SOLECTRON CORP
Form 10-K
November 15, 2001

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(MARK ONE)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended August 31, 2001

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 1-11098

SOLECTRON CORPORATION

(Exact name of Registrant as Specified in its Charter)

Delaware	**94-2447045**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

777 Gibraltar Drive
Milpitas, California 95035
(Address of Principal Executive Offices including Zip Code)

(408) 957-8500
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock

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 [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K, or any amendment to this Form 10-K. [ ]

The aggregate market value of the Registrant's Common Stock held by non-affiliates on November 1, 2001 was approximately $ 7,512 million (based upon the last reported price of the Common Stock on the New York Stock Exchange on such date). Shares of Common Stock held by each officer, director, and holder of 5% or more of the outstanding Common Stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of November 1, 2001, there were 669,165,039 shares of the Registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The Registrant's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on January 23, 2002, which Solectron will file with the Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this report, is incorporated by reference in Part III of this Form 10-K to the extent stated herein.

SOLECTRON CORPORATION

2001 FORM 10-K ANNUAL REPORT
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Solectron and the Solectron logo are registered trademarks of Solectron Corporation. All other names are trademarks and/or registered trademarks of their respective owners.

PART I

PART I

ITEM 1: BUSINESS

Overview

We provide electronics manufacturing services to original equipment manufacturers (OEMs) who design and sell networking equipment, mobile and land based telecommunications equipment, computing equipment, including workstations, notebooks, desktops and peripherals, and other electronic equipment. These OEMs include Cisco

Systems, Inc. (Cisco), Compaq Computer Corporation (Compaq), Ericsson Telecom AB (Ericsson), Hewlett-Packard Company (HP), International Business Machines Corporation (IBM), Nortel Networks Limited (Nortel) and Apple Computer Inc. (Apple). These companies contract with us to build their products for them or to obtain other related services from us.

We furnish integrated supply-chain solutions that span the entire product life-cycle from technology solutions, to global manufacturing, to global services. Our range of services includes:

- Advanced building block design solutions;
- Product design and manufacturing;
- New product introduction management;
- Materials purchasing and management;
- Prototyping;
- Printed circuit board assembly (the process of placing components on an electrical printed circuit board that controls the processing functions of a personal computer or other electronic equipment);
- System assembly (for example, building complete systems such as high end routers and servers, and testing them to ensure functionality);
- Distribution;
- Product repair; and
- Warranty services.

Providing these services to our customers allows them to remain competitive by focusing on their core competencies of sales, marketing, and research and development. We have manufacturing facilities in the Americas, Europe and Asia/Pacific. This geographic presence gives our customers access to manufacturing services in the locations close to their expanding markets for faster product delivery.

We were originally incorporated in California in August 1977. In February 1997, we were reincorporated in Delaware. Our principal executive offices are located at 777 Gibraltar Drive, Milpitas, California 95035. Our telephone number is (408) 957-8500 and Internet address is www.solectron.com.

The information contained within this overview of the business is qualified in its entirety by, and is subject to, the detailed information, consolidated financial statements and notes thereto contained elsewhere within this document under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Financial Statements and Supplementary Data."

Industry Overview

We are well recognized for our printed circuit board (PCB) assembly business. We continue to lead in this industry and have grown into a global supply-chain facilitator, expanding our capabilities across the entire product cycle to include: product design, pre-production planning, New Product Introduction (NPI) management, manufacturing,

distribution, and end-of-life product service and support. We are benefiting from increased worldwide market acceptance of, and reliance upon, the use of outsourcing manufacturing services by many electronics OEMs. We expect the trend toward outsourcing manufacturing to continue for many reasons including the following:

Faster Time to Market: Due to intense competitive pressures in the electronics industry, OEMs are facing increasingly shorter product life-cycles and therefore have a growing need to reduce the time required to bring a product to market. OEMs can reduce the time to market by using our manufacturing expertise and infrastructure. OEMs can further reduce the time to market by partnering with us at the stages of product design and product improvement to expedite the transition into large volume production in our manufacturing centers.

Reduce Investment: As electronic products have become more technologically advanced and are shipped in greater unit volumes, the necessary investment required for internal product design, manufacturing, and end-of-life support services by OEMs has increased significantly for working capital, capital equipment, labor, systems and infrastructure. Solectron, a global supply-chain facilitator, enables OEMs to gain access to our worldwide advanced technology facilities including NPI centers, manufacturing and depot repair facilities. As a result, OEMs can substantially reduce their overall resource requirements.

Focus Resources: The electronics industry is experiencing greater levels of competition and more rapid technological change. Many OEMs increasingly are seeking to focus their resources on activities and technologies that add the greatest value. By offering comprehensive electronics assembly and related manufacturing services, we allow OEMs to focus on their own core competencies such as next-generation product development, sales and marketing.

Access to Leading Manufacturing Technology: Electronic products and electronics manufacturing technology have become increasingly sophisticated and complex, making it difficult for OEMs to maintain the necessary technological expertise to manufacture products internally. OEMs are motivated to work with us to gain access to our expertise in interconnect, test and process technologies.

Improve Inventory Management and Purchasing Power: Electronics industry OEMs are faced with increasing difficulties in planning, procuring and managing their inventories efficiently due to frequent design changes, short product life-cycles, large investments in electronic components, component price fluctuations and the need to achieve economies of scale in materials procurement. OEMs can reduce production costs by using our volume procurement capabilities. In addition, our expertise in inventory management can provide better control over inventory levels and increase the OEMs' return on assets.

Access to Worldwide Manufacturing Capabilities: OEMs are increasing their international activities in an effort to lower costs and access foreign markets. With our worldwide capabilities, we offer OEMs a variety of manufacturing location options to better address their objectives, including cost containment, compliance with local content regulations, and the elimination of expensive freight costs, tariffs and time-consuming customs clearances.

Strategy

Our goal is to offer our customers significant competitive advantages of electronics outsourcing, such as access to design and product improvement, advanced manufacturing technologies, reduced overall cost, faster product time-to-market, effective asset utilization, and refined end-of-life product support services. To achieve this goal, we emphasize the following key elements:

Quality: We believe product quality is a critical success factor in the electronics manufacturing market. We strive to continuously improve our processes and have adopted a number of quality improvement and measurement techniques to monitor our performance. We have received numerous superior service and quality awards, including:

- Malcolm Baldrige National Quality Award in 1991 and again in 1997;

- Named one of the World's Best Performers on the Information Technology 100 Listing by Business Week June 2001;
- Ranked No.2 in Semiconductors and Other Electronic Components on the Fortune 500 by Fortune April 2001;
- 3Com Supplier Appreciation Award;
- Cisco Supplier of the Year-Subcontractor/Distributor Award;
- Sun Microsystems Fiscal year 2000 supplier Performance Award In Recognition of Improving and Maintaining Overall Scorecard;
- Hewlett-Packard Outstanding Supplier;
- AFC Appreciation award for the Highest Standard of Customer Service and Product Quality;
- Agilent-In recognition of outstanding support through dedication to teamwork and quality service for E-module Transfer Project;
- Intermec Key Supplier Award;
- NDS Supplier Partner Award;
- Qualcomm Key Supplier Appreciation Award.
- Other numerous awards from our customers.

All of our manufacturing facilities are certified under ISO-9000 standards, which are international quality standards for design, manufacturing and distribution management systems.

Partnerships: An important element of our strategy is to establish partnerships with major and emerging OEM leaders in diverse segments across the electronics industry. Our customer base consists of leaders in industry segments such as networking, telecommunications, workstations, personal computers, computer peripherals, instrumentation, semiconductor equipment and avionics. Due to the costs inherent in supporting customer relationships, we focus our efforts on customers with high potential for long-term business partnerships. Our goal is to deliver a total product life cycle solution to our customers. We offer OEMs NPI management, which includes design and layout, concurrent engineering, test development and prototype engineering. We continue the cycle to provide solutions in manufacturing and distribution, including just-in-time delivery on low- to medium-volume and high-volume turn-key, price-sensitive, and projects that require more value-added services. Additionally, we serve OEMs that need end-of-life services such as product repair and warranty services.

Turn-key Capabilities: Another element of our strategy is to provide a complete range of manufacturing management and value-added services, including materials management, board design, concurrent engineering, assembly of complex printed circuit boards and other electronic assemblies, test engineering, software manufacturing, accessory packaging and post-manufacturing services. We believe that as manufacturing technologies become more complex and as product life-cycles shorten, OEMs will increasingly contract for manufacturing on a turn-key basis as they seek to reduce their products' time-to-market, capital asset and inventory costs. A substantial portion of our revenue is from our turn-key business. We believe that our ability to manage and support large turn-key projects is a critical success factor. In addition, we believe that due to the difficulty and long lead-time required to change manufacturers, turn-key projects generally increase an OEM's dependence, resulting in greater stability of our customer base and in closer working relationships. We also have been successful in establishing sole-source positions for certain products with

many of our customers.

Advanced Manufacturing Process Technology: We intend to continue to offer our customers the most advanced manufacturing process technologies, including launching new designs in the NPI cycle. Our involvement during early design stage helps to reduce time to market, and improve manufacturing ability to quickly ramp to volume. We have developed common tools for electrical, mechanical design and design for manufacturing applications to reduce design cycle and maintain cost effectiveness. Our key initiatives in the test area include standardizing on a single functional test platform for the majority of the printed circuit assemblies we produce, and enhancing test capability of non-contacting structural test methods. Platform standardization enables us to develop and install test processes rapidly into manufacturing and to transfer production around the globe quickly to meet our customers needs. We also have developed methods for handling, processing and re-flow of high I/O ball grid array (BGA), lead-less and chip-scale packages. In addition, we have built effective processes for splicing of single mode, multi-mode and polarization maintaining fibers, and connectorization. Our efforts continue in design of optical functions that need to be incorporated into modules or at the board level.

Diverse Geographic Operations: An additional element of our strategy is to establish production facilities in areas of high customer density or where manufacturing efficiencies and reduced unit costs can be achieved. We currently have operations throughout the Americas, Europe and Asia/Pacific. We believe that our facilities in these diverse geographic locations enable us to better address our customers' requirements such as cost containment, compliance with local content regulations, and the elimination of expensive freight costs, tariffs and time-consuming customs clearances. We intend to expand our operations continually as necessary to serve our existing customers and to develop new business.

Global Manufacturing Capability

To achieve excellence in manufacturing, we combine advanced manufacturing technology, such as computer-aided manufacturing and testing, with manufacturing techniques including just-in-time manufacturing, total quality management, statistical process control and continuous flow manufacturing. Just-in-time manufacturing is a production technique to minimize work-in-process inventory and manufacturing cycle time while enabling Solectron to deliver products to customers in the quantities and time frame required. Total quality management is a management philosophy that seeks to impart high levels of quality in every operation of Solectron and is accomplished by setting quality objectives for every operation, tracking performance against those objectives, identifying work flow and policy changes required to achieve higher quality levels and a commitment by executive management to support changes required to deliver higher quality. Statistical process control is a set of analytical and problem-solving techniques based on statistics and process capability measurements through which we track process inputs and resulting quality and determine whether a process is operating within specified limits. The goal is to reduce variability in the process, as well as to eliminate deviations that contribute to quality below the acceptable range of each process performance standard.

In order to successfully implement these management techniques, we have developed the ability to collect and utilize large amounts of data in a timely manner. We believe this ability is critical to a successful assembly operation and represents a significant competitive factor, especially in large turn-key projects. To manage this data, we use sophisticated computer systems for material resource planning, shop floor control, work-in-process tracking and statistical process control.

To offer our customers the significant competitive advantage of electronics outsourcing, we have production facilities in areas of high customer density or where manufacturing efficiencies and reduced unit costs can be achieved. In fiscal 2001, approximately 51% of our sales were from operations outside of the United States.

Americas

North America.

Our headquarters and one of our largest manufacturing operations are located in Silicon Valley, principally in Milpitas, California, in the midst of one of the largest concentrations of OEM electronics manufacturers. Our subsidiary, SMART Modular Technologies, Inc. (SMART), located in Fremont, California designs and manufactures memory modules and memory cards, embedded computers and I/O products. Our manufacturing facility in Everett, Washington helps to serve our customers in the Pacific Northwest. We established a manufacturing facility in Hillsboro, Oregon during the second quarter of fiscal 2001 through the acquisition of Natsteel Electronics Ltd (NEL).

We believe our facility in Austin, Texas, is situated in a geographic region with strong growth of electronics OEMs that will allow us to better service our existing customers and to attract new ones.

Our manufacturing facility in Westborough, Massachusetts, near Boston, in the center of a geographic region with a large concentration of electronics OEMs, provides a full range of integrated solutions across the entire product life cycle from pre-production planning to manufacturing. We further expanded our manufacturing capability in the region during fiscal 2001 through the acquisition of Centennial Technologies Inc. (Centennial).

We also have operations in Charlotte, North Carolina and Columbia, South Carolina. We believe these facilities allow us to better pursue new business opportunities with new and existing customers, in particular, because of Charlotte's status as a transportation hub and its relative proximity to major Southeastern United States electronics markets. We further expanded our manufacturing facilities by the acquisition of manufacturing assets of Nortel in North Carolina.

We established a manufacturing facility in Calgary, Canada through the acquisition of Nortel's manufacturing assets. This site provides a full range of PCB assembly services to our low to mid-volume customers.

We established a manufacturing facility in Aguadilla, Puerto Rico, through the acquisition of Alcatel's manufacturing business. This site provides our customers with a full range of manufacturing services and high-volume PCB assembly.

Latin America

Our site in Guadalajara, Mexico, provides a full range of PCB assembly and systems- build manufacturing services. This site offers our customers a low-cost, high-volume manufacturing center for PCB assembly, build-to-order and configure-to-order systems assembly for the Americas. Our manufacturing capacity in Mexico was expanded by the acquisition of manufacturing assets of Nortel in Monterrey, Mexico, in fiscal 2000.

Our site in Sao Jose dos Campos, Brazil, provides a full range of capabilities across the product life cycle, including systems-build capabilities, PCB and flex assembly, custom packaging and distribution services, primarily to multinational customers seeking access to the Latin American market. This manufacturing facility in Brazil was expanded as a result of the acquisition of IBM's manufacturing operations in Sao Paulo, Brazil.

