance Sheets at September 30, 2017 and December 31, 2016</u>	5
<u>Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2017 and 2016</u>	6
<u>Condensed Consolidated Statements of Changes in Equity and Redeemable Noncontrolling Interests for the Nine Months Ended September 30, 2017 and 2016</u>	7
<u>Notes to the Condensed Consolidated Financial Statements</u>	8
<u>Cautionary Statement Regarding Forward-Looking Statements</u>	32
Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	33
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	50
Item 4. <u>Controls and Procedures</u>	52
<u>PART II — INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	53
Item 1A. <u>Risk Factors</u>	53
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	53
Item 3. <u>Defaults Upon Senior Securities</u>	53
Item 4. <u>Mine Safety Disclosures</u>	53
Item 5. <u>Other Information</u>	53
Item 6. <u>Exhibits</u>	53
<u>Signatures</u>	54

Table of Contents

PART I— FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
BUNGE LIMITED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net sales	\$11,423	\$11,423	\$34,189	\$30,880
Cost of goods sold	(10,933)	(10,867)	(32,884)	(29,174)
Gross profit	490	556	1,305	1,706
Selling, general and administrative expenses	(340)	(324)	(1,046)	(941)
Interest income	9	13	29	37
Interest expense	(64)	(73)	(191)	(189)
Foreign exchange gains (losses)	1	(6)	108	9
Other income (expense) – net	25	4	24	(14)
Income (loss) from continuing operations before income tax	121	170	229	608
Income tax (expense) benefit	(29)	(45)	(2)	(118)
Income (loss) from continuing operations	92	125	227	490
Income (loss) from discontinued operations, net of tax	—	5	—	(8)
Net income (loss)	92	130	227	482
Net (income) loss attributable to noncontrolling interests	—	(12)	(7)	(8)
Net income (loss) attributable to Bunge	92	118	220	474
Convertible preference share dividends and other obligations	(8)	(2)	(25)	(27)
Net income (loss) available to Bunge common shareholders	\$84	\$116	\$195	\$447
Earnings per common share—basic (Note 17)				
Net income (loss) from continuing operations	\$0.59	\$0.80	\$1.39	\$3.25
Net income (loss) from discontinued operations	—	0.03	(0.01)	(0.06)
Net income (loss) attributable to Bunge common shareholders	\$0.59	\$0.83	\$1.38	\$3.19
Earnings per common share—diluted (Note 17)				
Net income (loss) from continuing operations	\$0.59	\$0.79	\$1.38	\$3.24
Net income (loss) from discontinued operations	—	0.04	(0.01)	(0.05)
Net income (loss) attributable to Bunge common shareholders	\$0.59	\$0.83	\$1.37	\$3.19
Dividends declared per common share	\$0.46	\$0.42	\$1.34	\$1.22

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)

	Three Months Ended September 30, 2017		2016		Nine Months Ended September 30, 2017		2016	
Net income (loss)	\$92	\$130	\$227	\$482				
Other comprehensive income (loss):								
Foreign exchange translation adjustment	332	(87)	458	898				
Unrealized gains (losses) on designated cash flow and net investment hedges, net of tax (expense) benefit of nil and nil in 2017 and nil and \$(1) in 2016	(37)	—	(108)	(339)				
Unrealized gains (losses) on investments, net of tax (expense) benefit of nil and \$(1) in 2017, nil and nil in 2016	—	—	1	—				
Reclassification of realized net losses (gains) to net income, net of tax expense (benefit) of \$2 and \$1 in 2017, nil and nil in 2016	(12)	(13)	(31)	(13)				
Pension adjustment, net of tax (expense) benefit of \$(5) and \$(1) in 2017, nil and nil in 2016	9	1	9	1				
Total other comprehensive income (loss)	292	(99)	329	547				
Total comprehensive income (loss)	384	31	556	1,029				
Less: comprehensive (income) loss attributable to noncontrolling interests	(3)	(20)	(20)	(20)				
Total comprehensive income (loss) attributable to Bunge	\$381	\$11	\$536	\$1,009				

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

Table of ContentsBUNGE LIMITED AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

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

	September 30, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 389	\$ 934
Time deposits under trade structured finance program (Note 5)	—	64
Trade accounts receivable (less allowances of \$104 and \$122) (Note 13)	1,867	1,676
Inventories (Note 6)	5,848	4,773
Other current assets (Note 7)	3,881	3,645
Total current assets	11,985	11,092
Property, plant and equipment, net	5,420	5,099
Goodwill	515	373
Other intangible assets, net	338	336
Investments in affiliates	418	373
Deferred income taxes	548	524
Time deposits under trade structured finance program (Note 5)	313	464
Other non-current assets (Note 8)	1,015	927
Total assets	\$ 20,552	\$ 19,188
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term debt	\$ 1,021	\$ 257
Current portion of long-term debt (Note 12)	287	938
Letter of credit obligations under trade structured finance program (Note 5)	313	528
Trade accounts payable (includes \$925 and \$522 carried at fair value)	3,650	3,485
Other current liabilities (Note 10)	2,197	2,476
Total current liabilities	7,468	7,684
Long-term debt (Note 12)	4,246	3,069
Deferred income taxes	246	239
Other non-current liabilities	842	853
Commitments and contingencies (Note 15)		
Equity (Note 16):		
Convertible perpetual preference shares, par value \$.01; authorized, issued and outstanding: 2017 - 6,899,700 and 2016 - 6,900,000 shares (liquidation preference \$100 per share)	690	690
Common shares, par value \$.01; authorized - 400,000,000 shares; issued and outstanding: 2017 - 140,608,657 shares, 2016 - 139,500,862 shares	1	1
Additional paid-in capital	5,223	5,143
Retained earnings	8,214	8,208
Accumulated other comprehensive income (loss) (Note 16)	(5,662)	(5,978)
Treasury shares, at cost - 2017 and 2016 - 12,882,313 shares, respectively	(920)	(920)
Total Bunge shareholders' equity	7,546	7,144
Noncontrolling interests	204	199
Total equity	7,750	7,343
Total liabilities and equity	\$ 20,552	\$ 19,188

