Bunge LTD
Form 10-Q
October 31, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2018
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 ý No o
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 ý No o
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):

| | | | | |
|---|---|---|---|---|
| Large accelerated filer ý | Accelerated filer ¨ | Non-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 ý
As of October 26, 2018 the number of shares issued of the registrant was:
Common shares, par value $.01 per share: 141,088,072

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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, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Net sales | $11,412 | $11,423 | $34,200 | $34,189 |
| Cost of goods sold | (10,494) | (10,934) | (32,356) | (32,886) |
| Gross profit | 918 | 489 | 1,844 | 1,303 |
| Selling, general and administrative expenses | (333) | (339) | (1,054) | (1,044) |
| Interest income | 7 | 9 | 21 | 29 |
| Interest expense | (101) | (64) | (265) | (191) |
| Foreign exchange gains (losses) | (20) | 1 | (116) | 108 |
| Other income (expense) – net | (19) | 25 | 9 | 24 |
| Income (loss) from continuing operations before income tax | 452 | 121 | 439 | 229 |
| Income tax (expense) benefit | (85) | (29) | (106) | (2) |
| Income (loss) from continuing operations | 367 | 92 | 333 | 227 |
| Income (loss) from discontinued operations, net of tax | 7 | — | 12 | — |
| Net income (loss) | 374 | 92 | 345 | 227 |
| Net (income) loss attributable to noncontrolling interests and redeemable noncontrolling interests | (9) | — | (13) | (7) |
| Net income (loss) attributable to Bunge | 365 | 92 | 332 | 220 |
| Convertible preference share dividends | (8) | (8) | (25) | (25) |
| Net income (loss) available to Bunge common shareholders | $357 | $84 | $307 | $195 |
| | | | | |
| Earnings per common share—basic (Note 18) | | | | |
| Net income (loss) from continuing operations | $2.48 | $0.59 | $2.09 | $1.39 |
| Net income (loss) from discontinued operations | 0.05 | — | 0.09 | (0.01) |
| Net income (loss) attributable to Bunge common shareholders | $2.53 | $0.59 | $2.18 | $1.38 |
| | | | | |
| Earnings per common share—diluted (Note 18) | | | | |
| Net income (loss) from continuing operations | $2.39 | $0.59 | $2.08 | $1.38 |
| Net income (loss) from discontinued operations | 0.05 | — | 0.08 | (0.01) |
| Net income (loss) attributable to Bunge common shareholders | $2.44 | $0.59 | $2.16 | $1.37 |
| | | | | |
| Dividends declared per common share | $0.50 | $0.46 | $1.46 | $1.34 |

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

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Net income (loss) | $374 | $92 | $345 | $227 |
| Other comprehensive income (loss): | | | | |
| Foreign exchange translation adjustment (1) | (168) | 332 | (1,225) | 458 |
| Unrealized gains (losses) on designated cash flow and net investment hedges, net of tax (expense) benefit of $1 and $4 in 2018 and nil and nil in 2017 | 8 | (37) | 172 | (108) |
| Unrealized gains (losses) on investments, net of tax (expense) benefit of nil and nil in 2018 and nil and $(1) in 2017 | (1) | — | (1) | 1 |
| Reclassification of realized net losses (gains) to net income, net of tax expense (benefit) of nil and nil in 2018 and $2 and $1 in 2017 | — | (12) | (1) | (31) |
| Pension adjustment, net of tax (expense) benefit of $1 and $1 in 2018 and $(5) and $(1) in 2017 | (3) | 9 | (2) | 9 |
| Total other comprehensive income (loss) | (164) | 292 | (1,057) | 329 |
| Total comprehensive income (loss) | 210 | 384 | (712) | 556 |
| Less: comprehensive (income) loss attributable to noncontrolling interests and redeemable noncontrolling interests | (8) | (3) | 16 | (20) |
| Total comprehensive income (loss) attributable to Bunge | $202 | $381 | $(696) | $536 |

(1) Includes the release of cumulative translation adjustments upon the disposition of the Company's foreign subsidiaries, which is recorded in Other income (expense) - net in the condensed consolidated statements of income.