Europe

We have manufacturing operations in Bordeaux, France; Herrenberg, Germany; Dublin, Ireland; Timisoara, Romania; and Dunfermline, Scotland. Each of these sites provides a full range of manufacturing capabilities to a multinational customer base. In addition, each site is developing an area of specific expertise to offer to all customers. The France and German sites offer low-volume, high-mix manufacturing services. The Romania site serves as our full-service, high-volume, low-cost manufacturing hub for our rapidly growing European customer base. The Scotland site specializes in building PCB assemblies, subassemblies and systems for multinational customers in the European market.

During fiscal 2000, we expanded our European presence into Longuenesse, France; Östersund, Sweden; and Monkstown, Northern Ireland, through the acquisition of Nortel's manufacturing assets and of Ericsson's manufacturing assets of telecommunications infrastructure equipment operations. We expanded our presence in Scotland through an asset acquisition of IBM's Netfinity server operations in Greenock, Scotland.

Asia/Pacific and Other

Our Southeast Asia manufacturing operations are located in Penang and Johor, Malaysia. The operations in Southeast Asia were established to better serve the needs of OEMs requiring price-sensitive, high-volume production capabilities and to provide more efficient manufacturing services to customers in Southeast Asia. These facilities currently provide electronics assembly, materials management and other services to customers in Malaysia, Singapore, Japan, the United States and other locations. Our facility in Suzhou, China, currently provides a full range of low-cost high volume manufacturing services.

During fiscal 2000, we expanded our manufacturing presence in Malaysia and Australia, and established a site in India through the acquisitions of SMART and Bluegum Group. During fiscal 2001, our low-cost high volume manufacturing capability was further expanded in Shenzen and Shanghai China; Singapore; Penang, Malaysia; Batam, Indonesia; Kaohsiung, Taiwan and Miyagi, Japan through the acquisitions of NEL, and SONY Corporation's manufacturing facilities. We offer our customers manufacturing and systems assembly capabilities in Liverpool, New South Wales; Melbourne, Victoria; and have program offices in Sydney and North Melbourne, Australia. We also completed our acquisition of Singapore Shinei Sangyo Pte Ltd (Shinei) during fiscal 2001. Shinei is an independently operated subsidiary within our newly formed Power, Packaging and Cooling unit, and continues to market its services to other companies separately. The acquisition of Shinei brings us a global company providing customer-focused solutions for metal stamping, contract manufacturing and OEM assembly with full product-design capabilities.

New Product Introduction Centers

We have NPI centers in the United States, Brazil, Puerto Rico, France, Sweden, Germany, Northern Ireland, Scotland, Malaysia, Japan, Singapore and Australia. These NPI centers offer a full range of electronics product development services, including design and layout, concurrent engineering, test development and prototype engineering. We believe our NPI services will shorten our customers' product development cycles by offering full design and development services to complement our customers' in-house capabilities. We partner with our customers as early as possible in the new product development process to optimize their products' design for volume manufacturing.

Technology Solutions

Fine Pitch in Fremont, California provides extensive prototype services for electronics OEMs, further enhancing our ability to address the needs of design teams who require almost immediate availability of highly complex prototype assemblies. Through the acquisition of NEL, Fine Pitch recently opened another NPI center in Morgan Hill, California.

Force Computers, Inc. (Force) in San Jose, California specializes in system design, board design and system integration for open, scalable system and board-level embedded computer platforms for the communications, industrial and command and control markets.

SMART Modular Technology, designs and manufactures specialty and standard memory modules, flash memory cards, embedded computers and input/output products to leading and emerging OEMs. During fiscal 2001, we strengthened our technology solutions business unit through the acquisition of Centennial.

Global Services

We offer a full range of integrated solutions from the time a product is designed until it is removed from the market. These services include product repair, upgrades, re-manufacturing and maintenance through factory and fast-hub service centers located around the world; help-desk support through customer call centers for end-users; logistics and parts management; returns processing; warehousing; engineering change management; and end-of-life manufacturing. These services give our customers improved speed from the service pipeline by taking direct receipt responsibility for returns from the end user and making sure that various buffer stock and inventory mechanisms are established. These services also minimize shipping costs and time by handling repairs at our various international locations. In addition, our data collection system can provide invaluable information to analyze product design reliability. As a result, the OEMs can focus their efforts on developing next-generation products.

We have global service sites in the United States, Canada, Mexico, France, Northern Ireland, Brazil, Sweden, United Kingdom and Japan. The Memphis, Tennessee hub offers integrated call management, remote failure diagnostics, air express dispatch, systems repair, component level repair, configuration and upgrades, returns processing and administration, refurbishment and redistribution services. Wireless handset repair and refurbishment and outsourcing technical customer support services is performed in Los Angeles, California; Louisville, Kentucky; Baltimore, Maryland; and Dallas, Texas.

We established a repair service site in Vaughan, Canada, by acquiring repair operations of IBM's NULOGIX Technical Services (NULOGIX). NULOGIX provides a complete range of technology repair, re-manufacturing and refurbishment services for a large variety of electronics products. As a result of this transaction, we are now able to provide the Canadian market a full range of value-added support service solutions. These services include: product repair, upgrades, re-manufacturing and maintenance through factory and fast-hub service centers located around the world; help-desk support through customer call-in centers for end-users; logistics and parts management; returns processing; warehousing; engineering change management and end-of-life manufacturing.

As part of our acquisitions of Nortel and Ericsson manufacturing assets, global service sites were established in Calgary, Canada; Research Triangle Park, North Carolina; Monterrey, Mexico; Cwmcarn, Wales; Longuenesse, France; Ostersund, Sweden; and Monkstown, Northern Ireland. During fiscal 2001, we expanded our service capability in Amsterdam, Netherlands through the acquisition of IBM's European repair, refurbishment and asset recovery operation.

We established a dedicated after-sales service facility in Japan through the acquisition of MCC-Sequel, a provider of repair, recycling and manufacturing services for electronics products.

Electronics Assembly and Other Services

Our electronics assembly activities consist primarily of the placement and attachment of electronic and mechanical components on printed circuit boards and flexible cables. We also assemble higher-level sub-systems and systems incorporating printed circuit boards and complex electromechanical components, in some cases manufacturing and packaging products for shipment directly to our customers' distributors. In addition, we provide other manufacturing services, including refurbishment and re-manufacturing. We manufacture on a turn-key basis, directly procuring some or all of the components necessary for production and on a consignment basis, where the OEM customer supplies all or some components for assembly.

In conjunction with our assembly activities, we also provide computer-aided testing of printed circuit boards, sub-systems and systems, which contributes significantly to our ability to consistently deliver high-quality products. We have developed specific strategies and routines to test board and system-level assemblies. In-circuit tests verify that all components have been properly inserted and that the electrical circuits are complete. Functional tests determine if the board or system assembly is performing to customer specifications. We either design and procure test fixtures and develop our own test software, or we utilize our customers' test fixtures and test software. In addition, we provide environmental stress tests of the board or system assembly.

We provide turn-key manufacturing management to meet our customers' requirements, including procurement and materials management and consultation on board design and manufacturability. Individual customers may select various services from among our full range of turn-key capabilities.

Procurement and materials management consists of the planning, purchasing, expediting, warehousing, preparing and financing of the components and materials required to assemble a printed circuit board or electronic system. OEMs have increasingly used electronic manufacturing specialists like Solectron to purchase all or some components directly from component manufacturers or distributors and to finance and warehouse the components. Another service we provide to our customers is assisting in evaluating board designs for manufacturability. We evaluate the board design for ease and quality of manufacture and, when appropriate, recommend design changes to reduce manufacturing costs or lead times or to increase the quality of finished assemblies. Board design services consist of the engineering and design associated with the arrangement and interconnection of specified components on printed circuit boards to achieve an OEM's desired level of functionality.

We also offer Application Specific Integrated Circuit (ASIC) design services. Our ASIC product design services include the embedded computer, memory modules and memory cards, and I/O products.

Sales and Marketing

Our sales and marketing are integrated processes involving direct salespersons and project managers, as well as our senior executives. Our sales resources are directed at multiple management and staff levels within targeted accounts. We also use independent sales representatives in certain geographic areas. We receive unsolicited inquiries resulting from advertising and public relations activities, as well as referrals from current customers. These opportunities are evaluated against our customer selection criteria and are assigned to direct salespersons or independent sales representatives, as appropriate. Historically, we have had substantial recurring sales from existing customers.

Approximately 99% of our net sales during fiscal 2001 were derived from customers that were also customers during the same period of fiscal 2000. Although we seek to diversify our customer base, a small number of customers currently are responsible for a significant portion of our net sales.

Our top ten customers accounted for approximately 70% of net sales in fiscal 2001, 72% of net sales in fiscal 2000, and 74% of net sales in fiscal 1999. Several customers each accounted for more than 10% of net sales during these periods. Ericsson accounted for 14% of net sales; Cisco and Nortel accounted for 12% of net sales in fiscal 2001. Ericsson and Cisco represented 13% and 12% of net sales, respectively, in fiscal 2000. Cisco and Compaq represented 11% and 12% of net sales, respectively in fiscal 1999.

Backlog

Backlog consists of contracts or purchase orders with delivery dates scheduled within the next twelve months. At August 31, 2001, our backlog was approximately $2.2 billion. The backlog was approximately $4.9 billion at August 31, 2000. Because customers may cancel or reschedule deliveries, backlog is not a meaningful indicator of future financial results.

Competition

The electronic manufacturing services industry comprises a large number of companies, several of which have achieved substantial market share. We also face competition from current and prospective customers that evaluate our capabilities against the merits of manufacturing products internally. We compete with different companies depending on the type of service or geographic area. Certain competitors may have greater manufacturing, financial, research and development and marketing resources than Solectron. We believe that the primary basis of competition in our targeted markets is manufacturing technology, quality, responsiveness, the provision of value-added services and price. To

remain competitive, we must continue to provide technologically advanced manufacturing services, maintain quality levels, offer flexible delivery schedules, deliver finished products on a reliable basis and compete favorably on the basis of price. We may be at a competitive disadvantage as to price, compared with manufacturers with lower cost structures, particularly manufacturers with facilities where labor costs are lower.

Associates

As of August 31, 2001, we employed 60,000 associates worldwide, including 6,000 temporary associates. Our international operations employed 43,000 associates.

Patents and Trademarks

We have a number of United States patents related to the process and equipment used in our surface mount technology. SMART holds one patent related to memory module technology. Force also holds a number of patents related to Versa Module Eurocard (VME) technology. In addition, as part of our acquisition of IBM-ECAT's manufacturing assets, we have access to a number of IBM patents and license rights. We also have registered trademarks in the United States and many countries throughout the world. These patents and trademarks are considered valuable to us.

Although we do not believe that our trademarks, manufacturing processes, SMART's and FORCE's technology or the IBM patents and license rights to which we have access infringe on the intellectual property rights of third parties, we cannot assure that third parties will not assert infringement claims against us in the future. If such an assertion were to be made, it may become necessary or useful for us to enter into licensing arrangements or to resolve such an issue through litigation. However, we cannot assure that such license rights would be available to us on commercially acceptable terms or that any such litigation would be resolved favorably. Additionally, such litigation could be lengthy and costly and could materially harm our financial condition regardless of the outcome of such litigation.

ITEM 2: PROPERTIES

Our manufacturing facilities are located throughout the Americas, Europe and Asia/Pacific. The table below lists the locations and square feet for our major operations as of August 31, 2001.

Location	Square Feet
Americas:	
Milpitas, California (1)	1,676,000
San Jose, California	102,000
Westborough, Massachusetts	198,000
Wilmington, Massachusetts	35,000
Charlotte, North Carolina	930,000
Columbia, South Carolina	357,000
Louisville, Kentucky	47,000

Watterson Park, Kentucky	60,000
Hillsboro, Oregon	476,000
Austin, Texas	938,000
Coppell, Texas	38,000
Everett, Washington	179,000
Memphis, Tennessee	112,000
Calgary, Canada	207,000
Ontario, Canada	124,000
Guadalajara, Mexico	632,000
Monterrey, Mexico	255,000
Aguada, Puerto Rico	83,000
Aguadilla, Puerto Rico	164,000
Hortolandia, Brazil	142,000
Sao Jose dos Campos, Brazil	327,000
Europe:	
Bordeaux, France	458,000
Douarnenez, France	40,000
Pont de Buis, France	121,000
Longuenesse, France	180,000
Herrenberg, Germany	114,000
Munich, Germany	168,000
Budapest, Hungary	169,000
Dublin, Ireland	141,000
Carrickfergus, Northern Ireland	48,000

Timisoara, Romania	218,000
Dunfermline, Scotland	271,000
East Kilbride, Scotland	60,000
Livingston, Scotland	12,000
Norrkoping, Sweden	66,000
Ostersund, Sweden	233,000
Istanbul, Turkey	65,000
Cwmcarn, United Kingdom	218,000
Wiltshire, United Kingdom	27,000
Asia/Pacific:	
Liverpool, Australia	171,000
Suzhou, China	333,000
Shanghai, China	278,000
Shenzhen, China	230,000
Bangalore, India	18,000
Batam, Indonesia	170,000
Kanagawa, Japan	20,000
Miyagi-ken, Japan	379,000
Tokyo, Japan	13,000
Johor, Malaysia	152,000
Muar, Malaysia	147,000
Penang, Malaysia	1,091,000
Singapore	485,000
Taipei, Taiwan	6,000

(1) Includes facilities located nearby in Fremont and Newark, California.

Around the world, we are subject to a variety of environmental regulations relating to the use, storage, discharge and disposal of hazardous chemicals used during our manufacturing process. Any failure by us to comply with present and future regulations could subject us to future liabilities or the suspension of production. In addition, such regulations could restrict our ability to expand our facilities or could require us to acquire costly equipment or to incur other significant expenses to comply with environmental regulations.

ITEM 3: LEGAL PROCEEDINGS

In the semiconductor, computer, telecommunications and networking industries, companies receive notices from time to time alleging infringement of patents, copyrights, or other intellectual property rights. Solectron has been and may from time to time continue to be notified of claims that it may be infringing patents, copyrights or other intellectual property rights owned by other third parties. Any litigation could result in substantial costs and diversion of resources and could have a material adverse effect on Solectron's business, financial condition and results of operations. In the future, third parties may assert infringement claims against Solectron or its customers. In the event of an infringement claim, Solectron may be required to spend a significant amount of money to develop a non-infringing alternative or to obtain licenses. Solectron may not be successful in developing such an alternative or obtaining a license on reasonable terms, if at all. In addition, any such litigation could be lengthy and costly and could harm Solectron's financial condition.