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)

	Nine Months Ended September 30,	
	2017	2016
OPERATING ACTIVITIES		
Net income (loss)	\$227	\$482
Adjustments to reconcile net income (loss) to cash provided by (used for) operating activities:		
Impairment charges	26	17
Foreign exchange (gain) loss on net debt	28	115
Bad debt expense	8	16
Depreciation, depletion and amortization	448	402
Share-based compensation expense	27	31
Deferred income tax	(8)	105
Other, net	14	1
Changes in operating assets and liabilities, excluding the effects of acquisitions:		
Trade accounts receivable	(200)	28
Inventories	(837)	(487)
Secured advances to suppliers	101	205
Trade accounts payable and accrued liabilities	265	233
Advances on sales	(200)	(157)
Net unrealized gain (loss) on derivative contracts	153	(157)
Margin deposits	(26)	(44)
Marketable securities	(147)	—
Other, net	(181)	(155)
Cash provided by (used for) operating activities	(302)	635
INVESTING ACTIVITIES		
Payments made for capital expenditures	(485)	(488)
Acquisitions of businesses (net of cash acquired)	(369)	—
Proceeds from investments	398	584
Payments for investments	(686)	(515)
Settlement of net investment hedges	(23)	(210)
Payments for investments in affiliates	(77)	(24)
Other, net	8	(14)
Cash provided by (used for) investing activities	(1,234)	(667)
FINANCING ACTIVITIES		
Net change in short-term debt with maturities of 90 days or less	596	(128)
Proceeds from short-term debt with maturities greater than 90 days	360	273
Repayments of short-term debt with maturities greater than 90 days	(206)	(292)
Proceeds from long-term debt	6,502	7,933
Repayments of long-term debt	(6,100)	(7,430)
Proceeds from the exercise of options for common shares	58	—
Repurchases of common shares	—	(200)
Dividends paid	(207)	(191)
Acquisition of noncontrolling interest	—	(39)

Edgar Filing: Bunge LTD - Form 10-Q

Other, net	(34)	(28)
Cash provided by (used for) financing activities	969	(102)
Effect of exchange rate changes on cash and cash equivalents	22	20
Net increase (decrease) in cash and cash equivalents	(545)	(114)
Cash and cash equivalents, beginning of period	934	411
Cash and cash equivalents, end of period	\$389	\$297

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

6

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)

	Convertible Preference Shares		Common Shares		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Shares	Non-Controlling Interests	Total Equity	
	Redeemable Non-Controlling Interests	Shares	Amount	Shares							Amount
Balance, January 1, 2017	\$ —	6,900,000	\$ 690	139,500,862	\$ 1	\$ 5,143	\$ 8,208	\$ (5,978)	\$ (920)	\$ 199	\$ 7,343
Net income (loss)	—	—	—	—	—	—	220	—	—	7	227
Other comprehensive income (loss)	—	—	—	—	—	—	—	316	—	13	329
Dividends on common shares	—	—	—	—	—	—	(189)	—	—	—	(189)
Dividends on preference shares	—	—	—	—	—	—	(25)	—	—	—	(25)
Dividends to noncontrolling interests on subsidiary common stock	—	—	—	—	—	—	—	—	—	(10)	(10)
Noncontrolling decrease from redemption	—	—	—	—	—	—	—	—	—	(5)	(5)
Share-based compensation expense	—	—	—	—	—	27	—	—	—	—	27
Issuance of common shares	—	(300)	—	1,107,795	—	53	—	—	—	—	53
Balance, September 30, 2017	\$ —	6,899,700	\$ 690	140,608,657	\$ 1	\$ 5,223	\$ 8,214	\$ (5,662)	\$ (920)	\$ 204	\$ 7,750

	Convertible Preference Shares		Common Shares		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Shares	Non-Controlling Interests	Total Equity	
	Redeemable Non-Controlling Interests	Shares	Amount	Shares							Amount
Balance, January 1, 2016	\$ 37	6,900,000	\$ 690	142,483,467	\$ 1	\$ 5,105	\$ 7,725	\$ (6,360)	\$ (720)	\$ 211	\$ 6,652
Net income (loss)	1	—	—	—	—	—	474	—	—	8	482
Accretion of noncontrolling	2	—	—	—	—	(2)	—	—	—	—	(2)

interest											
Other											
comprehensive	(1)	—	—	—	—	—	535	—	12	547	
income (loss)											
Dividends on	—	—	—	—	—	—	(170)	—	—	(170)	
common shares											
Dividends on	—	—	—	—	—	—	(25)	—	—	(25)	
preference											
shares											
Dividends to	—	—	—	—	—	—	—	—	(7)	(7)	
noncontrolling											
interests on											
subsidiary											
common stock											
Noncontrolling	—	—	—	—	—	1	—	—	(8)	(7)	
decrease from											
redemption											
Deconsolidation	—	—	—	—	—	—	—	—	(22)	(22)	
of a subsidiary											
Acquisition of	(39)	—	—	—	—	—	—	—	—	—	
noncontrolling											
interest											
Share-based	—	—	—	—	—	31	—	—	—	31	
compensation											
expense											
Repurchase of	—	—	—	(3,296,230)	—	—	—	—	(200)	(200)	
common shares											
Issuance of	—	—	—	265,539	—	(2)	—	—	—	(2)	
common shares											
Balance,											
September 30,	\$ —	6,900,000	\$ 690	139,452,776	\$ 1	\$ 5,133	\$ 8,004	\$ (5,825)	\$ (920)	\$ 194	\$ 7,277
2016											

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 Bunge is considered to be the primary beneficiary, and as a result, include the assets, liabilities, revenues and expenses of all entities over which Bunge has a controlling financial interest. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X under the Securities Exchange Act of 1934, as amended (“Exchange Act”). Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to Securities and Exchange Commission (“SEC”) rules. In the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation have been included. The condensed consolidated balance sheet at December 31, 2016 has been derived from Bunge’s audited consolidated financial statements at that date. Operating results for the nine months ended September 30, 2017 are not necessarily indicative of the results to be expected for the year ending December 31, 2017. The financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2016, forming part of Bunge’s 2016 Annual Report on Form 10-K filed with the SEC on February 28, 2017.