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

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

| | September 30, 2018 | December 31, 2017 |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | $ 267 | $ 601 |
| Trade accounts receivable (less allowances of $103 and $107) (Note 13) | 1,713 | 1,501 |
| Inventories (Note 6) | 7,183 | 5,074 |
| Other current assets (Note 7) | 3,948 | 3,227 |
| Total current assets | 13,111 | 10,403 |
| Property, plant and equipment, net | 5,164 | 5,310 |
| Goodwill | 723 | 515 |
| Other intangible assets, net | 711 | 323 |
| Investments in affiliates | 454 | 461 |
| Deferred income taxes | 434 | 516 |
| Time deposits under trade structured finance program (Note 5) | — | 315 |
| Other non-current assets (Note 8) | 849 | 1,028 |
| Total assets | $ 21,446 | $ 18,871 |
| LIABILITIES AND EQUITY | | |
| Current liabilities: | | |
| Short-term debt | $ 2,057 | $ 304 |
| Current portion of long-term debt (Note 12) | 331 | 15 |
| Letter of credit obligations under trade structured finance program (Note 5) | — | 315 |
| Trade accounts payable (includes $455 and $583 carried at fair value) | 3,274 | 3,395 |
| Other current liabilities (Note 10) | 2,639 | 2,186 |
| Total current liabilities | 8,301 | 6,215 |
| Long-term debt (Note 12) | 4,912 | 4,160 |
| Deferred income taxes | 361 | 223 |
| Other non-current liabilities | 947 | 916 |
| Commitments and contingencies (Note 15) | | |
| Redeemable noncontrolling interest (Note 16) | 438 | — |
| Equity (Note 17): | | |
| Convertible perpetual preference shares, par value $.01; authorized – 21,000,000 shares, issued and outstanding: 2018 - 6,899,683 shares and 2017 - 6,899,700 shares (liquidation preference $100 per share) | 690 | 690 |
| Common shares, par value $.01; authorized – 400,000,000 shares; issued and outstanding: 2018 – 141,081,739 shares, 2017 – 140,646,829 shares | 1 | 1 |
| Additional paid-in capital | 5,264 | 5,226 |
| Retained earnings | 8,203 | 8,081 |
| Accumulated other comprehensive income (loss) (Note 17) | (6,958) | (5,930) |
| Treasury shares, at cost - 2018 and 2017 - 12,882,313 shares | (920) | (920) |
| Total Bunge shareholders’ equity | 6,280 | 7,148 |
| Noncontrolling interests | 207 | 209 |
| Total equity | 6,487 | 7,357 |
| Total liabilities, redeemable noncontrolling interest and equity | $ 21,446 | $ 18,871 |

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

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

| | Nine Months Ended September 30, 2018 | 2017 |
|---|---|---|
| OPERATING ACTIVITIES | | |
| Net income (loss) | $345 | $227 |
| Adjustments to reconcile net income (loss) to cash provided by (used for) operating activities: | | |
| Impairment charges | 5 | 26 |
| Foreign exchange (gain) loss on net debt | 134 | 28 |
| Bad debt expense | 28 | 8 |
| Depreciation, depletion and amortization | 463 | 448 |
| Share-based compensation expense | 31 | 27 |
| Deferred income tax (benefit) | 11 | (8) |
| Other, net | 51 | 14 |
| Changes in operating assets and liabilities, excluding the effects of acquisitions: | | |
| Trade accounts receivable | (159) | (200) |
| Inventories | (2,465) | (837) |
| Secured advances to suppliers | (195) | 101 |
| Trade accounts payable and accrued liabilities | 182 | 265 |
| Advances on sales | (157) | (200) |
| Net unrealized gain (loss) on derivative contracts | 23 | 153 |
| Margin deposits | (266) | (26) |
| Marketable securities | 92 | (147) |
| Beneficial interest in securitized trade receivables | (1,439) | (1,768) |
| Other, net | 31 | (145) |
| Cash provided by (used for) operating activities | (3,285) | (2,034) |
| INVESTING ACTIVITIES | | |
| Payments made for capital expenditures | (318) | (485) |
| Acquisitions of businesses (net of cash acquired) | (968) | (369) |
| Proceeds from investments | 1,080 | 398 |
| Payments for investments | (1,163) | (686) |
| Settlement of net investment hedges | 124 | (23) |
| Proceeds from beneficial interest in securitized trade receivables | 1,432 | 1,732 |
| Payments for investments in affiliates | (3) | (77) |
| Other, net | 40 | 7 |
| Cash provided by (used for) investing activities | 224 | 497 |
| FINANCING ACTIVITIES | | |
| Net change in short-term debt with maturities of 90 days or less | 1,490 | 596 |
| Proceeds from short-term debt with maturities greater than 90 days | 475 | 360 |
| Repayments of short-term debt with maturities greater than 90 days | (166) | (206) |
| Proceeds from long-term debt | 9,191 | 6,502 |
| Repayments of long-term debt | (8,049) | (6,100) |
| Proceeds from the exercise of options for common shares | 11 | 58 |
| Dividends paid | (225) | (207) |

| | | |
|---|---|---|
| Other, net | (18 ) | (34 ) |
| Cash provided by (used for) financing activities | 2,709 | 969 |
| Effect of exchange rate changes on cash and cash equivalents, and restricted cash | 18 | 22 |
| Net increase (decrease) in cash and cash equivalents, and restricted cash | (334 ) | (546 ) |
| Cash and cash equivalents, and restricted cash - beginning of period | 605 | 938 |
| Cash and cash equivalents, and restricted cash - end of period | $271 | $392 |