ITEM 4: SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

Executive Officers of Solectron

Solectron's executive officers and their ages as of September 30, 2001 are as follows:

Name	**Age**	**Position**
Koichi Nishimura, Ph.D.	63	President, Chief Executive Officer and Chairman of the Board
Massued Behrouzi	46	Senior Vice President and President of Solectron North America
Kevin Burns	37	Executive Vice President and Chief Materials Officer
Philip Fok	40	Senior Vice President and Chief Administrative Officer

Alejandro Gomez-Montoy	50	Senior Vice President and President of Solectron Latin America
Chester Chien Lin	60	Executive Vice President and President of Solectron Asia/Pacific
David Kynaston	60	Executive Vice President and President of Solectron Europe
William Mitchell	57	Executive Vice President and President of Solectron Global Services
George W. Moore	45	Executive Vice President and President of Solectron Systems Solution
Daniel Perez	50	Executive Vice President and Worldwide Account Management and Marketing
Kiran Patel	53	Executive Vice President and Chief Financial Officer
Sen-Yuan (Sandy) Ro	44	Senior Vice President and General Manager, Solectron Systems Solutions
Ajay Shah	41	Executive Vice President and Chief Executive Officer of Solectron Technology Solutions
Joe Tang	51	Senior Vice President and Manager Director, Solectron Asia/Pacific
Susan S. Wang	50	Executive Vice President of Corporate Development, and Corporate Secretary
Saeed Zohouri, Ph.D.	50	Executive Vice President and Chief Operating Officer

Dr. Koichi Nishimura has served as Chairman of the Board since 1996, Chief Executive Officer since 1992 and President since 1990. He was Co-Chief Executive Officer from 1991 to 1992 and Chief Operating Officer from 1988 to 1991. He was elected a director of the Board in 1991. From 1964 to 1988, Dr. Nishimura was with International Business Machines Corporation in various technology and management positions. Dr. Nishimura serves as a Director on the Boards of OMM Inc., Investor AB, E2open, the center for Quality Management and the Silicon Valley manufacturing Group, and serves on the board of trustees of the Santa Fe Institute. He is the 2001 recipient of the

Silicon Valley Manufacturing Group's Lifetime Achievement Award.

Mr. Behrouzi joined Solectron in 1981, and has more than 20 years experience in operations, electronics manufacturing and management. Most recently, Behrouzi was Corporate Vice President and President of Solectron Americas-West Regions. Prior to Solectron, Mr. Behrouzi was a design engineer for two years at Brentwell's Corp. in Palo Alto, California.

Mr. Kevin Burns joined Solectron in 1998 as Corporate Vice President of Global Materials Services. Prior to joining Solectron, Mr. Burns worked for Westinghouse Electric Corporation, where he was the Vice President and General Manager of Operations for the Power Generation division. In a prior role at Westinghouse, Mr. Burns was President of Westinghouse Security Systems. Prior to Westinghouse, he was with McKinsey & Company Inc. and General Electric Corporation.

Mr. Philip Fok joined Solectron in 1993 with extensive experience in industrial and mechanical engineer. Prior to Solectron, Mr. Fok worked at IBM for eight years as a manufacturing engineer. Mr Fok is currently a member of the Institute of Industrial Engineers and the American Society of Mechanical Engineers.

Mr. Alejandro Gomez-Montoy joined Solectron in 1996 with extensive management experience in a variety of industries including electronics, consulting and consumer airline. Prior to Solectron, Mr. Gomez- Montoy was one of the founders of Aerolitoral, a company of Aeromexico, the first regional airline company in Mexico. Mr. Gomez-Montoy has been elected as first Executive Vice President of the American Chamber of Commerce of Guadalajara for the period 2000-2002.

Mr. Chester Lin joined Solectron in 2001 during the company's acquisition of NatSteel Electronics. Prior to joining Solectron, Mr. Lin was Chief Executive Officer of NatSteel Electronics from 1993 to 2001. Previously, Mr. Lin worked for SCI Systems, and was responsible for leading the company's expansion into Asia. Before SCI, Mr. Lin spent six years at General Electric, where his last position was Products Manager in 1984. Mr. Lin received the 1999 Stars of Asia Award by Business Week magazine.

Mr. David Kynaston has served as Corporate Vice President and President of Solectron Europe since he joined Solectron in 1996. Mr. Kynaston worked for Philips Electronics for the previous 15 years in various capacities, including Managing Director of Philips Mullard Ltd. subsidiary, Managing Director of the Business Communications Systems Division and most recently, Managing Director of the Private Mobile Radio Division. Prior to joining Philips Electronics, Mr. Kynaston held senior technical management positions at EMI Medical Ltd. and Cambridge Scientific Instruments Ltd.

Mr. William Mitchell joined Solectron in March 1999 during the acquisition of Sequel Inc. Prior to joining Solectron, Mr. Mitchell was President and Chief Executive officer of Sequel Inc. Previously, Mr. Mitchell worked in Senior Management roles for Nashua, Raychem and Exxon.

Mr. George W. Moore joined Solectron in 2000 as Corporate Vice President and President of the Americas region. He was promoted to his current position of Executive Vice President and President of Solectron Systems Solution in 2001. Prior to joining Solectron, Mr. Moore spent 22 years at IBM serving in various engineering and management positions.

Mr. Daniel Perez has served as Senior Vice President of Worldwide Account Management and Marketing since 1999. Mr. Perez was Corporate Vice President and Chief Administrative Officer from 1996 to 1999. Mr. Perez joined Solectron in 1991 as Director of Materials, and was soon named Vice President of Materials for Solectron's California facility. He became the General Manager of Solectron's Fremont, California, printed circuit board assembly operation in 1995. Prior to joining Solectron, Mr. Perez spent 14 years with IBM Corporation in various management positions in corporate administration, manufacturing, materials planning, and acquisition and control. Most recently, he was

Senior Manager for Supply and Demand at IBM's disk storage business. Mr. Perez also serves as a director of the Tech Museum of Innovation, the California State Center for Quality Education and Development, the Mexican Heritage Corporation, the Center for Training and Careers in San Jose, California, and El Teatro Campesino.

Mr. Kiran Patel joined Solectron in September 2001. Mr. Patel came to Solectron after an extensive career with Cummins Inc., where he spent 27 years, serving in a broad range of finance positions at the operating unit and corporate level. In 1996 he became Vice President and Chief Financial Officer of the Company, and was promoted to Executive Vice President in 1999, and served on the Cummins Foundation board of directors. Most recently, Mr. Patel was the Chief Financial Officer of iMotors, an internet-based value-added retailer of used cars.

Mr. Sen-Yuan (Sandy)Ro joined Solectron in 1984 and has extensive engineering, materials, finance and operations experience. Most recently, Mr. Ro was Corporate Vice President and General Manager of Solectron California. Prior to that position, Mr. Ro was Vice President of operations of Solectron's performance achievement and commonality (PAC) team and worldwide capacity management. Prior to Solectron, Mr. Ro worked with the Industrial Technology Research Institution in Taiwan.

Mr. Ajay Shah has served as President and Chief Executive Officer of Solectron Technology Solutions since 1999. Prior to Solectron, Mr. Shah served as the President and Chief Executive Officer at SMART Modular Technologies, Inc. since 1988. Mr. Shah co-founded SMART Modular Technologies, Inc. Prior to launching SMART, Mr. Shah held strategic marketing management and product line management positions at Samsung Semiconductor, Inc., and at Advanced Micro Devices.

Mr. Joe Tang joined Solectron in 1990 and has an extensive background in manufacturing management in the electronics industry. Most recently, Mr. Tang was Corporate Vice President and Managing Director of Solectron's Southeast Asia sub- region. Prior to Solectron, Mr. Tang was a business manager at Intel for 10 years and also worked for General Instruments.

Ms. Susan S. Wang was appointed as Executive Vice President of Corporate Development in September 2001. She had served as Senior Vice President and Chief Financial Officer of Solectron since 1990 and as Secretary since 1992. She was Vice President, Finance and Chief Financial Officer of Solectron from 1986 to 1990 and Director of Finance of Solectron from 1984 to 1986. Prior to joining Solectron, Ms. Wang held various accounting and finance positions with Xerox Corporation. Ms. Wang also held accounting and auditing positions with Westvaco Corp. and Price Waterhouse & Co. She is a Certified Public Accountant.

Dr. Saeed Zohouri has served as Senior Vice President and Chief Operating Officer of Solectron since June 1999. He was Chief Technology Officer from 1994 to May 1999; President of Solectron California Corporation from March 1996 to August 1998; and President, Solectron North America since August 1998. Dr. Zohouri joined Solectron in 1980 and held various management positions including Director of Technology. His prior experience includes teaching chemistry at a major international university.

There is no family relationship among any of the executive officers.

PART II

ITEM 5: MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Common Stock Information

The following table sets forth the quarterly high and low per share sales prices of Solectron's common stock for the two-year period ended August 31, 2001, as quoted on the New York Stock Exchange under the symbol SLR.

	High	**Low**
Fiscal 2001	52 5/8	28
First quarter	41 15/16	24 17/32
Second quarter	30 11/16	16 1/16
Third quarter	23 11/32	13 7/16
Fourth quarter		
Fiscal 2000	45	33 1/16
First quarter	49	30 9/32
Second quarter	49 1/2	28 1/4
Third quarter	48 3/8	30 15/16
Fourth quarter		

Solectron has not paid any cash dividends since its inception and does not intend to pay any cash dividends in the foreseeable future. Additionally, the covenants to its financing agreements prohibit the payment of cash dividends. As of August 31, 2001, there were approximately 10,605 stockholders of record based on data obtained from our transfer agent.

ITEM 6:

SELECTED FINANCIAL DATA

The following selected historical financial information of Solectron has been derived from the historical consolidated financial statements and should be read in conjunction with the consolidated financial statements and the notes included therein.

Five-Year Selected Financial Highlights

(In millions, except per share data)

Consolidated Statements of Operations Data:

	YEARS ENDED AUGUST 31,				
	2001	2000	1999	1998	1997
Net Sales	$ 18,692.3	$ 14,137.5	$ 9,669.2	$ 6,102.2	$ 4,408.5
Operating income (loss)	(98.6)	704.2	516.1	368.6	303.2
Income (loss) before taxes and cumulative effect of change in accounting principal	(157.7)	739.5	514.5	375.5	307.5
Net income (loss)	(123.5)	497.2	350.3	251.3	203.7
Basic net income (loss)					

per share	(0.19)	0.83	0.65	0.49	0.42
Diluted net income (loss) per share	(0.19)	0.80	0.61	0.47	0.40

Consolidated Balance Sheet Data:

	YEARS ENDED AUGUST 31,				
	2001	2000	1999	1998	1997
Working capital	$ 6,014.8	$ 5,411.4	$ 3,162.7	$ 1,278.1	$ 1,137.5
Total assets	12,930.4	10,375.6	5,420.5	2,843.7	2,209.9
Long-term debt	5,027.5	3,319.5	922.7	386.8	386.2
Stockholders' equity	5,150.7	3,802.1	3,166.9	1,475.4	1,150.2

ITEM 7: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

With the exception of historical facts, the statements contained in this discussion are forward-looking statements within the meaning of Section 27A of the Security Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and are subject to the Safe Harbor provisions created by that statute. Certain statements contained in the following Management's Discussion and Analysis of Financial Condition and Results of Operations, including, without limitation, statements containing the words "believes," "anticipates," "estimates," "expects," and words of similar import, constitute forward-looking statements that involve risks and uncertainties. Such statements are based on current expectations and are subject to risk, uncertainties and changes in condition, significance, value and effect, including those discussed under the heading Risk Factors within the section of this report entitled "Item 7", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and reports filed by Solectron with the Securities and Exchange Commission, specifically forms 8-K, 10-Q, S-3, S-4 and S-8. Such risks, uncertainties and changes in condition, significance, value and effect could cause our actual results to differ materially from those anticipated events. Although we believe that the assumptions underlying the forward-looking statements are reasonable, any of these assumptions could prove inaccurate, including, but not limited to, statements as to our future operating results and business plans. We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

RESULTS OF OPERATIONS

The electronics industry is subject to rapid technological change, product obsolescence and price competition. These and other factors affecting the electronics industry, or any of our major customers in particular, could materially harm our results of operations.

RESULTS OF OPERATIONS FOR YEARS ENDED AUGUST 31, 2001, 2000 AND 1999

The following table summarizes certain items in the Consolidated Statements of Operations as a percentage of net sales. The financial information and the discussion below should be read in conjunction with the consolidated financial statements and notes thereto.

YEARS ENDED AUGUST 31,

	2001	2000	1999
Net sales	100.0 %	100.0 %	100.0 %
Cost of sales	92.0	91.0	90.3
Gross profit	8.0	9.0	9.7
Operating expenses:			
Selling, general and administrative	4.4	3.3	3.9
Research and development	0.4	0.4	0.4
Goodwill amortization expense	0.7	--	--
Acquisition costs	0.2	0.2	--
Restructuring and impairment costs	2.8	0.1	--
Operating income (loss)	(0.5)	5.0	5.4
Net interest income (expense)	(0.3)	0.2	--
Income (loss) before income taxes	(0.8)	5.2	5.4
Income taxes (benefit)	(0.2)	1.7	1.7
Net income (loss)	(0.6)%	3.5 %	3.7 %

Net Sales

Our net sales have increased in each of the past several years, reflecting the growing trend toward outsourcing within the electronics industry. For the year ended August 31, 2001, net sales grew to $18.7 billion, an increase of 32.2% over fiscal 2000. Net sales of $14.1 billion in fiscal 2000 were 46.2% greater than fiscal 1999. The sales growth in fiscal 2001 compared with fiscal 2000 was primarily attributable to increased demand from our personal computer, notebook and consumer automotive business sectors in the first half of fiscal 2001, and our acquisitions during fiscal 2001. The sales growth in fiscal 2000 over fiscal 1999 was primarily due to new program ramp-ups, strong demand from our customers worldwide and acquisitions made during fiscal 2000.