2. ACCOUNTING PRONOUNCEMENTS

The below outlines new accounting pronouncements issued in 2017, as well as updates on certain previously disclosed Accounting Standard Updates (“ASU”) not yet adopted.

New Accounting Pronouncements — In August 2017, the Financial Accounting Standards Board (“FASB”) issued ASU 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvement to Accounting for Hedging Activities, which better aligns hedge accounting with an organization’s risk management activities in its financial statements. In addition, the ASU simplifies the application of hedge accounting guidance in areas where practice issues exist. The ASU is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted, including interim periods within those years. Bunge is assessing the impact of this standard on its consolidated financial statements.

In May 2017, the FASB issued ASU 2017-10, Service Concession Arrangements (Topic 853): Determining the Customer of the Operation Services. Topic 853 provides guidance for operating entities when they enter into a service concession arrangement with a public-sector grantor who both:

- Controls or has the ability to modify or approve the services to be provided with the infrastructure and the related price

- Controls, through ownership, beneficial entitlement, or otherwise, any residual interest in the infrastructure at the end of the term of the arrangement.

In a service concession arrangement within the scope of Topic 853, the operating entity should not account for the infrastructure as a lease or as property, plant, and equipment. An operating entity should refer to other Topics to account for various aspects of a service concession arrangement. For example, an operating entity should account for revenue relating to construction, upgrade, or operation services in accordance with Topic 606, Revenue from Contracts with Customers.

The amendments in this ASU apply to the accounting by operating entities for service concession arrangements within the scope of Topic 853. These updates will be effective when Bunge adopts the updates to Topic 606 on January 1, 2018. The adoption of this standard is not expected to have a material impact on Bunge’s consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09, Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting. The new guidance requires an entity to apply modification accounting to share-based payment awards only if the fair value, vesting conditions, or classification of the award as equity or liability changes as a result of a change in terms or conditions of the award. The amendments in this ASU are effective for annual

periods beginning after December 15, 2017, including interim periods within those annual periods. Early adoption is permitted. The amendments in the ASU should be applied prospectively to an award modified on or after the adoption date. The adoption of this standard is not expected to have a material impact on Bunge's consolidated financial statements.

Table of Contents

In March 2017, the FASB issued ASU 2017-07, Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost, which changes the presentation of net periodic benefit cost related to employer sponsored defined benefit plans and other postretirement benefits. Service cost should be included in the same income statement line item as other compensation costs arising from services rendered during the period, while other components of net periodic benefit pension cost should be presented separately outside of operating income. Additionally, only service costs may be capitalized in assets. The standard is effective for annual periods beginning after December 15, 2017, including interim periods within those annual periods. Early adoption is permitted. Entities should apply the guidance on the presentation of the components of net periodic benefit cost in the income statement retrospectively. The guidance limiting the capitalization of net periodic benefit cost in assets to the service cost component should be applied prospectively. The adoption of this standard is not expected to have a material impact on Bunge's consolidated financial statements.

In February 2017, the FASB issued ASU 2017-05, Other Income-Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets. The new guidance clarifies the scope of Subtopic 610-20 on the sale or transfer of nonfinancial assets to noncustomers, including partial sales. The standard is effective for annual periods beginning after December 15, 2017, including interim periods within those annual periods. Early adoption is permitted. The new requirements may be implemented either retrospectively to each period presented in the financial statements, or retrospectively with a cumulative-effect adjustment to retained earnings at the date of initial application. The adoption of this standard is not expected to have a material impact on Bunge's consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. The new guidance eliminates Step 2 from the goodwill impairment test. Instead an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The standard is effective for annual or interim impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted. The new requirements should be implemented on a prospective basis. The adoption of this standard is not expected to have a material impact on Bunge's consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business. The amendments provide that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. Otherwise, to be considered a business, a set must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. The standard is effective for annual periods beginning after December 15, 2017, including interim periods within those annual periods. Early adoption is permitted. The new requirements should be implemented on a prospective basis. The adoption of this standard is not expected to have a material impact on Bunge's consolidated financial statements.

In May 2014, the FASB amended ASC (Topic 605) Revenue Recognition and created ASC (Topic 606): Revenue from Contracts with Customers. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. During 2016, the FASB issued additional implementation guidance and practical expedients in ASU 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net), ASU 2016-10, Revenue from Contracts with Customers (Topic 606), Identifying Performance Obligations and Licensing, ASU 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients, and ASU 2016-20, Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers, to improve the guidance. The changes will be effective with respect to Bunge as of January 1, 2018 and it is expected that the modified retrospective approach will be applied with a cumulative-effect adjustment to opening retained earnings. Management has completed its adoption assessment and does not expect a material impact on Bunge's results of operations, financial position or cash flows. This is due to the fact that the majority of Bunge's revenue streams apply

fair value accounting and are not within the scope of this guidance and for revenue streams within the scope of this guidance, the current timing and measurement of revenue recognition is not expected to change significantly. Topic 606 also requires expanded disclosure, particularly as it relates to the disclosure of segment revenues.

Recently Adopted Accounting Pronouncements - In October 2016, the FASB issued ASU 2016-17: Consolidation (Topic 810): Interests Held through Related Parties That Are under Common Control, which provides that a single decision maker is not required to consider indirect interests held through related parties that are under common control with the decision maker to be equivalents of direct interests in their entity. Bunge adopted this ASU upon its effective date of January 1, 2017 and the adoption did not have a material impact on Bunge's consolidated financial statements.