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

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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 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Redeemable Non-Controlling Interests | Shares | Amount | Shares | Amount | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Treasury Shares | Non-Controlling Interests | Total Equity |
| Balance, January 1, 2018 | $ — | 6,899,700 | $ 690 | 140,646,829 | $ 1 | $ 5,226 | $ 8,081 | $ (5,930 ) | $ (920 ) | $ 209 | $ 7,357 |
| Net income (loss) | — | — | — | — | — | — | 332 | — | — | 13 | 345 |
| Other comprehensive income (loss) | (23 ) | — | — | — | — | — | — | (1,028 ) | — | (6 ) | (1,034 ) |
| Dividends on common shares | — | — | — | — | — | — | (206 ) | — | — | — | (206 ) |
| Dividends on preference shares | — | — | — | — | — | — | (25 ) | — | — | — | (25 ) |
| Dividends to noncontrolling interests on subsidiary common stock | — | — | — | — | — | — | — | — | — | (6 ) | (6 ) |
| Deconsolidation of a subsidiary | — | — | — | — | — | — | — | — | — | (3 ) | (3 ) |
| Acquisition of noncontrolling interest | 461 | — | — | — | — | — | — | — | — | — | — |
| Share-based compensation expense | — | — | — | — | — | 31 | — | — | — | — | 31 |
| Impact of adoption of new accounting standards [(1)] | — | — | — | — | — | — | 21 | — | — | — | 21 |
| Issuance of common shares | — | (17 ) | — | 434,910 | — | 7 | — | — | — | — | 7 |
| Balance, September 30, 2018 | $ 438 | 6,899,683 | $ 690 | 141,081,739 | $ 1 | $ 5,264 | $ 8,203 | $ (6,958 ) | $ (920 ) | $ 207 | $ 6,487 |

(1) See Note 2 for further details.

| | | Convertible Preference Shares | | Common Shares | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Redeemable Non-Controlling | Shares | Amount | Shares | Amount | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive | Treasury Shares | Non-Controlling Interests | Total Equity |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Interests | | | | | | | Income (Loss) | | | |
| 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 |

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

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BUNGE LIMITED AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. BASIS OF PRESENTATION, PRINCIPLES OF CONSOLIDATION, AND SIGNIFICANT ACCOUNTING POLICIES

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, 2017 has been derived from Bunge’s audited consolidated financial statements at that date. Operating results for the nine months ended September 30, 2018 are not necessarily indicative of the results to be expected for the year ending December 31, 2018. The financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2017, forming part of Bunge’s 2017 Annual Report on Form 10-K filed with the SEC on February 23, 2018.

Translation of Foreign Currency Financial Statements

Bunge's reporting currency is the U.S. dollar. The functional currency of the majority of Bunge's foreign subsidiaries is their local currency and, as such, amounts included in the consolidated statements of income, comprehensive income (loss), cash flows and changes in equity are translated using average exchange rates during each period. Assets and liabilities are translated at period-end exchange rates and resulting foreign currency translation adjustments are recorded in the consolidated balance sheets as a component of accumulated other comprehensive income (loss). However, in accordance with U.S. GAAP, if a foreign entity's economy is determined to be highly inflationary, then such foreign entity's financial statements shall be remeasured as if the functional currency were the reporting currency. Bunge has significant operations in Argentina and, up until June 30, 2018, it had utilized the official exchange rate of the Argentine peso published by the Argentine government for its commercial transactions and remeasurement purposes of financial statements. Argentina has continued to experience negative economic trends, as evidenced by multiple periods of increasing inflation rates, devaluation of the peso, and increasing borrowing rates, requiring the Argentine government to take mitigating actions. During the second quarter of 2018, it was determined that Argentina's economy should be considered highly inflationary, and as such, beginning on July 1, 2018, Bunge's Argentine subsidiaries changed their functional currency to the U.S. Dollar. This change in functional currency did not have a material impact on Bunge's consolidated financial statements.