We are organized in three industry segments: global manufacturing business unit, technology solutions business unit, and global services business unit. Our core business group, global manufacturing business unit, provided 91.9%, 87.8%, and 87.5% of net sales, respectively, for fiscal 2001, 2000 and 1999. Our technology solutions business unt, consisting of SMART, Force and our recent acquisition of Centennial, contributed 6.4%, 10.5% and 11.7% of net sales, respectively, for fiscal 2001, 2000 and 1999. Our global services business unit, contributed 1.7%, 1.7% and 0.8% of net sales, respectively, in fiscal 2001, 2000 and 1999.

Global Manufacturing Business Unit

Fiscal year 2001 net sales grew to $17.2 billion, an increase of 38.4% over fiscal year 2000. This increase was due to higher demand growth from our customers during the first half of fiscal 2001 and the acquisitions of NEL and Shinei as well as two Sony manufacturing plants during fiscal year 2001. Fiscal year 2000 net sales grew to $12.4 billion, an increase of 46.8% over fiscal 1999. The increase was primarily due to strong demand growth from our customers and to acquisitions, including Alcatel's telecommunications manufacturing business in Liverpool, Australia, by our subsidiary Bluegum; IBM ECAT in Austin, Texas; Trimble of California; IBM's Netfinity server operations in Greenock, Scotland; Ericsson's telecommunications infrastructure equipment operations in Longuenesse, France, and Ostersund, Sweden; and Zhone Technologies of California; as well as our acquisition of Alcatel's manufacturing business in Aguadilla, Puerto Rico.

Within the Americas, net sales increased to $9.7 billion, a 16% increase in fiscal 2001 over 2000. The Milpitas site in California, Guadalajara site in Mexico and Austin site in Texas were the largest contributors to the sales increase. The increase in fiscal 2001 compared to fiscal 2000 was primarily due to higher demand from our customers in the first half of fiscal 2001 and to our acquisition of Nortel sites in North Carolina, Mexico and Canada, partially offset by the decrease in customer demand in the second half of fiscal 2001. The increase in fiscal 2000 versus 1999 was primarily due to new programs from our customers and sales growth in the Americas. Sales continued to grow in the Milpitas site despite our strategic transfer of personal computer PCB programs and computer peripherals systems assembly programs to Mexico and networking business to Penang, Malaysia.

In Europe, net sales increased to $3.3 billion, a 67.3% increase in fiscal 2001 over fiscal 2000. The increase in net sales was principally due to higher demand in the first half of fiscal 2001 and acquisition of Ericsson's manufacturing assets in Ostersund, Sweden during the third quarter of fiscal 2000. Our France and Ostersund sites were the largest contributors to the sales increase in the region. Net sales stayed relatively flat in fiscal 2000 versus fiscal 1999.

In Asia/Pacific, net sales grew to $4.3 billion, an 89.1% increase in fiscal 2001 over fiscal 2000. The increase over the prior year was primarily due to demand growth from our customers in the first half of fiscal 2001 and acquisitions during fiscal 2001, as well as the transfer of networking business from our Milpitas site to our Penang site in Malaysia. Our Penang site and Suzhou site as well as former NEL and Shinei sites from our acquisitions during fiscal 2001 were the major contributors to the increase. Net sales growth in fiscal 2000 was primarily due to demand growth in mobile phone, networking and personal computer projects. In particular, sales growth in the Penang site was attributable to the growth of networking business. In addition, our subsidiary Bluegum's acquisition of Alcatel's telecommunications manufacturing operations in Liverpool, Australia, also contributed to our sales increase in the region.

Technology Solutions Business Unit

Our technology solutions business unit consists of SMART, Force, and newly acquired Centennial. Our main products in the technology solutions group are specialty and standard memory products, PC cards, embedded computer modules and communications card products. Net sales for fiscal years 2001, 2000 and 1999 were $1.2 billion, $1.5 billion and $1.1 billion, respectively. The decrease in fiscal 2001 of 19.2% from fiscal 2000 was principally due to decrease in demand and declines in average selling prices of memory components partially offset by the acquisition of Centennial. The increase in fiscal 2000 of 31.5% over fiscal 1999 resulted from an overall increase in standard memory products incorporated with average memory densities, as well as an increase in embedded computer modules and communications card products.

Global Services Business Unit

Our global services business unit was established through three business acquisitions, Sequel, NULOGIX and AMERICOM, as well as a small division of Solectron in Milpitas. Net sales were $309.6 million, $232.5 million and $78.5 million in fiscal years 2001, 2000 and 1999, respectively. Net sales increased 33.2% in fiscal 2001 compared to fiscal 2000. The increase in net sales in fiscal 2001 was primarily due to stronger customer demand, acquisitions of Nortel assets and Bluegum Group during fiscal 2000, and acquisitions of IBM Netherlands service facilities as well as MCC-Sequel during fiscal 2001. The increase in fiscal 2000 was due to higher customer demand and the acquisition of AMERICOM.

International Sites

Net sales from our international sites, as a percentage of consolidated net sales, have grown over the last three fiscal years. International locations contributed 51% of consolidated net sales in fiscal 2001, compared with 41% in fiscal

2000 and 33% in fiscal 1999. As a result of our international sales and facilities, our operations are subject to the risks of doing business abroad. While these dynamics have not materially harmed our results of operations, we cannot assure that there will not be such an impact in the future.

Major Customers

Only four major customers accounted for more than 10% of our net sales in fiscal 2001, 2000 and 1999, as summarized in the following table.

	YEARS ENDED AUGUST 31,		
	2001	2000	1999
Cisco	11.5%	12.0%	11.1%
Compaq	--	--	11.8%
Ericsson	13.7%	13.0%	--
Nortel	11.9%	--	--

Our top ten customers accounted for 70% of net sales in fiscal 2001, 72% of net sales in fiscal 2000 and 74% of net sales in fiscal 1999. We depend on continued revenues from Ericsson, Compaq, Cisco, Nortel and our other top ten customers. We cannot predict whether these or any other customers will increase or decrease as a percentage of consolidated net sales either individually or as a group. Consequently, any material decrease in sales to these or other customers could materially harm Solectron's results of operations.

We believe that our ability to continue growing depends on increasing sales to existing customers for their current and future product generations, successfully marketing to new customers and expanding geographically. Customer contracts can be canceled and volume levels can be changed or delayed. The timely replacement of delayed, canceled or reduced orders with new business cannot be assured. In addition, we cannot assure that our current customers will continue to utilize our services. Because of these factors, we cannot assure that Solectron's historical revenue growth rate will continue.

GROSS PROFIT

Our gross margin percentages were 8.0%, 9.0% and 9.7% respectively, for fiscal 2001, 2000 and 1999. The decrease in gross margin in fiscal 2001 compared to fiscal 2000 was primarily due to under-absorbed fixed costs that could not be taken out immediately in response to the decline in our customers' end market demand. In the second quarter of fiscal 2001, we began to experience manufacturing inefficiencies due to higher-than-normal costs associated with the additional manpower required in the materials management area and under-utilization of capacity which occurred later in the second quarter. Our gross margin was also affected by inefficiencies associated with restructuring. We are shifting capacity to low-cost locations, and programs are being transferred at an accelerated pace. Those transfer costs are accounted for as operational costs versus restructuring costs, consequently they affected our margins. The decrease in fiscal 2000 over fiscal 1999 was attributed primarily to sales derived from lower margin mobile telecommunication equipment, manufacturing inefficiencies due to non-linearity of material receipts, a high level of business development activities and new site integration support expenditures, as well as capacity ramp-up for future demand growth. Our start-up operations also contributed to the decrease. In addition, the amortization of intellectual property resulting from certain acquisitions reduced gross margins.

For our global manufacturing business unit, we anticipate a larger percentage of our sales may be derived from systems-build projects that generally yield lower profit margins than PCB assembly. We expect most of our technology solutions sales may continue to be derived from turn-key projects, which typically yield lower profit margins than consignment projects. In addition, factors affecting technology solutions profit margins include the sales

mix of specialty memory modules, standard memory modules, communication card products and embedded computer modules, as well as changes in average memory densities used in memory products.

In the foreseeable future, our overall gross margin will depend primarily on several factors, including but not limited to, product mix, production efficiencies, utilization of manufacturing capacity, start-up and integration costs of new and acquired businesses, percentage of sales derived from systems-build and turn-key projects, pricing within the electronics industry, component costs and delivery linearity, and the cost structure at individual sites. Over time, gross margins at the individual sites and for Solectron as a whole may continue to fluctuate. Increases in the systems-build business or turn-key projects, additional costs associated with new projects, and price erosion within the electronics industry could harm our gross margin.

In addition, we have experienced component shortages. While the component availability fluctuates from time to time and is subject to lead time and other constraints, this could possibly have a negative impact on our sales and gross margins for the foreseeable future. Therefore, we cannot assure that our gross margin will not fluctuate or decrease in future periods.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

In absolute dollars, our selling, general and administrative (SG&A) expenses increased 77.2% in fiscal 2001 compared to fiscal 2000, and 23.1% in fiscal 2000 over fiscal 1999. As a percentage of net sales, SG&A expenses were 4.4% in fiscal 2001, 3.3% in fiscal 2000 and 3.9% in fiscal 1999. The increases in absolute dollars and as a percentage of net sales in fiscal 2001 compared to fiscal 2000 were due to higher human resource costs, information systems cost, and higher SG&A resulting from our acquisitions of NEL, Centennial, MCC-Sequel, Shinei and two Sony manufacturing facilities. The increase in absolute dollars in fiscal 2000 compared to 1999 was caused by an increase in head count and information systems costs to support our sales growth and increased costs of acquisition related activities. The primary reasons for the decrease in fiscal 2000 over 1999 in SG&A expenses as a percentage of net sales were the significant increase in sales volume and our continued effort to manage operating expenses, partially offset by the costs associated with investments in our business infrastructure, information systems and start-up costs for new sites. We anticipate SG&A expenses will continue to increase in terms of absolute dollars in the future as we continue to develop the infrastructure necessary to support our current and prospective business.

RESEARCH AND DEVELOPMENT EXPENSES

With the exception of our technology solutions business unit, our research and development (R&D) activities have been primarily developing prototype and engineering design capabilities, developing common tools for electrical, mechanical design, standardizing a single functional test platform, developing methods for handling, processing and re-flow of high I/O ball grid array, high reliability environmental stress test technology and the implementation of environmentally friendly assembly processes such as lead-free and no-clean. Technology solutions' R&D efforts are concentrated on new product development and improvement of product designs through improvements in functionality and the use of microprocessors in embedded applications.

In absolute dollars, R&D expenses increased 15.0% in fiscal 2001 compared to fiscal 2000 and 50.1% in fiscal 2000 over fiscal 1999. As a percentage of net sales, R&D expense was 0.4% of net sales for fiscal 2001, 2000 and 1999. The increases in absolute dollars in R&D expenses in fiscal 2001 and 2000, were primarily due to our increased R&D effort in SMART and Force and new R&D projects initiated at our various sites. We expect that R&D expenses will increase in absolute dollars in the future as SMART and Force continue to invest in their R&D efforts and additional R&D projects are undertaken at certain sites.

GOODWILL AMORTIZATION EXPENSE

The goodwill amortization expense of $139.9 million in fiscal 2001 primarily resulted from the NEL acquisition. During the second quarter of fiscal 2001, we purchased all of the outstanding issued share capital and convertible bonds of NEL for approximately $2.3 billion and $122.4 million, respectively. The NEL acquisition was accounted for under the purchase accounting method and, as a result, we recorded approximately $1.97 billion of goodwill. Goodwill is amortized in equal annual amounts over a ten-year period.

ACQUISITION COSTS

During fiscal 2001, we recorded $29.7 million in acquisition and integration costs, which were primarily related to the NEL acquisition. A charge for acquisition costs of $26.8 million was incurred in fiscal 2000 as a result of the acquisitions of SMART, AMERICOM and Bluegum during fiscal 2000. Our acquisition costs consist of investment banker fees, legal fees, accounting fees, registration fees and other direct costs.

RESTRUCTURING AND IMPAIRMENT COSTS

The current fiscal year restructuring and impairment charge was taken in connection with our plan to review our operations in light of the current economic downturn and our plan to undertake several measures to restructure the company. The measures, which included reducing the workforce, consolidating certain facilities and changing the strategic focus of a number of sites, were largely intended to align our capacity and infrastructure to anticipated customer demand as well as rationalize our footprint worldwide.

During fiscal 2001 and primarily in the third and fourth quarters, total restructuring and impairment costs of $517.3 million were charged against earnings. These restructuring and impairment charges included employee severance and benefit costs of approximately $70.0 million, costs related to facilities that will be abandoned and subleased of approximately $56.4 million, costs related to equipment that will be abandoned of approximately $117.5 million, impairment of equipment of approximately $188.2 million, impairment of facilities of approximately $37.7 million, impairment of goodwill, intangible and other assets related to closed facilities of approximately $42.2 million and other exit costs of approximately $5.3 million.

The employee severance and benefit costs related to the elimination of approximately 11,800 positions worldwide. Approximately 67% of the positions eliminated were in the Americas region, 23% were in Europe and 10% were in Asia/Pacific. The employment reductions primarily affected employees in manufacturing and back office support functions. Facilities and equipment subject to restructuring were primarily located in the Americas and Europe. For leased facilities that will be abandoned and subleased, the lease costs represent future lease payments subsequent to abandonment less estimated sublease income. For facilities and equipment, the impairment loss recognized was based on the fair value less costs to sell, with fair value based on estimates of existing market prices for similar assets. As of August 31, 2001, all 11,800 employees have left Solectron under this plan.

We recorded restructuring costs of approximately $11.1 million in fiscal 2000 primarily related to the consolidations of certain facilities acquired in the SMART and Sequel mergers. Approximately $4.4 million related to lease exit costs, $3.4 million related to asset write-offs and other incidental costs, $1.2 million related to severance costs and $2.1 million related to other costs.