Table of Contents

In March 2016, the FASB issued ASU 2016-09, Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. This update identifies areas for simplification involving several aspects of accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, an option to recognize gross stock compensation expense with actual forfeitures recognized as they occur, as well as certain classifications on the statement of cash flows. Bunge adopted this ASU upon its effective date of January 1, 2017 and the adoption did not have a material impact on Bunge's consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory, which requires entities that measure inventory using the first-in, first-out or average cost methods to measure inventory at the lower of cost or net realizable value. Net realizable value is defined as estimated selling price in the ordinary course of business less reasonably predictable costs of completion, disposal and transportation. Bunge adopted this ASU upon its effective date of January 1, 2017 and the adoption did not have a material impact on Bunge's consolidated financial statements.

3. GLOBAL COMPETITIVENESS PROGRAM

In July 2017, Bunge announced a global competitiveness program ("GCP") to improve its cost position and deliver increased value to shareholders. The GCP will, among other things, rationalize Bunge's cost structure and reengineer the way the company operates in order to reduce overhead costs. One of the GCP's key objectives will be to streamline processes and consolidate back office functions to improve efficiency and scalability.

The GCP will comprise restructuring initiatives that may include the sale or disposal of long-lived assets, reduction of workforce and rationalization of certain investments. As Bunge continues to review its opportunities, certain charges may be recorded in earnings, including severance and other employee benefit costs, other costs related to the disposal of assets or investments and costs related to professional services.

The table below sets forth, by segment, the types of costs recorded for the GCP during the three and nine months ended September 30, 2017.

(US\$ in millions)	Severance and Other Employee Benefit Costs	Disposal of Assets or Investments	Professional Services	Total Charges
Agribusiness Segment	\$ 4	\$ 17	\$ 3	\$ 24
Edible Oils Segment	2	1	1	4
Milling Segment	1	1	1	3
Sugar and Bioenergy Segment	—	1	1	2
Total	\$ 7	\$ 20	\$ 6	\$ 33

For the costs recorded above, \$2 million were recorded in Cost of goods sold, \$18 million were recorded in Selling, general and administrative expenses, and \$13 million were recorded in Other income (expense) - net.

On September 27, 2017, as part of the GCP, Bunge offered a voluntary early retirement program to certain U.S. based salaried employees. Those employees had until October 31, 2017 to accept or decline the offer. For those employees who accepted, Bunge will recognize severance and other employee benefit costs of approximately \$36 million in the fourth quarter of 2017.

4. BUSINESS ACQUISITIONS

On September 12, 2017, Bunge announced that it entered into a definitive agreement to acquire a 70% ownership interest in IOI Lodders Croklaan ("Lodders") from IOI Corporation Berhad ("IOI") for approximately \$946 million, comprising €297 million and \$595 million in cash. The transaction expands Bunge's value-added capabilities, reach, and scale across core geographies to establish Bunge as a global leader in B2B oil solutions. Lodders' portfolio includes a full range of palm and tropical oil-derived products with strength in confectionery, bakery and infant nutrition applications. Lodders serves global food industry customers in more than 100 countries around the world. The

transaction is expected to close in the first half of 2018, subject to customary closing conditions, including receipt of required regulatory approvals and the approval of a majority of IOI shareholders.

On February 28, 2017, Bunge acquired two oilseed processing plants and related operations in the Netherlands and France pursuant to an agreement with Cargill, Inc. Bunge paid a total purchase price of approximately \$322 million. The purchase price allocation resulted in \$109 million allocated to property, plant and equipment, \$103 million to other net assets

Table of Contents

and liabilities and \$7 million to finite-lived intangible assets. The transaction also resulted in \$103 million of goodwill allocated to Bunge's agribusiness operations.

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. For the nine months ended September 30, 2017 and 2016, the net returns from these activities were \$27 million and \$45 million, respectively, and were included as a reduction of cost of goods sold in the accompanying condensed consolidated statements of income. These activities include programs under which Bunge generally obtains U.S. dollar-denominated letters of credit ("LCs") (each based on an underlying commodity trade flow) from financial institutions and time deposits denominated in either the local currency of the financial institutions' counterparties or in U.S. dollars, as well as foreign exchange forward contracts, and other programs in which trade related payables are set-off against receivables, all of which are subject to legally enforceable set-off agreements.

The table below summarizes the assets and liabilities included in the condensed consolidated balance sheets and the associated fair value amounts at September 30, 2017 and December 31, 2016, related to the program. The fair values approximated the carrying amount of the related financial instruments.

(US\$ in millions)	September 30, 2017	December 31, 2016
Current assets:		
Carrying value of time deposits	\$ —	\$ 64
Fair value (Level 2 measurement) of time deposits	\$ —	\$ 64
Non-current assets:		
Carrying value of time deposits	\$ 313	\$ 464
Fair value (Level 2 measurement) of time deposits	\$ 313	\$ 464
Current liabilities:		
Carrying value of letters of credit obligations	\$ 313	\$ 528
Fair value (Level 2 measurement) of letters of credit obligations	\$ 313	\$ 528

As of September 30, 2017 and December 31, 2016, time deposits and LCs of \$6,766 million and \$5,732 million, respectively, were presented net on the condensed consolidated balance sheets as the criteria of ASC 210-20, Offsetting, had been met. Additionally, as of September 30, 2017 and December 31, 2016, receivables and trade payables of \$896 million and nil, respectively, were presented net on the condensed consolidated balance sheets as the criteria of ASC 210-20, Offsetting, had been met. At September 30, 2017 and December 31, 2016, time deposits, including those presented on a net basis, carried weighted-average interest rates of 2.84% and 2.36%, respectively. During the nine months ended September 30, 2017 and 2016, total net proceeds from issuances of LCs were \$5,889 million and \$5,165 million, respectively. These cash inflows are offset by the related cash outflows resulting from placement of the time deposits and repayment of the LCs. All cash flows related to the programs are included in operating activities in the condensed consolidated statements of cash flows.