Revenue Recognition

The Company’s revenue comprises sales from commodity contracts that are accounted for under ASC 815, Derivatives and Hedging (ASC 815) and sales of other products and services that are accounted for under ASC 606, Revenue from Contracts with Customers (ASC 606). Additional information about the Company’s revenues can be found in Note 19: Segment Information.

Revenue from commodity contracts (ASC 815) - Revenue from commodity contracts primarily relates to forward sales of commodities in the Company’s Agribusiness segment, such as soybeans, soybean meal and oil, corn and wheat, which are accounted for as derivatives at fair value under ASC 815. These forward sales meet the definition of a derivative under ASC 815 as they have an underlying (e.g. the price of soybeans), a notional amount (e.g. metric tons), no initial net investment and can be net settled since the commodity is readily convertible to cash. Bunge does not apply the normal purchase and normal sale exception available under ASC 815 to these contracts. Certain of the Company’s sales in its Edible Oil Products, Milling Products, and Sugar and Bioenergy segments also qualify as derivatives, primarily sales of commodities like bulk soybean and canola oil, and raw sugar.

Revenue from commodity contracts is recognized in Net sales for the contracted amount when the contracts are settled at a point in time by transferring control of the commodity to the customer, similarly to revenue recognized from contracts with customers under ASC 606. From inception through settlement, these forward sales arrangements are recorded at fair value

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under ASC 815 with unrealized gains and losses recognized in Cost of goods sold and carried on the consolidated balance sheet as Current assets (see Note 7: Other Current Assets) or Current liabilities (see Note 10: Other Current Liabilities), respectively. Further information about the fair value of these contracts is presented in the Note 11: Financial Instruments and Fair Value Measurements.

Revenue from contracts with customers (ASC 606) - Revenue from contracts with customers accounted for under ASC 606 is primarily generated in the Company's Edible Oil Products, Milling Products, Sugar and Bioenergy and Fertilizer segments through the sale of refined edible oil-based products such as packaged vegetable oils, shortenings, margarines and mayonnaise; milled grain products such as wheat flours, bakery mixes, corn-based products, and rice; certain sugar and bioenergy products; and fertilizer products. These sales are accounted for under ASC 606 as these sales arrangements do not meet the aforementioned criteria to be considered derivatives under ASC 815. These revenues are measured based on consideration specified in a contract with a customer, and exclude sales taxes, discounts related to promotional programs and amounts collected on behalf of third parties. The Company recognizes revenue from these contracts at a point in time when it satisfies a performance obligation by transferring control of a product to a customer, generally when legal title and risks and rewards transfer to the customer. Sales terms provide for transfer of title either at the time and point of shipment or at the time and point of delivery and acceptance of the product being sold. In contracts that do not specify the timing of transfer of legal title or transfer of significant risks and rewards of ownership, judgment is required in determining the timing of transfer of control. In such cases, the Company considers standard business practices and the relevant laws and regulations applicable to the transaction to determine when legal title or the significant risks and rewards of ownership are transferred.

The transaction price is generally allocated to performance obligations on a relative standalone selling price basis. Standalone selling prices are estimated based on observable data of the Company’s sales of such products and services to similar customers and in similar circumstances on a standalone basis. In assessing whether to allocate variable consideration to a specific part of the contract, the Company considers the nature of the variable payment and whether it relates specifically to its efforts to satisfy a specific part of the contract. Variable consideration is generally known upon satisfaction of the performance obligation.

Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue producing transaction, that are collected by the Company from a customer, are excluded from revenue.

Shipping and handling costs associated with outbound freight after control over a product has transferred to a customer are accounted for as a fulfillment cost and are included in Cost of goods sold.

Warranties provided to customers are primarily assurance-type of warranties on the fitness of purpose and merchantability of the Company’s goods and services. The Company does not provide service-type warranties to customers.

Payment is generally due at the time of shipment or delivery, or within a specified time frame after shipment or delivery, which is generally 30-60 days. The Company’s contracts generally provide customers the right to reject any products that do not meet agreed quality specifications. Product returns and refunds are not material.

Additionally, the Company recognizes revenue in the Agribusiness segment from ocean freight and port services over time as the related services are performed. Performance obligations are typically completed within a fiscal quarter and any unearned revenue or accrued revenues are not material.

2. ACCOUNTING PRONOUNCEMENTS

The below outlines new accounting pronouncements issued in 2018, as well as updates on certain previously disclosed Accounting Standard Updates (“ASU”).

New Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). Under the new provisions, all lessees will be reported on the balance sheet as a right-of-use asset and a liability for the obligation to make payments except for leases with a term of 12 months or less. The standard is effective for Bunge starting January 1, 2019. Bunge has elected the amended transition approach provided by ASU 2018-11, Leases (Topic 842): Targeted Improvements, which allows entities to apply the guidance as of the date of initial application. Bunge has established a project implementation group and is evaluating the impact this guidance will have on its consolidated financial statements and related disclosures. Identification of contracts in scope of the new guidance has been completed and the implementation of a new system to perform the reporting and disclosure requirements is underway. We have established accounting policies and proposed changes to existing processes and controls.

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The Company expects the only significant impact to be reclassifications of and increases to assets and liabilities in the consolidated balance sheet, but at this time, the expected financial impact is not yet known. The Company does not expect significant impacts to its consolidated statement of comprehensive income, consolidated statement of cash flows, or consolidated statement of changes in equity and redeemable noncontrolling interests.

In February 2018, the Financial Accounting Standards Board ("FASB") issued ASU 2018-02, Income Statement - Reporting Comprehensive Income (Topic 220) - Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. This ASU allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act ("Tax Act"). Consequently, the ASU eliminates the stranded tax effects resulting from the Tax Act and will improve the usefulness of information reported to financial statement users. However, because this ASU only relates to the reclassification of the income tax effects of the Tax Act, the underlying guidance that requires that the effect of a change in tax laws or rates be included in income from continuing operations is not affected. ASU 2018-02 will be effective for Bunge starting January 1, 2019. The adoption of this ASU is not expected to have a material impact on Bunge's consolidated financial statements.

Recently Adopted Accounting Pronouncements

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 Company adopted the standard on January 1, 2018 under the modified retrospective approach, applying it only to contracts open as of that date. The impact of adopting the standard has not resulted in a change in accounting treatment for any of the Company's revenue streams, with the exception of ocean freight voyage charter services. Under ASC 605, the Company recognized revenue and the related cost of goods sold upon loading of the goods onto the vessel, which generally coincides with receipt of payment by the customer. Under ASC 606, the revenue and the related cost of goods sold will instead be recognized over time as the voyages occur and the related expenses are incurred, respectively. As a result of this change in timing, the adoption of the standard resulted in a cumulative-effect credit adjustment to opening retained earnings that was not material.

Upon the adoption of ASU 2016-01, Financial Instruments-Overall (Subtopic 825-10), Recognition and Measurement of Financial Assets and Financial Liabilities, the Company has made a cumulative effect adjustment to reclassify the unrealized gains/(losses) of equity investments classified as available for sale from accumulated other comprehensive income (loss) to opening retained earnings that was not material.

Upon the adoption of ASU 2016-15, Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force), the Company has changed its presentation of cash flows in relation to the Company's trade receivables securitization program. Particularly impacted are the cash receipts from payments on the deferred purchase price, which are now classified as cash inflows from investing activities, whereas previously they were classified as inflows from operating activities. This ASU has been applied retrospectively and as a result, $1,732 million has been reclassified from cash provided by (used for) operating activities to cash provided by (used for) investing activities in the condensed consolidated statement of cash flows for the nine months ended September 30, 2017. See Note 13 for additional information on the trade receivables securitization program.

Subsequent to the Company's initial adoption of ASU 2016-15, additional interpretative guidance was released by the SEC in the third quarter of 2018 that clarifies the method to be used for calculating the cash received from payments on the deferred purchase price. This additional guidance indicated that an entity must evaluate daily transaction activity to calculate the value of cash received from payments on the deferred purchase price. The company has applied this guidance on a retrospective basis, effective with the Form 10-Q for the quarterly period ending September 30, 2018, which resulted in additional reclassification of cash inflows from operating activities to cash inflows from investing activities.

Upon the adoption of ASU 2016-18, Statement of Cash Flows (Topic 230), Restricted Cash (a consensus of the Emerging issues Task Force), the Company has changed the way it presents restricted cash in the statement of cash flows. Effective for 2018, and all prior periods presented, restricted cash is included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The following table provides a

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reconciliation of cash, cash equivalents, and restricted cash reported within the condensed consolidated balance sheet that sums to the total of the same such amounts shown in the condensed consolidated statement of cash flows.

| (US$ in millions) | September 30, 2018 | September 30, 2017 |
|---|---|---|
| Cash and cash equivalents | $ 267 | $ 389 |
| Restricted cash included in other current assets | 4 | 3 |
| Total cash, cash equivalents, and restricted cash shown in the statement of cash flows | $ 271 | $ 392 |

Upon the adoption of ASU 2017-07, Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost, the Company has changed the presentation of net periodic benefit cost related to its employer sponsored defined benefit plans and other postretirement benefits. Effective for 2018 and all prior periods presented, service cost is 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 are now presented separately in Other income (expense), net. The reclassifications associated with the adoption of this ASU did not have a material impact on Bunge's condensed consolidated financial statements.