NET INTEREST INCOME (EXPENSE)

Net interest expense was $59.1 million in fiscal 2001 compared to net interest income of $35.3 million in fiscal 2000, and compared to net interest expense of $1.6 million in fiscal 1999. The net interest expense in fiscal 2001 primarily resulted from our 4.0% yield zero-coupon convertible senior notes, 2.75% and 3.25% yield zero-coupon convertible senior notes and 7.38% senior notes, partially offset by interest income earned on deployed cash and investments. The net interest income in fiscal 2000 was attributed primarily to interest income earned on cash and investments from the proceeds of the 2.75% zero-coupon convertible senior notes which were issued in May 2000, offset partially with

interest expense on the 4% and 2.75% yield zero-coupon convertible senior notes as well as on the 7-3/8% senior notes. The net interest expense in fiscal 1999 was related to interest expenses from the 4% yield zero coupon convertible senior notes and the 6% convertible subordinated notes.

INCOME TAXES

We reported income tax benefit of $34.2 million in fiscal 2001 arising from the loss incurred in the period. Income tax expense was $238.8 million in fiscal 2000 and $164.2 million in fiscal 1999. Our effective income tax benefit rate was 21.7% in fiscal 2001. Our effective income tax expense rate was 32.3% in fiscal 2000 and 31.9% in fiscal 1999. Our benefit rate was lower than our expense rate in prior years because we did not recognize some of the income tax benefits for which future realization is uncertain.

In general, the effective income tax rate is largely a function of the balance between income from domestic and international operations. Our international operations, taken as a whole, have been taxed at a lower rate than those in the United States, primarily due to tax holidays granted to several of Solectron's overseas sites in Malaysia, Singapore, and China. The Malaysian tax holiday is effective through July 2011, subject to some conditions, including certain levels of research and development expenditures. In addition, Solectron has also been granted a tax holiday for certain operations in Singapore which is effective through March 2011, subject to certain conditions. Solectron has also been granted various tax holidays in China, which are effective for various terms and are subject to certain conditions.

LIQUIDITY AND CAPITAL RESOURCES

Our net working capital was $6.0 billion at August 31, 2001 compared to $5.4 billion at August 31, 2000. Cash and cash equivalents and short-term investments were $2.8 billion at August 31, 2001, an increase of $0.4 billion from August 31, 2000. The increase was primarily due to proceeds of approximately $1.5 billion from 3.25% yield zero-coupon convertible senior debt issued in November 2000 and the issuance of 35 million shares of common stock for approximately $1.2 billion, as well as the inventory reduction of $577 million, partially offset by investing activities, including the acquisition of NEL's shares and convertible bonds for approximately $2.4 billion, and capital expenditures of $536.8 million.

Accounts receivable increased $297 million during fiscal 2001, inventories decreased $577 million in the same period. The increase in accounts receivable resulted from our sales growth and the acquisitions of NEL, Centennial, Shinei and MCC-Sequel. The decrease in inventory level was primarily due to our customers taking back excess inventory and by our return to normal just-in-time inventory management practices. In addition, we worked with our customers and suppliers to revise the terms and conditions under which we procure and return parts. Those changes will help mitigate inventory imbalances in the future. We continuously manage our inventory levels striving to maintain competitive lead times while balancing the risk of inventory obsolescence due to rapidly changing technology and customer requirements.

As of August 31, 2001, we had available a $100 million unsecured multicurrency revolving line of credit that expires on April 30, 2002. Borrowings under the credit facility bear interest, at our option, at either the bank's prime rate, the London interbank offering rate (LIBOR) plus a margin, or the bank's certificate of deposit (CD) rate plus a margin. The margin under the LIBOR or CD rate options will vary depending on our Standard & Poor's Corporation and/or Moody's Investor Services, Inc. rating for our long-term senior unsecured debt. This margin was 0.4% at August 31, 2001. Under the credit agreement, we must meet certain financial covenants. There were no borrowings outstanding under this line of credit as of August 31, 2001. In addition, we had approximately $181 million and $591 million, respectively, in committed and uncommitted foreign lines of credit and other bank facilities as of August 31, 2001. Borrowings were payable on demand. The interest rates ranged from the bank's prime lending rate to the bank's prime rate plus 2.0%. As of August 31, 2001, borrowings and guaranteed amounts under committed and uncommitted foreign lines of credit were $155 million and $135 million, respectively. The weighted- average interest rate was 4.4% for committed and 4.7% for uncommitted foreign lines of credit. Under these lines of credit agreements, we must meet

certain financial covenants. We were in compliance with all of the line of credit financial covenants as of August 31, 2001.

We believe that our current cash and cash equivalents, short- term investments, line of credit, and cash generated from operations coupled with the anticipated proceeds from any offerings under our recently filed shelf registration statements will satisfy our expected working capital, capital expenditure, and investment requirements through at least the next 12 months.

RECENT ACCOUNTING PRONOUNCEMENTS

In September 2000, we adopted Statement of Financial Accounting Standard (SFAS) No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended by SFAS No. 137 and No. 138. We enter into short- term foreign currency forward contracts and borrowings to hedge only those currency exposures associated with certain assets and liabilities denominated in non-functional currencies.

In addition, we periodically hedge variability in cash flows resulting from fluctuating interest rates. We entered into an interest rate swap agreement with a notional amount of $52 million, maturing on June 3, 2002, to hedge against varying rental payments associated with an operating lease that requires payments based on LIBOR. This swap agreement was designated as a cash flow hedge upon adoption of the standard and the ineffective portion of the hedge was not significant. Accordingly, changes in the fair value of this interest rate swap designated as a cash flow hedge are included in accumulated other comprehensive income. These amounts are subsequently reclassified into rent expense during the period in which the LIBOR-based lease agreement affects earnings. Since adoption, the impact to the financial statements has not been significant.

In July 2001, the Financial Accounting Standard Board (FASB) issued SFAS No. 141, Business Combinations, and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated or completed after June 30, 2001. SFAS No. 141 also specifies the criteria intangible assets acquired in a purchase method business combination must meet to be recognized and reported apart from goodwill. SFAS No. 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually in accordance with the provisions of SFAS No. 142. SFAS No. 142 also requires that intangible assets with definite useful lives be amortized over their respective estimated lives to their estimated residual values, and be reviewed for impairment in accordance with SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of. Goodwill and intangible assets acquired in business combinations completed before July 1, 2001 will continue to be amortized prior to adoption of SFAS No. 142.

In accordance with SFAS No. 141, we are accounting for all business combinations initiated or completed after June 30, 2001 using the purchase method of accounting. We adopted the remaining provisions of SFAS No. 141 and SFAS No. 142 effective September 1, 2001.

SFAS No. 141 requires, upon adoption of SFAS No. 142, that we evaluate our existing intangibles assets and goodwill that were acquired in prior purchase business combinations, and to make any necessary reclassifications in order to conform with the new criteria in SFAS No. 141 for recognition apart from goodwill. Upon adoption of SFAS No. 142, we are required to reassess the useful lives and residual values of all intangible assets acquired in purchase business combinations, and to make any necessary amortization period adjustments by the end of the first interim period after adoption. We are required to test the intangible assets for impairment in accordance with the provisions of SFAS No. 142 within the first interim period. Any impairment loss is measured as of the date of adoption and recognized as a cumulative effect of change in accounting principle in the first interim period.

In connection with the transitional goodwill impairment evaluation, SFAS No. 142 requires us to perform an assessment of whether there is an indication that goodwill is impaired as of the date of adoption. To accomplish this,

we must identify our reporting units and determine the carrying value of each reporting unit by assessing the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units as of the date of adoption. The regulation allows up to six months from the date of adoption to determine the fair value of each reporting unit and compare it to the reporting unit's carrying value. To the extent a reporting unit's carrying amount exceeds its fair value, an indication exists that the reporting unit's goodwill may be impaired and we must perform the second step of the transitional impairment test. In the second step, we must compare the implied fair value of the reporting unit's goodwill, determined by allocating the reporting unit's fair value to all its assets (recognized and unrecognized) and liabilities in a manner similar to a purchase price allocation in accordance with SFAS No. 141, to its carrying amount, both of which would be measured as of the date of adoption. This second step is required to be completed as soon as possible, but no later than the end of the year of adoption. Any transitional impairment loss will be recognized as a cumulative effect of a change in accounting principle in our statement of operations.

As of September 1, 2001, we had unamortized goodwill of $1.9 billion, unamortized identifiable intangible assets of approximately $500 million, all of which are subject to the transition provisions of SFAS No. 141 and 142. Amortization expense related to goodwill was $139.9 million for fiscal 2001. Because of the extensive effort required to comply with the remaining provisions of SFAS Nos. 141 and 142, it is not practicable to reasonably estimate the impact on our financial statements of these provisions beyond discontinuing amortization.

The FASB issued SFAS No. 143, Accounting for Asset Retirement Obligations, in August 2001, and SFAS No.144, Accounting for the Impairment or Disposal of Long-lived Assets, in October 2001. SFAS No. 143 requires that the fair value of an asset retirement obligation be recorded as a liability in the period in which it incurs the obligation. SFAS No. 144 services to clarify and further define the provisions of SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of. SFAS No. 144 does not apply to goodwill and other intangible assets that are not amortized. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002 and SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. We expect to adopt both effective September 1, 2002. The effect of the adopting these statements is not expected to have a material effect on the Company's consolidated financial position or results of operations.

RECENT DEVELOPMENTS

On July 2, 2001, we announced the filing of a registration statement with the Securities and Exchange Commission pursuant to Rule 415 under the Securities Act of 1933, as amended. We may, from time to time, offer our debt securities, shares of our common stock and preferred stock, warrants, stock purchase contracts, stock purchase units and guarantees of preferred securities, which together have an aggregate initial public offering price of up to $3 billion. The Securities may be offered, separately or together, in separate series, in amounts, at prices and on terms to be set forth in the prospectus contained in the registration statement, and in one or more supplements to that prospectus, and may only be offered pursuant thereto.

On June 29, 2001, our board of directors approved the adoption of a stockholder rights plan. Under the plan, we issued a dividend of one right for each share of our common stock, par value of $0.001 per share, held by stockholders of record at the close of business on July 30, 2001.

On August 9, 2001, we announced that we have signed a definitive agreement under which Solectron and C-MAC will combine to create a diversified designer and manufacturer of integrated electronic manufacturing solutions. The combination with C-MAC is expected to enhance Solectron's systems-solution offerings and expand its portfolio. Under the terms of the agreement, Solectron will issue 1.755 shares of Solectron common stock in exchange for each C-MAC common share outstanding. As of the announcement date, the transaction was valued at approximately $2.6 billion. The transaction will be accounted for using the purchase method. The transaction is expected to be completed by the end of calendar 2001. The arrangement is subject to merger notification requirements pursuant to the antitrust laws of the United States, Canada, the European Union and Brazil and subject to review under the Investment Canada Act. As of October 31, 2001, we had received regulatory antitrust approval from the United states, Canada, the

European Union and Brazil. The approval under the Investment Canada Act was still pending.

On September 17, 2001, our Board of Directors authorized a $200 million stock repurchase program. Under the program, we may repurchase our common shares in the open market beginning the first day that the New York Stock Exchange resumed. As of October 31, 2001, we had purchased 442,200 shares, approximately, $4.5 million under this program.

On October 16, 2001, we announced that we completed our acquisition of Iphotonics, Inc., a provider of core optical manufacturing services. The acquisition increases our optical services capabilities, and enhances our total systems-solutions offering.

On October 26, 2001, we announced that we completed our acquisition of Stream International Inc., a global customer relationship management outsourcing and support services provider for leading technology companies. The acquisition increases the capabilities of Solectron's global services business unit and enhances our total service offerings.

At various dates through October 25, 2001, Solectron repurchased certain zero coupon convertible senior notes due 2019, with face value of $312 million, and a fair value of $156 million.

RISK FACTORS

WE ARE EXPOSED TO GENERAL ECONOMIC CONDITIONS, WHICH COULD HAVE A MATERIAL ADVERSE IMPACT ON OUR BUSINESS, OPERATING RESULTS AND FINANCIAL CONDITION.

As a result of recent unfavorable economic conditions and reduced capital spending, our sales have declined in the second half of fiscal 2001 compared to the first half of fiscal 2001. In particular, sales to OEMs in the telecommunications, workstation and server equipment manufacturing industry worldwide were impacted during the second half of fiscal 2001. If the economic conditions in the United States worsen we may experience a material adverse impact on our business, operating results and financial condition.

WE HAVE SIGNIFICANT DEBT LEVERAGE AND DEBT SERVICE OBLIGATIONS; IF WE ARE UNABLE TO SERVICE THESE DEBT OBLIGATIONS, OUR BUSINESS, OPERATING RESULTS AND FINANCIAL CONDITION COULD BE MATERIALLY ADVERSELY IMPACTED.

Our ratio of earnings to fixed charges for fiscal 2001 was 0.23x as compared to 8.38x for fiscal 2000. This decline in the ratio is primarily due to interest expense growing at a greater rate than income during fiscal 2001. The degree to which we may be leveraged could materially and adversely affect our ability to obtain financing for working capital, acquisitions or other purposes and could make us more vulnerable to industry downturns and competitive pressures. Our ability to meet our debt service obligations will be dependent upon our future performance, which will be subject to financial, business and other factors affecting our operations, many of which are beyond our control.

We will require substantial amounts of cash to fund scheduled payments of principal and interest on our outstanding indebtedness, as well as future capital expenditures and any increased working capital requirements. If we are unable to meet our cash requirements out of cash flow from operations, there can be no assurance that we will be able to obtain alternative financing, that any such financing would be on favorable terms, or that we will be permitted to do so

under the terms of our existing financing arrangements, or our financing arrangements in effect in the future. In the absence of such financing, our ability to respond to changing business and economic conditions, to make future acquisitions, to experience adverse operating results or to fund required capital expenditures or increased working capital requirements may be adversely affected.

MOST OF OUR NET SALES COMES FROM A SMALL NUMBER OF CUSTOMERS; IF WE LOSE ANY OF THESE CUSTOMERS, OUR NET SALES COULD DECLINE SIGNIFICANTLY.