6. INVENTORIES

Inventories by segment are presented below. Readily marketable inventories ("RMI") are agricultural commodity inventories, such as soybeans, soybean meal, soybean oil, corn, and wheat carried at fair value because of their commodity characteristics, widely available markets, and international pricing mechanisms. All other inventories are carried at lower of cost or net realizable value.

Table of Contents

(US\$ in millions)	September 30, December 31,	
	2017	2016
Agribusiness ⁽¹⁾	\$ 4,536	\$ 3,741
Edible Oil Products ⁽²⁾	442	404
Milling Products	187	167
Sugar and Bioenergy ⁽³⁾	583	406
Fertilizer	100	55
Total	\$ 5,848	\$ 4,773

Includes RMI of \$4,398 million and \$3,593 million at September 30, 2017 and December 31, 2016, respectively.

(1) Of these amounts, \$3,351 million and \$2,523 million can be attributable to merchandising activities at September 30, 2017 and December 31, 2016, respectively.

(2) Includes RMI of bulk soybean and canola oil in the aggregate amount of \$109 million and \$123 million at September 30, 2017 and December 31, 2016, respectively.

Includes sugar RMI of \$195 million and \$139 million at September 30, 2017 and December 31, 2016, respectively.

(3) Of these amounts, \$189 million and \$139 million can be attributable to merchandising activities at September 30, 2017 and December 31, 2016, respectively.

7. OTHER CURRENT ASSETS

Other current assets consist of the following:

(US\$ in millions)	September 30, December 31,	
	2017	2016
Unrealized gains on derivative contracts, at fair value	\$ 1,024	\$ 1,327
Prepaid commodity purchase contracts ⁽¹⁾	418	273
Secured advances to suppliers, net ⁽²⁾	377	601
Recoverable taxes, net	459	467
Margin deposits	277	251
Marketable securities, at fair value and other short-term investments	544	94
Deferred purchase price receivable, at fair value ⁽³⁾	123	87
Income taxes receivable	235	181
Prepaid expenses	147	148
Other	277	216
Total	\$ 3,881	\$ 3,645

(1) Prepaid commodity purchase contracts represent advance payments against contracts for future delivery of specified quantities of agricultural commodities.

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 operational risks associated with the related growing crops. The advances are largely collateralized by future crops and physical assets of the

(2) suppliers, carry a local market interest rate, and settle when the farmer's crop is harvested and sold. The secured advances to farmers are reported net of allowances of \$1 million at September 30, 2017 and \$1 million at December 31, 2016. There were no significant changes in the allowance at September 30, 2017 and December 31, 2016, respectively.

Interest earned on secured advances to suppliers of \$7 million and \$7 million for the three months ended September 30, 2017 and 2016, respectively, and \$34 million and \$25 million for the nine months ended September 30, 2017 and 2016, respectively, is included in net sales in the condensed consolidated statements of income.

(3) Deferred purchase price receivable represents additional credit support for the investment conduits in Bunge's accounts receivables sales program (see Note 13).

Table of Contents

Marketable Securities and Other Short-Term Investments - Bunge invests in foreign government securities, corporate debt securities, deposits, and other securities. The following is a summary of amounts recorded on the condensed consolidated balance sheets for marketable securities and other short-term investments.

(US\$ in millions)	September 30, December 31,	
	2017	2016
Foreign government securities	\$ 521	\$ 28
Corporate debt securities	21	57
Certificate of deposits/time deposits	—	7
Other	2	2
Total marketable securities and other short-term investments	\$ 544	\$ 94

As of September 30, 2017, total marketable securities and other short-term investments includes \$1 million of assets classified as available for sale, \$541 million as trading and \$2 million as other short-term investments. As of December 31, 2016, total marketable securities and other short-term investments includes \$22 million of assets classified as available for sale, \$63 million as trading and \$9 million as other short-term investments.

Held-to-maturity foreign government and corporate debt securities and certificate of deposits/time deposits are expected to be converted to cash within a twelve month period and are therefore classified as current. Due to the short term nature of these investments, carrying value approximates fair value.

8. OTHER NON-CURRENT ASSETS

Other non-current assets consist of the following:

(US\$ in millions)	September 30, December 31,	
	2017	2016
Recoverable taxes, net ⁽¹⁾	\$ 142	\$ 139
Judicial deposits ⁽¹⁾	143	129
Other long-term receivables	13	23
Income taxes receivable ⁽¹⁾	294	261
Long-term investments	63	54
Affiliate loans receivable	26	25
Long-term receivables from farmers in Brazil, net ⁽¹⁾	148	133
Other	186	163
Total	\$ 1,015	\$ 927

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

Recoverable taxes, net - Recoverable taxes are reported net of allowances of \$29 million and \$32 million at September 30, 2017 and December 31, 2016, respectively.

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

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

Affiliate loans receivable - Affiliate loans receivable are primarily interest bearing receivables from unconsolidated affiliates with a remaining maturity of greater than one year.

Long-term receivables from farmers in Brazil, net of reserves - 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.