3. GLOBAL COMPETITIVENESS PROGRAM

In July 2017, Bunge announced a comprehensive global competitiveness program to improve its cost position and deliver increased value to shareholders (the “Global Competitiveness Program”). When fully implemented, the Global Competitiveness Program is expected to reduce the Company’s overhead costs by approximately $250 million annually by the end of 2019. The Company identified key elements of its strategy to meet this goal, including adopting a zero-based budgeting process that will target excess costs in specific budget categories and improving efficiency and scalability by simplifying organizational structures, streamlining processes and consolidating back office functions globally. In conjunction with the Global Competitiveness Program, the Company has implemented other cost reduction and strategic initiatives to enhance the efficiency and performance of the Company’s business.

The table below sets forth, by segment, the types of costs recorded for the Global Competitiveness Program during the nine months ended September 30, 2018.

| (US$ in millions) | Severance and Other Employee Benefit Costs | Other Program Costs | Total Program Costs |
|---|---|---|---|
| Agribusiness Segment | $ 14 | $ 16 | $ 30 |
| Edible Oils Segment | 2 | 4 | 6 |
| Milling Segment | — | 2 | 2 |
| Sugar and Bioenergy Segment | 2 | 4 | 6 |
| Fertilizer Segment | 2 | 1 | 3 |
| Total | $ 20 | $ 27 | $ 47 |

In addition to the above charges, $1 million of severance and other employee benefit costs were recorded related to other industrial productivity initiatives. For the total costs recorded, $9 million were recorded in Cost of goods sold and $39 million were recorded in Selling, general and administrative expenses.

Bunge's liability associated with the Global Competitiveness Program and other associated initiatives is primarily comprised of accruals for severance and other employee benefit costs. The following table sets forth the activity affecting the liability for severance and other employee benefit costs related to the Global Competitiveness Program and other associated initiatives, which is recorded in "Other current liabilities" on the condensed consolidated balance sheet.

| (US$ in millions) | Severance and Other |
|---|---|

| | Employee Benefit Costs |
|---|---|
| Balance at January 1, 2018 | $ 45 |
| Charges incurred | 20 |
| Cash payments | (53 ) |
| Balance at September 30, 2018 | $ 12 |

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In addition to the cash charges described above, the Company's restructuring initiatives may include the sale or disposal of long-lived assets and rationalization of certain investments. As Bunge continues to review its opportunities, certain gains and charges may be recorded in earnings, including those related to the disposal of assets or investments. For the nine months ended September 30, 2018, $29 million of such charges have been recognized.

4. BUSINESS ACQUISITIONS

On March 1, 2018 ("the acquisition date"), Bunge acquired a 70% ownership interest in IOI Loders Croklaan ("Loders") from IOI Corporation Berhad ("IOI") for approximately $972 million in cash. The preliminary purchase price remains subject to final post-closing adjustments, which are expected during the fourth quarter of 2018. 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. Loders' portfolio includes a full range of palm and tropical oil-derived products with strength in confectionery, bakery and infant nutrition applications. Loders serves global food industry customers in more than 100 countries around the world.

The following table summarizes the preliminary allocation of the fair values of the assets acquired and liabilities assumed at the acquisition date, as included in Bunge's condensed consolidated balance sheet. Bunge is in the process of finalizing third-party valuations of certain acquired assets and tax items, and therefore, the measurements below are subject to change:

| (US$ in millions) | |
|---|---|
| Cash and cash equivalents | $82 |
| Accounts receivable | 146 |
| Inventories | 406 |
| Other current assets | 67 |
| Property, plant and equipment | 411 |
| Intangible assets | 464 |
| Goodwill | 243 |
| Total assets | 1,819 |
| Accounts payable | (108 ) |
| Other current liabilities | (100 ) |
| Deferred income taxes | (143 ) |
| Noncurrent liabilities | (35 ) |
| Total liabilities | (386 ) |
| Redeemable noncontrolling interest | (461 ) |
| Net assets acquired | $972 |

Since March 1, 2018, goodwill decreased by $20 million as a result of measurement period adjustments, primarily related to post-closing adjustments of the purchase price.

The following table provides the details of intangible assets acquired, by major class and weighted average useful life:

| (US$ in millions) | Useful life | |
|---|---|---|
| Customer relationships | 15 years | $265 |
| Intellectual property | 10 years | 120 |
| Trade names | 15 years | 51 |
| Favorable leases | 38 years | 26 |
| Other | various | 2 |
| Total intangible assets | | $464 |

The $243 million of goodwill recognized was assigned to the Edible Oil Products segment. The goodwill recognized

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is primarily attributable to expected synergies and the assembled workforce of Loders. None of the goodwill is expected to be deductible for income tax purposes.