Most of our annual net sales comes from a small number of our customers. Our ten largest customers accounted for approximately 70% of net sales in fiscal 2001 and approximately 72% and 74%, of net sales in fiscal 2000 and 1999, respectively. Since we are dependent upon continued net sales from our ten largest customers, any material delay, cancellation or reduction of orders from these or other major customers could cause our net sales to decline significantly. Some of these customers individually account for more than ten percent of our annual net sales. We cannot guarantee that we will be able to retain any of our ten largest customers or any other accounts. In addition, our customers may materially reduce the level of services ordered from us at any time. This could cause a significant decline in our net sales and we may not be able to reduce the accompanying expenses at the same time. Moreover, our business, financial condition and results of operations will continue to depend in significant part on our ability to obtain orders from new customers, as well as on the financial condition and success of our customers. Therefore, any adverse factors affecting any of our customers or their customers could have a material adverse effect on our business, financial condition and results of operations.

OUR LONG-TERM CONTRACTS DO NOT INCLUDE MINIMUM PURCHASE REQUIREMENTS.

Although we have long-term contracts with a few of our top ten customers, including Ericsson, IBM and Nortel under which these customers are obligated to obtain services from us, only Nortel is obligated to purchase any minimum amount of services. As a result, we cannot guarantee that we will receive any net sales from these contracts. In addition, these customers with whom we have long-term contracts may materially reduce the level of services ordered at any time. This could cause a significant decline in our net sales, and we may not be able to reduce our accompanying expenses at the same time.

POSSIBLE FLUCTUATION OF OPERATING RESULTS FROM QUARTER TO QUARTER COULD AFFECT THE MARKET PRICE OF OUR SECURITIES.

Our quarterly earnings may fluctuate in the future due to a number of factors including the following:

- Differences in the profitability of the types of manufacturing services we provide. For example, high velocity and low complexity PCB and systems assembly services have lower gross margins than low volume/complex PCB and systems assembly services;
- Our ability to maximize the hours of use of our equipment and facilities is dependent on the duration of the production run time for each job and customer;
- The amount of automation that we can use in the manufacturing process for cost reduction varies, depending upon the complexity of the product being made;
- Our ability to optimize the ordering of inventory as to timing and amount to avoid holding inventory in excess of immediate production needs;
- Fluctuations in demand for our services or the products being manufactured;
- Fluctuations in the availability and pricing of components;

- Timing of expenditures in anticipation of increased sales;
- Cyclicality in our target markets; and
- Expenses associated with acquisitions.

Therefore, our operating results in the future could be below the expectations of securities analysts and investors. If this occurs, the market price of our common stock could be harmed.

WE DEPEND UPON THE ELECTRONICS INDUSTRY, WHICH CONTINUALLY PRODUCES TECHNOLOGICALLY ADVANCED PRODUCTS WITH SHORT LIFE CYCLES; OUR INABILITY TO CONTINUALLY MANUFACTURE SUCH PRODUCTS IN A COST EFFECTIVE MANNER WOULD HARM OUR BUSINESS, FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Most of our net sales are to companies in the electronics industry, which is subject to rapid technological change and product obsolescence. If our customers are unable to create products that keep pace with the changing technological environment, our customers' products could become obsolete and the demand for our services could decline significantly. If we are unable to offer technologically advanced, cost effective, quick response manufacturing services to customers, demand for our services will also decline. In addition, a substantial portion of our net sales is derived from our ability to offer complete service solutions for our customers. For example, if we fail to maintain high-quality design and engineering services, our net sales would significantly decline.

For our technology solutions business, we have experienced, and may in the future experience, delays from time to time in the development and introduction of new products. Moreover, we cannot assure that we will be successful in selecting, developing, manufacturing and marketing new products or enhancements. We cannot assure that defects or errors will not be found in our products after commencement of commercial shipments, which could result in the delay in market acceptance of such products. The inability to introduce new products or enhancements could harm our business, financial condition and results of operations.

WE DEPEND ON A LIMITED OR SOLE SOURCE OF SUPPLIERS FOR CRITICAL COMPONENTS. THE INABILITY TO OBTAIN SUFFICIENT COMPONENTS AS REQUIRED WOULD CAUSE HARM TO OUR BUSINESS.

We are dependent on certain suppliers, including limited and sole source suppliers, to provide key components used in our products. We have experienced and may continue to experience delays in component deliveries, which could cause delays in product shipments and require the redesign of certain products. Also for our technology solutions business, we are dependent upon certain limited or sole source suppliers for critical components used for our memory module, communications card and embedded computer products. The electronics industry has experienced in the past, and may experience in the future, shortages in semiconductor devices, including DRAM, SRAM, Flash memory, tantalum capacitors and other commodities that may be caused by such conditions as overall market demand surges or supplier production capacity constraints. Except for certain commodity parts, we generally have no written agreements with our suppliers. We cannot give any assurance that we will receive adequate component supplies on a timely basis in the future. The inability to continue to obtain sufficient components as required, or to develop alternative sources as required, could cause delays, disruptions or reductions in product shipments or require product redesigns which could damage relationships with current or prospective customers, thereby causing harm to our business.

WE POTENTIALLY BEAR THE RISK OF PRICE INCREASES ASSOCIATED WITH POTENTIAL SHORTAGES IN THE AVAILABILITY OF ELECTRONICS COMPONENTS.

At various times, there have been shortages of components in the electronics industry. One of the services that we perform for many customers is purchasing electronics components used in the manufacturing of the customers' products. As a result of this service, we potentially bear the risk of price increases for these components because we are unable to purchase components at the pricing level anticipated to support the margins assumed in our agreements with our customers.

OUR NET SALES COULD DECLINE IF OUR COMPETITORS PROVIDE COMPARABLE MANUFACTURING SERVICES AND IMPROVED PRODUCTS AT A LOWER COST.

We compete with different contract manufacturers, depending on the type of service we provide or the geographic locale of our operations. The memory module, communications card and embedded computer subsystem industries are also intensely competitive. These competitors may have greater manufacturing, financial, R&D and/or marketing resources than we have. In addition, we may not be able to offer prices as low as some of our competitors because those competitors may have lower cost structures as a result of their geographic location or the services they provide. Our inability to provide comparable or better manufacturing services at a lower cost than our competitors could cause our net sales to decline. We also expect our competitors to continue to improve the performance of their current products or services, to reduce their current products or service sales prices and to introduce new products or services that may offer greater performance and improved pricing. Any of these could cause a decline in sales, loss of market acceptance of our products or services, or profit margin compression.

WE DEPEND ON THE MEMORY MODULE PRODUCT MARKET.

Most of our technology solutions net sales is derived from memory modular products. The market for these products is characterized by frequent transitions in which products rapidly incorporate new features and performance standards. A failure to develop products with required feature sets or performance standards or a delay as short as a few months in bringing a new product to market could reduce our net sales which may have a material adverse effect on our business, financial condition and results of operations. In addition, the market for semiconductor memory devices has been cyclical. The industry has experienced significant economic downturns at various times, characterized by diminished product demand, accelerated erosion of average selling prices and excess production. In the past, there have been significant declines in the prices for" face="Times New Roman" style="font-size:10.0pt;">0.19

$

0.25

$

0.25

Net income (loss) attributable to Bunge common shareholders	$	1.59	$	1.96	$	3.82	$	3.61

Earnings per common share diluted (Note 16)

Net income (loss) from continuing operations	$ 1.42	$ 1.73	$ 3.53	$ 3.34
Net income (loss) from discontinued operations				

0.14

$

0.17

$

0.24

$

0.24

Net income (loss) attributable to Bunge common shareholders

$

1.56

$

1.90

$ 3.77

$ 3.58

Dividends declared per common share

$ 0.38

$ 0.34

$ 1.10

$

0.98

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

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

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

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

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

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

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)

	Redeemable Non-Controlling Interests	Convertible Preference Shares		Common Shares		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Shares	Non-Controlling Interests	Total Equity
		Shares	Amount	Shares	Amount						
Balance, January 1, 2015	$ 37	6,900,000	$ 690	145,703,198	$ 1	$ 5,053	$ 7,180	$ (4,058)	$ (420)	$ 244	$ 8,690
Net income (loss)	(9)						588			(1)	587
Accretion of noncontrolling interests	13					(13)					(13)
Other comprehensive income (loss)	(3)							(2,154)		(4)	(2,158)
Dividends on common shares							(158)				(158)
Dividends on preference shares							(25)				(25)
Dividends to noncontrolling interests on subsidiary common stock										(7)	(7)
Return of capital to noncontrolling interests										(17)	(17)
Stock-based compensation expense						38					38
Repurchase of common shares				(3,871,810)					(300)		(300)
Issuance of common shares				622,522		24					24
Balance, September 30, 2015	**$ 38**	**6,900,000**	**$ 690**	**142,453,910**	**$ 1**	**$ 5,102**	**$ 7,585**	**$ (6,212)**	**$ (720)**	**$ 215**	**$ 6,661**

	Redeemable Non-Controlling Interests	Convertible Preference Shares		Common Shares		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Shares	Non-Controlling Interests	Total Equity
		Shares	Amount	Shares	Amount						
Balance, January 1, 2014	$ 37	6,900,000	$ 690	147,796,784	$ 1	$ 4,967	$ 6,891	$ (2,572)	$ (120)	$ 231	$ 10,088
Net income (loss)	(11)						569			(7)	562
Accretion of noncontrolling interest	15					(15)					(15)
Other comprehensive income (loss)	(3)							(672)		4	(668)

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

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

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BUNGE LIMITED AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. BASIS OF PRESENTATION AND PRINCIPLES OF CONSOLIDATION

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

2. ACCOUNTING PRONOUNCEMENTS

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

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

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

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

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3. BUSINESS ACQUISITIONS

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

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

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

4. TRADE STRUCTURED FINANCE PROGRAM

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

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

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

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

5. INVENTORIES

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

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

(1) Includes RMI of $3,914 million and $4,125 million at September 30, 2015 and December 31, 2014, respectively. Of these amounts $2,989 million and $2,937 million can be attributable to merchandising activities at September 30, 2015 and December 31, 2014, respectively.

(2) Includes RMI of bulk soybean and canola oil in the aggregate amount of $96 million and $127 million at September 30, 2015 and December 31, 2014, respectively.

(3) Includes sugar RMI, which can be attributable to Bunge s trading and merchandising business of $128 million and $157 million at September 30, 2015 and December 31, 2014, respectively.

6. OTHER CURRENT ASSETS

Other current assets consist of the following:

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

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

(2) Bunge provides cash advances to suppliers, primarily Brazilian farmers of soybeans and sugarcane, to finance a portion of the suppliers production costs. Bunge does not bear any of the costs or risks associated with the related growing crops. The advances are largely collateralized by future crops and physical assets of the suppliers, carry a local market interest rate and settle when the farmer s crop is harvested and sold. The secured advances to farmers are reported net of allowances of $1 million and $2 million at September 30, 2015 and December 31, 2014, respectively.

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

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

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7. OTHER NON-CURRENT ASSETS

Other non-current assets consist of the following:

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

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

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

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

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

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

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

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

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

(US$ in millions)	**September 30, 2015**	**December 31, 2014**
Legal collection process (1)	**$ 115**	$ 179
Renegotiated amounts (2)	**71**	76
Total	**$ 186**	$ 255

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

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

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

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

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

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

8. INCOME TAXES

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

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

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

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

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

9. OTHER CURRENT LIABILITIES

Other current liabilities consist of the following:

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

10. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

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

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

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

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	Fair Value Measurements at Reporting Date							
	September 30, 2015				December 31, 2014			
(US$ in millions)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Readily marketable inventories (Note 5)	$	$ 3,527	$ 611	$ 4,138	$	$ 4,154	$ 255	$ 4,409
Trade accounts receivable(1)		1		1		23		23
Unrealized gain on designated derivative contracts(2):								
Foreign exchange		132		132		10		10
Unrealized gain on undesignated derivative contracts (2):								
Foreign exchange		274		274	5	361		366
Commodities	328	516	365	1,209	486	538	68	1,092
Freight	54		1	55	62	2		64
Energy	5		1	6	35		2	37
Deferred purchase price receivable (Note 12)		84		84		78		78
Other (3)	97	55		152	55	218		273
Total assets	$ 484	$ 4,589	$ 978	$ 6,051	$ 643	$ 5,384	$ 325	$ 6,352
Liabilities:								
Trade accounts payable(1)	$	$ 410	$ 166	$ 576	$	$ 359	$ 33	$ 392
Unrealized loss on designated derivative contracts (4):								
Foreign exchange		43		43		17		17
Unrealized loss on undesignated derivative contracts (4):								
Foreign exchange		892		892	12	525		537
Commodities	274	384	46	704	426	432	59	917
Freight	48		1	49	64		3	67
Energy	14		3	17	80	1	10	91
Total liabilities	$ 336	$ 1,729	$ 216	$ 2,281	$ 582	$ 1,334	$ 105	$ 2,021

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(1) Trade accounts receivable and payable are generally accounted for at carrying cost, with the exception of $1 million and $576 million, at September 30, 2015 and $23 million and $392 million at December 31, 2014, respectively, related to certain delivered inventory for which the receivable and payable, respectively, fluctuate based on changes in commodity prices. These receivables and payables are hybrid financial instruments for which Bunge has elected the fair value option.

(2) Unrealized gains on designated and undesignated derivative contracts are generally included in other current assets. There are no such amounts included in other non-current assets at September 30, 2015 and December 31, 2014, respectively.

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

(4) Unrealized losses on designated and undesignated derivative contracts are generally included in other current liabilities. There are no such amounts included in other non-current liabilities at September 30, 2015 and December 31, 2014, respectively.

Derivatives Exchange traded futures and options contracts are valued based on unadjusted quoted prices in active markets and are classified within Level 1. Bunge s forward commodity purchase and sale contracts are classified as derivatives along with other over-the-counter (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.

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

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

If Bunge used different methods or factors to determine fair values, amounts reported as unrealized gains and losses on derivative contracts and readily marketable inventories at fair value in the consolidated balance sheets and consolidated statements of income could differ. Additionally, if market conditions change subsequent to the reporting date, amounts reported in future periods as unrealized gains and losses on derivative contracts and readily marketable inventories at fair value in the consolidated balance sheets and 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 counterparties at September 30, 2015 and December 31, 2014.

Level 3 RMI 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 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.

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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, 2015 and 2014. These instruments were valued using pricing models that management believes reflect the assumptions that would be used by a marketplace participant.