Table of Contents

The average recorded investment in long-term receivables from farmers in Brazil for the nine months ended September 30, 2017 and the year ended December 31, 2016 was \$263 million and \$235 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)	September 30, 2017		December 31, 2016	
	Recorded Investment	Allowance	Recorded Investment	Allowance
For which an allowance has been provided:				
Legal collection process ⁽¹⁾	\$102	\$ 87	\$84	\$ 78
Renegotiated amounts ⁽²⁾	27	24	36	31
For which no allowance has been provided:				
Legal collection process ⁽¹⁾	77	—	60	—
Renegotiated amounts ⁽²⁾	21	—	16	—
Other long-term receivables	32	—	46	—
Total	\$259	\$ 111	\$242	\$ 109

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

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

The 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 September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Beginning balance	\$109	\$111	\$109	\$100
Bad debt provisions	—	—	10	1
Recoveries	(3)	(2)	(11)	(11)
Transfers	—	1	—	1
Foreign exchange translation	5	(1)	3	18
Ending balance	\$111	\$109	\$111	\$109

9. INCOME TAXES

Income tax expense is provided on an interim basis based on management's estimate of the annual effective income tax rate and includes the tax effects of certain discrete items, such as changes in tax laws or tax rates or other unusual or non-recurring tax adjustments in the interim period in which they occur. In addition, jurisdictions with a projected loss for the year or a year-to-date loss where no tax benefit can be recognized are excluded from the estimated annual effective tax rate. The effective tax rate is highly dependent on the geographic distribution of Bunge's worldwide earnings or losses and tax regulations in each jurisdiction. Management regularly monitors the assumptions used in estimating its annual effective tax rate and adjusts estimates accordingly, including the realizability of deferred tax assets. Volatility in earnings results in a taxing jurisdiction could result in a determination that additional valuation allowance adjustments may be warranted. While management does not currently believe any future valuation allowance adjustments will be significant, the actual results may be different and the impact of such amounts will be recorded in the period in which management's assessment changes.

For the nine months ended September 30, 2017 and 2016, income tax expense related to continuing operations was \$2 million and \$118 million, respectively, resulting in effective tax rates of 1% and 19%. The year-to-date effective tax rate of 1% in 2017 was primarily due to certain discrete items, including an income tax benefit of \$32 million for a favorable resolution of income tax matters in Asia and an income tax benefit of \$17 million related to a tax election in South America. The 2016 year-to-date effective tax rate of 19% was driven primarily by discrete items, including an

income tax benefit of \$60 million recorded for a change in estimate resulting from a tax election for North America and an income tax benefit of \$11 million recorded for income tax refund claims in Europe, partially offset by an income tax charge of \$(32) million recorded for an uncertain tax position related to Asia. Excluding the effect of these discrete items noted above, Bunge's effective tax rate for the nine months ended September 30, 2017 and 2016, was 22% and 26%, respectively. The reduction in the effective tax rate

Table of Contents

from 2016 to 2017, taking into account an exclusion of the discrete tax items noted above, is primarily attributable to favorable earnings mix and increased tax exempt income.

Bunge believes that it is reasonably possible that approximately \$25 million of its unrecognized tax benefits may be recognized within the next twelve months as a result of the lapse of statute of limitations, or settlement with the tax authorities.

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

10. OTHER CURRENT LIABILITIES

Other current liabilities consist of the following:

(US\$ in millions)	September 30, 2017	December 31, 2016
Unrealized losses on derivative contracts, at fair value	\$ 1,054	\$ 1,203
Accrued liabilities	663	548
Advances on sales	196	395
Other	284	330
Total	\$ 2,197	\$ 2,476

11. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

Bunge's various financial instruments include certain components of working capital such as cash and cash equivalents, trade accounts receivable and trade accounts payable. Additionally, Bunge uses short and long-term debt to fund operating requirements. Cash and cash equivalents, trade accounts receivable, trade accounts payable and short-term debt are stated at their carrying value, which is a reasonable estimate of fair value. See Note 13 for deferred purchase price receivable ("DPP") related to sales of trade receivables, 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.

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.

Table of Contents

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

(US\$ in millions)	Fair Value Measurements at Reporting Date							
	September 30, 2017				December 31, 2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Readily marketable inventories (Note 6)	\$—	\$4,133	\$ 569	\$4,702	\$—	\$3,618	\$ 237	\$3,855
Trade accounts receivable ⁽¹⁾	—	6	—	6	—	6	—	6
Unrealized gain on designated derivative contracts ⁽²⁾ :								
Interest rate	—	—	—	—	—	1	—	1
Foreign exchange	—	25	—	25	—	29	—	29
Unrealized gain on undesignated derivative contracts ⁽²⁾ :								
Interest rate	—	—	—	—	—	1	—	1
Foreign exchange	—	416	—	416	—	312	—	312
Commodities	107	406	19	532	421	431	96	948
Freight	25	—	6	31	16	—	—	16
Energy	20	—	—	20	23	1	—	24
Deferred purchase price receivable (Note 13)	—	123	—	123	—	87	—	87
Other ⁽³⁾	14	684	—	698	18	108	—	126
Total assets	\$166	\$5,793	\$ 594	\$6,553	\$478	\$4,594	\$ 333	\$5,405
Liabilities:								
Trade accounts payable ⁽¹⁾	\$—	\$676	\$ 249	\$925	\$—	\$478	\$ 44	\$522
Unrealized loss on designated derivative contracts ⁽⁴⁾ :								
Interest rate	—	20	—	20	—	18	—	18
Unrealized loss on undesignated derivative contracts ⁽⁴⁾ :								
Interest rate	—	1	—	1	—	—	—	—
Foreign exchange	—	419	—	419	—	233	—	233
Commodities	141	432	20	593	356	444	144	944
Freight	19	—	5	24	14	—	1	15
Energy	14	—	3	17	9	—	2	11
Total liabilities	\$174	\$1,548	\$ 277	\$1,999	\$379	\$1,173	\$ 191	\$1,743

Trade accounts receivable and payable are generally stated at historical amounts, net of write-offs and allowances, with the exception of \$6 million and \$925 million, respectively, at September 30, 2017 and \$6 million and \$522 (1) million, respectively, at December 31, 2016, related to certain delivered inventory for which the receivable and payable fluctuate based on changes in commodity prices. These receivables and payables are hybrid financial instruments for which Bunge has elected the fair value option.

Unrealized gains on designated and undesignated derivative contracts are generally included in other current assets. (2) There are nil and \$5 million included in other non-current assets at September 30, 2017 and December 31, 2016, respectively.

(3) Other includes the fair values of marketable securities and investments in other current assets and other non-current assets.