The amounts of revenue and earnings of Loders included in Bunge's condensed consolidated statement of income from the acquisition date to the periods ended September 30, 2018 are as follows:

| (US$ in millions) | Three Months Ended September 30, 2018 | Nine Months Ended September 30, 2018 |
|---|---|---|
| Net sales | $ 395 | $ 966 |
| Income (loss) from continuing operations | $ (4 ) | $ — |

The following represents the supplemental pro forma results of the combined entity as if Loders was acquired on January 1, 2017:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| (US$ in millions) | 2018 | 2017 | 2018 | 2017 |
| Net sales | $11,412 | $11,896 | $34,497 | $35,548 |
| Income (loss) from continuing operations | $368 | $78 | $345 | $178 |

The supplemental pro forma amounts for income from continuing operations above have been adjusted to reflect additional depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had been applied on January 1, 2017. Additionally, these amounts were also adjusted to reflect additional interest expense on the $1 billion of senior notes issued in connection with the acquisition, as if such issuance occurred on January 1, 2017. Supplemental pro forma income from continuing operations for the three and nine months ended September 30, 2018 were also adjusted to exclude $1 million and $11 million, respectively, of acquisition and integration related costs incurred in 2018, while 2017 supplemental pro forma income from continuing operations was adjusted to include these charges.

Supplemental pro forma financial information is not necessarily indicative of the Company's actual results of operations if the acquisition had been completed at the date indicated, nor is it necessarily an indication of future operating results. Amounts do not include any operating efficiencies or cost savings that the Company believes are achievable.

The fair value in the opening balance sheet of the 30% redeemable noncontrolling interest in Loders was estimated to be $461 million. The fair value was estimated based as 30% of the total equity value of Loders based on the transaction price for the 70% stake in Loders, considering the cash paid and the value of the put/call provisions. See Note 16 for more information related to this redeemable noncontrolling interest.

Other acquisitions

On January 30, 2018, Bunge acquired Minsa Corporation ("Minsa") for an approximate initial purchase price of $75 million, subject to certain post-closing adjustments based on the net operating assets delivered on the closing date and the achievement of certain earnings targets based on results of the year ended December 31, 2017. As a result of the transaction, Bunge acquired two corn mills in the United States. The preliminary purchase price allocation resulted in $7 million of working capital, $38 million allocated to property, plant and equipment, $20 million to finite-lived intangible assets, and $10 million to goodwill. Bunge anticipates finalizing the purchase price by the first quarter of 2019.

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, 2018 and 2017, the net returns from these activities were $23 million and $27 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 assets and liabilities related to the program are reflected in the condensed consolidated balance sheets as Time deposits under trade structured finance program and Letter of credit obligations under

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trade structured finance program, respectively. The fair values approximated the carrying amount of the related financial instruments and are all Level 2 measurements.

As of September 30, 2018 and December 31, 2017, receivables and trade payables of $0 million and $1,196 million, respectively, and time deposits and LCs of $6,093 million and $6,321 million, respectively, were presented net on the condensed consolidated balance sheets as the criteria of ASC 210-20, Offsetting, had been met. At September 30, 2018 and December 31, 2017, time deposits, including those presented on a net basis, carried weighted-average interest rates of 3.43% and 2.98%, respectively. During the nine months ended September 30, 2018 and 2017, total net proceeds from issuances of LCs were $4,409 million and $5,889 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.

| (US$ in millions) | September 30, 2018 | December 31, 2017 |
|---|---|---|
| Agribusiness (1) | $ 5,762 | $ 4,022 |
| Edible Oil Products (2) | 733 | 458 |
| Milling Products | 240 | 196 |
| Sugar and Bioenergy (3) | 352 | 333 |
| Fertilizer | 96 | 65 |
| Total | $ 7,183 | $ 5,074 |

(1) Includes RMI of $5,534 million and $3,865 million at September 30, 2018 and December 31, 2017, respectively. Of these amounts, $4,466 million and $2,694 million can be attributable to merchandising activities at September 30, 2018 and December 31, 2017, respectively.

(2) Includes RMI of bulk soybean and canola oil in the aggregate amount of $97 million and $115 million at September 30, 2018 and December 31, 2017, respectively.

(3) Includes RMI of $75 million and $76 million at September 30, 2018 and December 31, 2017, respectively. Of these amounts, $67 million and $73 million can be attributable to merchandising activities at September 30, 2018 and December 31, 2017, respectively.