	Level 3 Instruments Fair Value Measurements Three Months Ended September 30, 2015			
(US$ in millions)	**Derivatives, Net (1)**	**Readily Marketable Inventories**	**Trade Accounts Receivable/ Payable, Net(2)**	**Total**
Balance, July 1, 2015	$ 192	$ 910	$ (357)	$ 745
Total gains and (losses), realized/unrealized included in cost of goods sold	217	109	(18)	308
Purchases		170	(5)	165
Sales		(647)		(647)
Issuances				
Settlements	(91)		261	170
Transfers into Level 3	(1)	167		166
Transfers out of Level 3		(98)	(47)	(145)
Balance, September 30, 2015	**$ 317**	**$ 611**	**$ (166)**	**$ 762**

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

(2) Trade Accounts Receivable and Trade Accounts Payable, net, include Level 3 inventory related receivables and payables.

	Level 3 Instruments Fair Value Measurements Three Months Ended September 30, 2014			
(US$ in millions)	**Derivatives, Net (1)**	**Readily Marketable Inventories**	**Trade Accounts Receivable/ Payable, Net (2)**	**Total**
Balance, July 1, 2014	$ (13)	$ 873	$ (120)	$ 740
Total gains and (losses), realized/unrealized included in cost of goods sold	(12)	(39)	1	(50)
Purchases	(8)	254	(4)	242
Sales	4	(943)		(939)
Issuances	20		(7)	13
Settlements	(47)		84	37
Transfers into Level 3	27	171	(3)	195
Transfers out of Level 3	5	(6)	(11)	(12)
Balance, September 30, 2014	**$ (24)**	**$ 310**	**$ (60)**	**$ 226**

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

(2) Trade Accounts Receivable and Trade Accounts Payable, net, include Level 3 inventory related receivables and payables.

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(US$ in millions)	Level 3 Instruments Fair Value Measurements Nine Months Ended September 30, 2015 Derivatives, Net (1)	Readily Marketable Inventories	Trade Accounts Receivable/ Payable, Net(2)	Total
Balance, January 1, 2015	$ (2)	$ 255	$ (33)	$ 220
Total gains and (losses) realized/unrealized included in cost of goods sold	460	167	(17)	610
Purchases	1	1,197	(5)	1,193
Sales		(1,442)		(1,442)
Issuances			(328)	(328)
Settlements	(139)		466	327
Transfers into Level 3		683	(203)	480
Transfers out of Level 3	(3)	(249)	(46)	(298)
Balance, September 30, 2015	**$ 317**	**$ 611**	**$ (166)**	**$ 762**

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

(2) Trade Accounts Receivable and Trade Accounts Payable, net, include Level 3 inventory related receivables and payables.

(US$ in millions)	Level 3 Instruments Fair Value Measurements Nine Months Ended September 30, 2014 Derivatives, Net (1)	Readily Marketable Inventories	Trade Accounts Receivable/ Payable, Net (2)	Total
Balance, January 1, 2014	$ 20	$ 298	$ (75)	$ 243
Total gains and (losses) realized/unrealized included in cost of goods sold	65	8	2	75
Purchases	5	1,804	(5)	1,804
Sales		(2,176)	8	(2,168)
Issuances	19		(400)	(381)
Settlements	(189)		492	303
Transfers into Level 3	21	534	(11)	544
Transfers out of Level 3	35	(158)	(71)	(194)
Balance, September 30, 2014	**$ (24)**	**$ 310**	**$ (60)**	**$ 226**

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

(2) Trade Accounts Receivable and Trade Accounts Payable, net, include Level 3 inventory related receivables and payables.

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The tables below summarize changes in unrealized gains or (losses) recorded in earnings during the three and nine months ended September 30, 2015 and 2014 for Level 3 assets and liabilities that were held at September 30, 2015 and 2014:

	Level 3 Instruments Fair Value Measurements Three Months Ended			
(US$ in millions)	Derivatives, Net (1)	Readily Marketable Inventories	Trade Accounts Receivable and Payable, Net(2)	Total
Changes in unrealized gains and (losses) relating to assets and liabilities held at September 30, 2015				
Cost of goods sold	$ (35)	$ 24	$ (20)	$ (31)
Changes in unrealized gains and (losses) relating to assets and liabilities held at September 30, 2014				
Cost of goods sold	$ (7)	$ (19)	$ 1	$ (25)

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

(2) Trade Accounts Receivable and Trade Accounts Payable, net, include Level 3 inventory related receivables and payables.

	Level 3 Instruments Fair Value Measurements Nine Months Ended			
(US$ in millions)	Derivatives, Net (1)	Readily Marketable Inventories	Trade Accounts Receivable and Payable, Net(2)	Total
Changes in unrealized gains and (losses) relating to assets and liabilities held at September 30, 2015				
Cost of goods sold	$ 18	$ 15	$ (2)	$ 31
Changes in unrealized gains and (losses) relating to assets and liabilities held at September 30, 2014				
Cost of goods sold	$ 48	$ (43)	$ 4	$ 9

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

(2) Trade Accounts Receivable and Trade Accounts Payable, net, include Level 3 inventory related receivables and payables.

Derivative Instruments

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

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

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

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

	September 30, 2015			
(US$ in millions)	Exchange Traded Net (Short) & Long (1)	Non-exchange Traded (Short) (2)	Non-exchange Traded Long (2)	Unit of Measure
Foreign Exchange				
Options	$	$ (210)	$ 238	Delta
Forwards		(17,003)	11,661	Notional
Futures	4			Notional
Swaps		(462)	52	Notional

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

(2) Non-exchange traded derivatives are presented on a gross (short) and long position basis.

Commodity derivatives - Bunge uses 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 from time-to-time enter into OTC commodity transactions, including swaps, which are settled in cash at maturity or termination based on exchange-quoted futures prices. Forward purchase and sale contracts are primarily settled through delivery of agricultural commodities. While Bunge considers these exchange traded futures and forward purchase and sale contracts to be effective economic hedges, Bunge does not designate or account for the majority of its commodity contracts as hedges. The forward contracts require performance of both Bunge and the contract counterparty in future periods. Contracts to purchase agricultural commodities generally relate to current or future crop years for delivery periods quoted by regulated commodity exchanges. Contracts for the sale of agricultural commodities generally do not extend beyond one future crop cycle.

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

	September 30, 2015			
	Exchange Traded Net (Short) & Long (1)	Non-exchange Traded (Short) (2)	Non-exchange Traded Long (2)	Unit of Measure
Agricultural Commodities				
Futures	(6,944,106)			Metric Tons
Options	20,795			Metric Tons
Forwards		(33,887,711)	31,573,017	Metric Tons
Swaps		(1,180,877)	2,249,354	Metric Tons

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

(2) Non-exchange traded derivatives are presented on a gross (short) and long position basis.

Ocean freight derivatives Bunge uses derivative instruments referred to as freight forward agreements (FFAs) 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 hedges at September 30, 2015 and December 31, 2014, respectively.

The table below summarizes the open ocean freight positions.

	September 30, 2015			
	Exchange Cleared Net (Short) & Long (1)	Non-exchange Cleared		Unit of Measure
		(Short) (2)	Long (2)	
Ocean Freight				
FFA	(45)			Hire Days
FFA Options	(76)			Hire Days

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

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

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Energy derivatives Bunge uses energy derivative instruments for various purposes including to manage its exposure to volatility in energy costs. Bunge s operations use substantial amounts of energy, including natural gas, coal, and fuel oil, including bunker fuel. Bunge has entered into Emissions Reduction Purchase Agreement (ERPA) contracts which are commitments to purchase Carbon Emissions Reduction Credits (CER s) when these credits are delivered at future dates.

The table below summarizes the open energy positions.

	September 30, 2015			
	Exchange Traded Net (Short) & Long (1)	Non-exchange Cleared (Short) (2)	Non-exchange Cleared Long (2)	Unit of Measure (3)
Natural Gas (3)				
Futures	6,560,000			MMBtus
Swaps			796,209	MMBtus
Options				MMBtus
Energy Other				
Futures	(1,624,372)			Metric Tons
Forwards			7,108,552	Metric Tons
Swaps	154,300			Metric Tons
Options				Metric Tons

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

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

(3) Million British Thermal Units (MMBtus) is the standard unit of measurement used to denote an amount of natural gas.

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

The table below summarizes the effect of derivative instruments that are designated as fair value hedges and also derivative instruments that are undesignated on the condensed consolidated statements of income for the nine months ended September 30, 2015 and 2014.

Gain or (Loss) Recognized in

(US$ in millions)	Location	Income on Derivative Instruments Nine Months Ended September 30, 2015	2014
Undesignated Derivative Contracts:			
Interest Rate	Other income (expense) - net	**$ (1)**	$
Foreign Exchange	Foreign exchange gains (losses)	**(356)**	28
Foreign Exchange	Cost of goods sold	**(814)**	113
Commodities	Cost of goods sold	**1,086**	383
Freight	Cost of goods sold	**10**	(1)
Energy	Cost of goods sold	**(9)**	(15)
Total		**$ (84)**	$ 508

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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, 2015.

		Nine Months Ended September 30, 2015				
		Gain or (Loss) Recognized in Accumulated OCI (1)	Gain or (Loss) Reclassified from Accumulated OCI into Income (1)		Gain or (Loss) Recognized in Income on Derivatives	
(US$ in millions)	Notional Amount		Location	Amount	Location	Amount (2)
Cash Flow Hedge:						
Foreign Exchange (3)	$ 290	$ (89)	Foreign exchange gains (losses)	$ (51)	Foreign exchange gains (losses)	$
Total	**$ 290**	**$ (89)**		**$ (51)**		**$**
Net Investment Hedge:						
Foreign Exchange (3)	$ 1,685	$ 235	Foreign exchange gains (losses)	$	Foreign exchange gains (losses)	$
Total	**$ 1,685**	**$ 235**		**$**		**$**

(1) The gain (loss) recognized relates to the effective portion of the hedging relationship. At September 30, 2015, Bunge expects to reclassify into income in the next 12 months approximately ($41) million of after-tax gain (loss) related to its foreign exchange cash flow hedges.

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

(3) The foreign exchange contracts mature at various dates in 2015 through 2020.

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, 2014.

		Nine Months Ended September 30, 2014				
		Gain or (Loss) Recognized in Accumulated OCI (1)	Gain or (Loss) Reclassified from Accumulated OCI into Income (1)		Gain or (Loss) Recognized in Income on Derivatives	
(US$ in millions)	Notional Amount		Location	Amount	Location	Amount (2)
Cash Flow Hedge:						

Foreign Exchange (3)	$	148	$	19	Foreign exchange gains (losses)	$	11	Foreign exchange gains (losses)	$
Total	**$**	**148**	**$**	**19**		**$**	11		**$**
Net Investment Hedge:									
Foreign Exchange (3)	$	557	$	(7)	Foreign exchange gains (losses)	$		Foreign exchange gains (losses)	$
Total	**$**	**557**	**$**	**(7)**		**$**			**$**

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(1) The gain or (loss) recognized relates to the effective portion of the hedging relationship. At September 30, 2014, Bunge expected to reclassify into income in the next 12 months approximately $19 million of after-tax gains (losses) related to its foreign exchange cash flow hedges.

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

(3) The foreign exchange contracts matured at various dates in 2014 and 2015.

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11. DEBT

Bunge s commercial paper program is supported by an identical amount of committed back-up bank credit lines (the Liquidity Facility) provided by banks that are rated at least A-1 by Standard & Poor s Financial Services and P-1 by Moody s Investors Service. The cost of borrowing under the Liquidity Facility would typically be higher than the cost of issuing under Bunge s commercial paper program. At September 30, 2015, there was $130 million outstanding under the commercial paper program and no borrowings were outstanding under the Liquidity Facility.

On August 10, 2015, Bunge entered into an amendment agreement to its unsecured $1,750 million syndicated revolving credit facility, dated March 17, 2014 (the Facility). The amendment agreement extends the maturity date of the Facility to August 10, 2018. Bunge has the option to request an extension of the maturity date of the Facility for two additional one-year periods. Each lender in its sole discretion may agree to any such request. The amendment agreement also lowers the range of margin applicable to Bunge s borrowings under the Facility. Borrowings under the Facility will bear interest at LIBOR plus a margin, which will vary from 0.35% to 1.35% per annum, based on the credit ratings of Bunge s senior long-term unsecured debt. Bunge will also pay a fee that varies from 0.10% to 0.40% per annum, based on the utilization of the Facility. Amounts under the Facility that remain undrawn are subject to a commitment fee payable quarterly in arrears at a rate of 35% of the margin specified above, which will vary based on the rating level at each quarterly payment date. Bunge may, from time-to-time, with the consent of the facility agent, request one or more of the existing lenders or new lenders to increase the total commitments under the Facility by up to $250 million pursuant to an accordion provision. At September 30, 2015, Bunge had $300 million of borrowings outstanding under the Facility.

At September 30, 2015, Bunge had $4,336 million of unused and available borrowing capacity under its committed credit facilities with a number of lending institutions.

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

	September 30, 2015			December 31, 2014		
(US$ in millions)	**Carrying Value**	**Fair Value (Level 2)**	**Fair Value (Level 3)**	**Carrying Value**	**Fair Value (Level 2)**	**Fair Value (Level 3)**
Long-term debt, including current portion	$ 3,102	$ 3,181	$ 54	$ 3,263	$ 3,273	$ 195

12. TRADE RECEIVABLES SECURITIZATION PROGRAM

Bunge and certain of its subsidiaries participate in a trade receivables securitization program (the Program) with a financial institution, as administrative agent, and certain commercial paper conduit purchasers and committed purchasers (collectively, the Purchasers) that provides for funding up to $700 million against receivables sold into the Program.

As of September 30, 2015 and December 31, 2014, $560 million and $599 million, respectively, of receivables sold under the Program were derecognized from Bunge s condensed consolidated balance sheets. Proceeds received in cash related to transfers of receivables under the Program totaled $7,431 million and $8,837 million for the nine months ended September 30, 2015 and 2014, respectively. In addition, cash collections from customers on receivables previously sold were $7,540 million and $9,038 million, respectively. As this is a revolving facility, cash collections from customers are reinvested to fund the sale of new receivables. Gross receivables sold under the Program for the nine months ended September 30, 2015 and 2014 were $7,609 million and $8,966 million, respectively. These sales resulted in discounts of $2 million for each of the three months ended September 30, 2015 and 2014, and of $4 million and $6 million for the nine months ended September 30, 2015 and 2014, respectively, which were included in SG&A in the condensed consolidated statements of income. Servicing fees under the Program were not significant in any period.