Table of Contents

(4) Unrealized losses on designated and undesignated derivative contracts are generally included in other current liabilities. There are \$20 million and \$18 million included in other non-current liabilities at September 30, 2017 and December 31, 2016, respectively.

Derivatives — Exchange traded futures and options contracts and exchange cleared 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 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.

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.

Exchange traded or cleared derivative contracts are classified in Level 1. 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.

Readily marketable inventories — RMI 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 RMI 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 RMI at fair value in the condensed consolidated balance sheets and condensed consolidated statements of income could differ.

Level 3 Measurements — 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, interest rates, volumes and locations. In addition, with the exception of the exchange cleared instruments, Bunge is exposed to loss in the event of the non-performance by counterparties on OTC 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 derivative counterparties at September 30, 2017 and December 31, 2016, respectively.

Level 3 Readily marketable inventories and other — The significant unobservable inputs resulting in Level 3 classification for RMI physically settled forward purchase and sale contracts, and trade accounts receivable and payable, net, relate to certain management estimations regarding costs of transportation and other local market or location-related adjustments, primarily freight related adjustments 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

17

Table of Contents

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.

The tables below present reconciliations for assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the three and nine months ended September 30, 2017 and 2016.

These instruments were valued using pricing models that management believes reflect the assumptions that would be used by a marketplace participant.

(US\$ in millions)	Three Months Ended September 30, 2017			
	Derivatives, Net	Readily Marketable Inventories	Trade Accounts Receivable/ Payable, Net	Total
Balance, July 1, 2017	\$—	\$ 623	\$ (453)	\$ 170
Total gains and (losses), realized/unrealized included in cost of goods sold	(4)	23	(2)	17
Purchases	3	233	(5)	231
Sales	—	(443)	—	(443)
Issuances	(3)	—	—	(3)
Settlements	(1)	—	214	213
Transfers into Level 3	(1)	162	(4)	157
Transfers out of Level 3	3	(29)	1	(25)
Balance, September 30, 2017	\$(3)	\$ 569	\$ (249)	\$ 317
(US\$ in millions)	Three Months Ended September 30, 2016			
	Derivatives, Net	Readily Marketable Inventories	Trade Accounts Receivable/ Payable, Net	Total
Balance, July 1, 2016	\$ 127	\$ 917	\$ (188)	\$ 856
Total gains and (losses), realized/unrealized included in cost of goods sold	(120)	12	7	(101)
Purchases	—	171	(8)	163
Sales	—	(517)	—	(517)
Issuances	—	—	—	—
Settlements	(37)	—	95	58
Transfers into Level 3	(5)	208	—	203
Transfers out of Level 3	(1)	(499)	51	(449)
Balance, September 30, 2016	\$(36)	\$ 292	\$ (43)	\$ 213
(US\$ in millions)	Nine Months Ended September 30, 2017			
	Derivatives, Net	Readily Marketable Inventories	Trade Accounts Receivable/ Payable, Net	Total
Balance, January 1, 2017	\$(51)	\$ 237	\$ (44)	\$ 142
Total gains and losses (realized/unrealized) included in cost of goods sold	(36)	95	9	68
Purchases	8	1,376	(460)	924
Sales	—	(1,472)	—	(1,472)
Issuances	(8)	—	—	(8)
Settlements	70	—	305	375
Transfers into Level 3	(8)	503	(59)	436
Transfers out of Level 3	22	(170)	—	(148)

Table of Contents

(US\$ in millions)	Nine Months Ended September 30, 2016			
	Derivatives Net	Readily Marketable Inventories	Trade Accounts Receivable/ Payable, Net	Total
Balance, January 1, 2016	\$167	\$ 245	\$ (44)	\$ 368
Total gains and losses (realized/unrealized) included in cost of goods sold	(87)	143	15	71
Purchases	—	904	(220)	684
Sales	—	(1,022)	—	(1,022)
Issuances	(1)	—	—	(1)
Settlements	(110)	—	195	85
Transfers into Level 3	(7)	569	(59)	503
Transfers out of Level 3	2	(547)	70	(475)
Balance, September 30, 2016	\$(36)	\$ 292	\$ (43)	\$ 213

The tables below summarize changes in unrealized gains or (losses) recorded in earnings during the three and nine months ended September 30, 2017 and 2016 for Level 3 assets and liabilities that were held at September 30, 2017 and 2016.

(US\$ in millions)	Three Months Ended			
	Derivatives Net	Readily Marketable Inventories	Trade Accounts Receivable and Payable, Net	Total
Changes in unrealized gains and (losses) relating to assets and liabilities held at September 30, 2017				
Cost of goods sold	\$(2)	\$ 11	\$ (3)	\$ 6
Changes in unrealized gains and (losses) relating to assets and liabilities held at September 30, 2016				
Cost of goods sold	\$(127)	\$ (12)	\$ 2	\$(137)

(US\$ in millions)	Nine Months Ended			
	Derivatives Net	Readily Marketable Inventories	Trade Accounts Receivable and Payable, Net	Total
Changes in unrealized gains and (losses) relating to assets and liabilities held at September 30, 2017				
Cost of goods sold	\$(6)	\$ (19)	\$ 3	\$(22)
Changes in unrealized gains and (losses) relating to assets and liabilities held at September 30, 2016				
Cost of goods sold	\$9	\$ (26)	\$ 1	\$(16)

Derivative Instruments

Interest rate derivatives — Bunge may use various interest rate derivatives for the purpose of managing certain of its interest rate exposures. The interest rate swaps used by Bunge as hedging instruments have been recorded at fair value in the condensed consolidated balance sheets with changes in fair value recorded in earnings. Additionally, the carrying amount of the associated hedged debt is adjusted through earnings for changes in the fair value arising from changes in benchmark interest rates. No ineffectiveness is recognized on the hedging relationships, as they have been determined to be perfectly effective.