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7. OTHER CURRENT ASSETS

Other current assets consist of the following:

| (US$ in millions) | September 30, 2018 | December 31, 2017 |
|---|---|---|
| Unrealized gains on derivative contracts, at fair value | $ 1,530 | $ 910 |
| Prepaid commodity purchase contracts (1) | 465 | 282 |
| Secured advances to suppliers, net (2) | 259 | 412 |
| Recoverable taxes, net | 474 | 488 |
| Margin deposits | 510 | 258 |
| Marketable securities, at fair value, and other short-term investments | 119 | 213 |
| Deferred purchase price receivable, at fair value (3) | 114 | 107 |
| Income taxes receivable | 76 | 192 |
| Prepaid expenses | 201 | 125 |
| Other | 200 | 240 |
| Total | $ 3,948 | $ 3,227 |

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

(2) Bunge provides cash advances to suppliers, primarily Brazilian farmers of soybeans and sugarcane, to finance a portion of the suppliers' production costs. Bunge does not bear any of the costs or operational risks associated with the related growing crops. The advances are largely collateralized by future crops and physical assets of the suppliers, carry a local market interest rate, and settle when the farmer's crop is harvested and sold. The secured advances to farmers are reported net of allowances of $1 million at September 30, 2018 and $1 million at December 31, 2017.

Interest earned on secured advances to suppliers of $6 million and $7 million for the three months ended September 30, 2018 and 2017, respectively, and $24 million and $34 million for the nine months ended September 30, 2018 and 2017, 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 trade receivables securitization program (see Note 13).

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 in the condensed consolidated balance sheets for marketable securities and other short-term investments.

| (US$ in millions) | September 30, 2018 | December 31, 2017 |
|---|---|---|
| Foreign government securities | $ 35 | $ 145 |
| Corporate debt securities | 65 | 59 |
| Certificates of deposit/time deposits | 13 | — |
| Other | 6 | 9 |
| Total marketable securities and other short-term investments | $ 119 | $ 213 |

As of September 30, 2018, total marketable securities and other short-term investments includes $101 million that are recorded at fair value and $18 million of other short-term investments. As of December 31, 2017, total marketable securities and other short-term investments includes $3 million of assets classified as available for sale, $209 million as trading and $1 million as other short-term investments. Due to the short-term nature of these investments, carrying value approximates fair value.

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## 8. OTHER NON-CURRENT ASSETS

Other non-current assets consist of the following:

| (US$ in millions) | September 30, 2018 | December 31, 2017 |
|---|---|---|
| Recoverable taxes, net (1) | $ 113 | $ 155 |
| Judicial deposits (1) | 110 | 140 |
| Other long-term receivables | 5 | 12 |
| Income taxes receivable (1) | 245 | 307 |
| Long-term investments | 86 | 66 |
| Affiliate loans receivable | 28 | 24 |
| Long-term receivables from farmers in Brazil, net (1) | 92 | 131 |
| Other | 170 | 193 |
| Total | $ 849 | $ 1,028 |

(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 $27 million and $28 million at September 30, 2018 and December 31, 2017, 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 1 year.

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

The average recorded investment in long-term receivables from farmers in Brazil for the nine months ended September 30, 2018 and the year ended December 31, 2017 was $220 million and $253 million, respectively. The table below summarizes Bunge's recorded investment in long-term receivables from farmers in Brazil and the related allowance amounts.

| | September 30, 2018 | | December 31, 2017 | |
|---|---|---|---|---|
| (US$ in millions) | Recorded Investment | Allowance | Recorded Investment | Allowance |
| For which an allowance has been provided: | | | | |
| Legal collection process (1) | $ 85 | $ 74 | $ 98 | $ 91 |
| Renegotiated amounts (2) | 16 | 16 | 25 | 22 |
| For which no allowance has been provided: | | | | |
| Legal collection process (1) | 50 | — | 76 | — |
| Renegotiated amounts (2) | 9 | — | 17 | — |
| Other long-term receivables | 22 | — | 28 | — |
| Total | $ 182 | $ 90 | $ 244 | $ 113 |

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| (US$ in millions) | 2018 | 2017 | 2018 | 2017 |
| Beginning balance | $98 | $109 | $113 | $109 |
| Bad debt provisions | 1 | — | 5 | 10 |
| Recoveries | (4) | (3) | (7) | (11) |
| Write-offs | (1) | — | (2) | — |
| Foreign exchange translation | (4) | 5 | (19) | 3 |
| Ending balance | $90 | $111 | $90 | $111 |