Table of Contents

As of September 30, 2017, Bunge had several fixed-to-variable interest rate swap agreements that were designated as fair value hedges. Below is a summary of Bunge's current interest rate swap agreements designated as fair value hedging instruments as of September 30, 2017.

Notional Amount Hedged	Notional Amount of Obligation	Maturity Date	Payment Weighted Average Rate Payable	Fixed Rate Receivable
\$ 500	\$ 500	November 24, 2020	3 month LIBOR plus 1.91%	3.50 %
€ 800	€ 800	June 16, 2023	6 month EURIBOR plus 1.64%	1.85 %
\$ 550	\$ 550	August 15, 2026	3 month LIBOR plus 1.12%	3.25 %

Bunge may also enter into various interest rate derivatives that do not qualify for hedge accounting and, therefore, Bunge has not designated these as hedging instruments for accounting purposes. These interest rate derivatives have been recorded at fair value in the condensed consolidated balance sheets with changes in fair value recorded in earnings. Below is a summary of Bunge's outstanding interest rate derivatives that do not qualify for hedge accounting.

(US\$ in millions)	September 30, 2017		Unit of Measure
	Exchange Traded	Non-exchange Traded	
Interest Rate	(Short)	(Short)	Long
Swaps	—	(1,574)	Notional
Forward Rate Agreements	—	(800)	Notional

Foreign exchange derivatives and hedging activities - Bunge may use a combination of various foreign exchange derivatives 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 investments in certain of its foreign subsidiaries.

Foreign exchange risk is also managed through the use of foreign currency debt. Bunge has 800 million euro senior unsecured euro-denominated notes of which 697 million euro is designated and is effective as a net investment hedge of euro-denominated assets. Accordingly, foreign currency transaction gains or losses due to spot rate fluctuations on the euro-denominated debt instruments are included in foreign currency translation adjustment within other comprehensive income (loss) ("OCI").

Bunge assesses, both at the inception of the hedge relationship and on an ongoing basis, whether the derivatives that are used in hedge transactions are highly effective in offsetting changes in the hedged items. No ineffectiveness is recognized on the hedging relationships that have been determined to be perfectly effective.

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

(US\$ in millions)	September 30, 2017		Unit of Measure
	Exchange Traded	Net Non-exchange Traded	
Foreign Exchange	(Short)	(Short)	Long
Options	—	\$(368)	\$ 430 Delta

Edgar Filing: Bunge LTD - Form 10-Q

Forwards	— (10,824)	10,548	Notional
Futures	(10)		Notional
Swaps	— (552)	593	Notional

Commodity derivatives - Bunge uses various commodity 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 enter into OTC commodity transactions, including swaps, which are settled in cash at maturity or termination based on exchange-quoted futures prices. 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

Table of Contents

contracts to be effective economic hedges, Bunge does not designate or account for its commodity contracts as accounting hedges. 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 commodity derivative contracts.

	September 30, 2017			
	Exchange Traded			
	Net (Short) & Long	Non-exchange Traded (Short)	Long	Unit of Measure
Agricultural Commodities				
Futures	2,244,228	—	—	Metric Tons
Options	63,027	—	—	Metric Tons
Forwards	—	(31,604,107)	22,381,787	Metric Tons
Swaps	—	(6,483,877)	300,458	Metric Tons

Ocean freight derivatives — Bunge may use derivative instruments referred to as freight forward agreements ("FFA") and FFA options to hedge portions of its current and anticipated ocean freight costs. Changes in the fair values of ocean freight derivatives that are not designated as hedges are recorded in earnings. There were no designated accounting hedges at September 30, 2017 and December 31, 2016.

The table below summarizes the open ocean freight positions.

	September 30, 2017			
	Exchange Cleared			
	Net (Short) & Long	Non-exchange Cleared (Short)	Long	Unit of Measure
Ocean Freight				
FFA	(2,098)	—	—	Hire Days
FFA Options	315	—	—	Hire Days

Energy derivatives — Bunge may use various energy derivative instruments to manage its exposure to volatility in energy costs. Energy costs incurred in Bunge's operations include electricity, natural gas, coal, and fuel oil, including bunker fuel.

The table below summarizes the open energy positions.

	September 30, 2017			
	Exchange Traded / Cleared			
	Net (Short) & Long	Non-exchange Traded (Short)	Long	Unit of Measure (1)
Natural Gas				
Futures	4,553,161	—	—	MMBtus
Swaps	—	—	635,687	MMBtus
Energy—Other				
Futures	351,786	—	—	Metric Tons
Forwards	—	—	6,048,869	Metric Tons
Swaps	227,600	—	—	Metric Tons

(1) Million British Thermal Units ("MMBtus") are standard units of measurement used to denote an amount of natural gas.

Table of Contents

The Effect of Financial Instruments on the Condensed Consolidated Statements of Income

The table below summarizes the net effect of derivative instruments that are designated as fair value hedges and the related hedged items, and also derivative instruments that are undesignated on the condensed consolidated statements of income for the nine months ended September 30, 2017 and 2016.

(US\$ in millions)	Location	Gain or (Loss) Recognized in Income on Derivative Instruments Nine Months Ended September 30,	
		2017	2016
Designated Derivative Contracts:			
Interest Rate	Interest expense	\$ 11	\$ 3
Total		\$ 11	\$ 3
Undesignated Derivative Contracts:			
Interest Rate	Interest income (expense)	\$ —	\$ (4)
Foreign Exchange	Foreign exchange gains (losses)	82	262
Foreign Exchange	Cost of goods sold	62	646
Commodities	Cost of goods sold	514	(531)
Freight	Cost of goods sold	4	(1)
Energy	Cost of goods sold	(6)	12
Total		\$ 656	\$ 384

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 nine months ended September 30, 2017.

Nine Months Ended September 30, 2017

Gain or (Loss) Notional Recognized in Accumulated	Gain or (Loss) Reclassified from Accumulated OCI into
---	---