Bunge s risk of loss following the sale of the trade receivables is limited to the deferred purchase price (DPP), which at September 30, 2015 and December 31, 2014 had a fair value of $84 million and $78 million, respectively, and is included in other current assets in the condensed consolidated balance sheets (see Note 6). The DPP will be repaid in cash as receivables are collected, generally within 30 days. Delinquencies and credit losses on trade receivables sold under the Program during the three and nine months ended September 30, 2015 and 2014 were insignificant. Bunge has reflected all cash flows under the Program as operating cash flows in the condensed consolidated statements of cash flows.

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13. RELATED PARTY TRANSACTIONS

On April 15, 2015, Bunge and Saudi Agricultural and Livestock Investment Company (SALIC), formed a Canadian entity, G3. Bunge has a 51% ownership interest in G3. Bunge accounts for G3 under the equity method of accounting as the ownership interest does not provide Bunge with a controlling financial interest due to certain contractual restrictions.

On July 30, 2015, G3 closed on the acquisition of an approximate 61% ownership interest in G3 Canada Limited, formerly the Canadian Wheat Board (CWB) for $368 million Canadian dollars (approximately $286 million, as of July 30, 2015). The remaining interest was acquired by the CWB Farmers Equity Trust. In order to fund the acquisition amount and future cash flow requirements, Bunge contributed capital to G3 of $130 million and SALIC contributed capital in the amount of $126 million and $115 million in the form of convertible debt. Simultaneously, the CWB acquired certain assets of Bunge s grain business in Canada for $90 million, which includes Bunge s export facility and grain elevators in Quebec for $54 million plus certain working capital of $36 million. The condensed consolidated statements of income for the three and nine months ended September 30, 2015 includes a pre-tax gain of $47 million on the sale of the grain assets in Canada.

Bunge purchased soybeans, other commodity products and received port services from certain of its unconsolidated investees, totaling $121 million and $127 million for the three months ended September 30, 2015 and 2014, respectively, and $502 million and $523 million for the nine months ended September 30, 2015 and 2014, respectively. Bunge also sold soybeans, other commodity products and provided port services to certain of its unconsolidated investees, totaling $84 million and $66 million for the three months ended September 30, 2015 and 2014, respectively, and $270 million and $255 million for the nine months ended September 30, 2015 and 2014, respectively.

14. COMMITMENTS AND CONTINGENCIES

Bunge is party to a large number of claims and lawsuits, primarily tax and labor claims in Brazil and tax claims in Argentina, arising in the normal course of business. The ability to predict the ultimate outcome of such matters involves judgments, estimates and inherent uncertainties. Bunge records liabilities related to its general claims and lawsuits when the exposure item becomes probable and can be reasonably estimated. Bunge management does not expect these matters to have a material adverse effect on Bunge s financial condition, results of operations or liquidity. However, these matters are subject to inherent uncertainties and there exists the remote possibility of an adverse impact on Bunge s position in the period the uncertainties are resolved whereby the settlement of the identified contingencies could exceed the amount of provisions included in the condensed consolidated balance sheets. Included in other non-current liabilities at September 30, 2015 and December 31, 2014 are the following amounts related to these matters:

(US$ in millions)		**September 30, 2015**		**December 31, 2014**
Tax claims	**$**	**159**	$	225
Labor claims		**69**		86
Civil and other claims		**92**		107
Total	**$**	**320**	$	418

Tax claims - These tax claims relate principally to claims against Bunge s Brazilian subsidiaries, primarily value added tax claims (ICMS, IPI, PIS and COFINS). The determination of the manner in which various Brazilian federal, state

and municipal taxes apply to the operations of Bunge is subject to varying interpretations arising from the complex nature of Brazilian tax law. In addition to the matter discussed below, Bunge monitors other potential claims in Brazil regarding these value-added taxes. In particular, Bunge monitors the Brazilian federal and state governments responses to recent Brazilian Supreme Court decisions invalidating on constitutional grounds certain ICMS incentives and benefits granted by various states. While Bunge was not a recipient of any of the incentives and benefits that were the subject of these Supreme Court decisions, it has received other similar tax incentives and benefits. Bunge has not received any tax assessment from the states that granted these incentives or benefits related to their validity and, based on the Company s evaluation of this matter as required by U.S. GAAP, no liability has been recorded in the consolidated financial statements.

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On February 13, 2015, Brazil s Supreme Federal Court ruled in a leading case that certain state ICMS tax credits for staple foods (including soy oil, margarine, mayonnaise and wheat flours) are unconstitutional. Bunge, like other companies in the Brazilian food industry, is involved in several administrative and judicial disputes with Brazilian states regarding these tax credits. While the leading case does not involve Bunge and each case is unique in facts and circumstances and applicable state law, the ruling has general precedent authority on lower court cases. Based on management s review of the ruling (without considering the future success of any potential clarification or modulation of the ruling) and its general application to Bunge s pending cases, management recorded a liability of 468 million Brazilian *reais* (approximately $118 million and $177 million as of September 30, 2015 and December 31, 2014, respectively), plus applicable interest. Management intends to continue to vigorously defend against its pending state cases.

In December 2012, July 2013 and November 2014, the Brazilian tax authorities concluded examinations of the PIS COFINS tax returns of one of Bunge s Brazilian subsidiaries for the years 2004-2009, and proposed adjustments totaling approximately 430 million Brazilian *reais* (approximately $108 million and $162 million as of September 30, 2015 and December 31, 2014, respectively), plus applicable interest and penalties. Management, in consultation with external legal advisors, has established appropriate reserves for potential exposures.

The Argentine tax authorities have been conducting a review of income and other taxes paid by exporters and processors of cereals and other agricultural commodities in the country. In that regard, in October 2010, the Argentine tax authorities carried out inspections at several of Bunge s locations in Argentina relating to allegations of income tax evasion covering the periods from 2007 to 2009. In December 2012, Bunge s Argentine subsidiary received an income tax assessment relating to fiscal years 2006 and 2007 with a claim of approximately 436 million Argentine *pesos* (approximately $46 million as of September 30, 2015), plus previously accrued interest on the outstanding amount due of approximately 1,024 million Argentine *pesos* (approximately $109 million as of September 30, 2015). Bunge s Argentine subsidiary has appealed this assessment before the National Tax Court. Fiscal years 2008 and 2009 are currently being audited by the tax authorities. In April 2012, the Argentine government suspended Bunge s Argentine subsidiary from a registry of grain traders and, in October 2012, the government excluded Bunge s subsidiary from this registry in connection with the income tax allegations discussed above. While the suspension and exclusion have not had a material adverse effect on Bunge s business in Argentina, these actions have resulted in additional administrative requirements and increased logistical costs on grain shipments within Argentina. Additionally, in April 2011, the Argentine tax authorities conducted inspections of Bunge s locations and those of several other grain exporters with respect to allegations of evasion of liability for value-added taxes and an inquest proceeding was initiated in the first quarter of 2012 to determine whether there is any potential criminal culpability relating to these matters. Also during 2011, Bunge paid $112 million of accrued export tax obligations in Argentina under protest while reserving all of its rights in respect of such payment. In the first quarter of 2012, the Argentine tax authorities assessed interest on these paid export taxes, which as of September 30, 2015, totaled approximately $198 million. Bunge previously recorded an accrual of $30 million for a portion of the assessed interest. Based on a July, 2015 determination by the Argentine Supreme Court and the opinions of external legal advisors, management has concluded that the risk of payment of such interest is remote and reversed the accrual. Bunge is challenging these actions in the Argentine courts and management believes that these tax-related allegations and claims are without merit and intends to vigorously defend against them. However, management is, at this time, unable to predict their outcome.

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

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

Guarantees - Bunge has issued or was a party to the following guarantees at September 30, 2015:

(US$ in millions)		**Maximum Potential Future Payments**
Unconsolidated affiliates financing (1)	$	70
Residual value guarantee (2)		149
Total	**$**	**219**

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(1) Bunge issued guarantees to certain financial institutions related to debt of certain of its unconsolidated joint ventures. The terms of the guarantees are equal to the terms of the related financings which have maturity dates in 2015 through 2018. There are no recourse provisions or collateral that would enable Bunge to recover any amounts paid under these guarantees. At September 30, 2015, Bunge had no outstanding recorded obligation related to these guarantees.

(2) Bunge issued guarantees to certain financial institutions which are party to certain operating lease arrangements for railcars and barges. These guarantees provide for a minimum residual value to be received by the lessor at conclusion of the lease term. These leases expire at various dates from 2016 through 2019. At September 30, 2015, Bunge s recorded obligation related to these guarantees was $5 million.

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In addition, Bunge Limited has provided full and unconditional parent level guarantees of the outstanding indebtedness under certain credit facilities entered into, and senior notes issued, by its subsidiaries. At September 30, 2015, Bunge s condensed consolidated balance sheet includes debt with a carrying amount of $3,502 million related to these guarantees. This debt includes the senior notes issued by two of Bunge s 100% owned finance subsidiaries, Bunge Limited Finance Corp. and Bunge N.A. Finance L.P. There are no significant restrictions on the ability of Bunge Limited Finance Corp., Bunge N.A. Finance L.P. or any other Bunge subsidiary to transfer funds to Bunge Limited.

15. EQUITY

Share repurchase program In May 2015, Bunge established a new program for the repurchase of up to $500 million of Bunge s issued and outstanding common shares. The program has no time expiration associated with it. Bunge repurchased 1,411,210 common shares for $100 million under this program during the third quarter ended September 30, 2015. Bunge completed the previous program of $975 million during the first quarter of 2015 with the repurchase of 2,460,600 common shares for $200 million.

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

(US$ in millions)	Foreign Exchange Translation Adjustment	Deferred Gains (Losses) on Hedging Activities	Pension and Other Postretirement Liability Adjustments	Unrealized Gains (Losses) On Investments	Accumulated Other Comprehensive Income (Loss)
Balance, July 1, 2015	$ (5,008)	$ (12)	$ (150)	$ 3	$ (5,167)
Other comprehensive income (loss) before reclassifications	(1,245)	166	1		(1,078)
Amount reclassified from accumulated other comprehensive income		33			33
Balance, September 30, 2015	**$ (6,253)**	**$ 187**	**$ (149)**	**$ 3**	**$ (6,212)**

(US$ in millions)	Foreign Exchange Translation Adjustment	Deferred Gains (Losses) on Hedging Activities	Pension and Other Postretirement Liability Adjustments	Unrealized Gains (Losses) On Investments	Accumulated Other Comprehensive Income (Loss)
Balance, July 1, 2014	$ (2,147)	$ (42)	$ (70)	$ 5	$ (2,254)
Other comprehensive income (loss) before reclassifications	(1,010)	29		(2)	(983)
Amount reclassified from accumulated other comprehensive income		(7)			(7)
Balance, September 30, 2014	**$ (3,157)**	**$ (20)**	**$ (70)**	**$ 3**	**$ (3,244)**

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(US$ in millions)	Foreign Exchange Translation Adjustment	Deferred Gains (Losses) on Hedging Activities	Pension and Other Postretirement Liability Adjustments	Unrealized Gains (Losses) On Investments	Accumulated Other Comprehensive Income (Loss)
Balance, January 1, 2015	$ (3,897)	$ (10)	$ (154)	$ 3	$ (4,058)
Other comprehensive income (loss) before reclassifications	(2,356)	146	5		(2,205)
Amount reclassified from accumulated other comprehensive income		51			51
Balance, September 30, 2015	**$ (6,253)**	**$ 187**	**$ (149)**	**$ 3**	**$ (6,212)**

(US$ in millions)	Foreign Exchange Translation Adjustment	Deferred Gains (Losses) on Hedging Activities	Pension and Other Postretirement Liability Adjustments	Unrealized Gains (Losses) On Investments	Accumulated Other Comprehensive Income (Loss)
Balance, January 1, 2014	$ (2,486)	$ (22)	$ (69)	$ 5	$ (2,572)
Other comprehensive income (loss) before reclassifications	(671)	13	(1)	(2)	(661)
Amount reclassified from accumulated other comprehensive income		(11)			(11)
Balance, September 30, 2014	**$ (3,157)**	**$ (20)**	**$ (70)**	**$ 3**	**$ (3,244)**

16. EARNINGS PER COMMON SHARE

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(US$ in millions, except for share data)	2015	2014	2015	2014
Income from continuing operations, net of tax	**$ 213**	$ 277	**$ 551**	$ 525
Net (income) loss attributable to noncontrolling interests	**5**	(10)	**1**	7
Income (loss) from continuing operations attributable to Bunge	**218**	267	**552**	532
Other redeemable obligations (1)	**(2)**	(2)	**(13)**	(15)
Convertible preference share dividends	**(8)**	(8)	**(25)**	(25)
Income (loss) from discontinued operations, net of tax	**21**	27	**36**	37
Net income (loss) available to Bunge common shareholders	**$ 229**	$ 284	**$ 550**	$ 529
Weighted-average number of common shares outstanding:				
Basic	**143,361,057**	145,528,313	**144,077,505**	146,493,870
Effect of dilutive shares:				
stock options and awards	**638,412**	981,122	**822,124**	958,505
convertible preference shares	**7,794,930**	7,680,390	**7,794,930**	7,680,390
Diluted (2)	**151,794,399**	154,189,825	**152,694,559**	155,132,765

Basic earnings per common share:								
Net income (loss) from continuing operations	$	**1.45**	$	1.77	$	**3.57**	$	3.36
Net income (loss) from discontinued operations		**0.14**		0.19		**0.25**		0.25
Net income (loss) to Bunge attributable to common shareholders basic	$	**1.59**	$	1.96	$	**3.82**	$	3.61
Diluted earnings per common share:								
Net income (loss) from continuing operations	$	**1.42**	$	1.73	$	**3.53**	$	3.34
Net income (loss) from discontinued operations		**0.14**		0.17		**0.24**		0.24
Net income (loss) attributable to Bunge common shareholders diluted	$	**1.56**	$	1.90	$	**3.77**	$	3.58

(1) Accretion of redeemable noncontrolling interest of $2 million and $2 million for the three months ended September 30, 2015 and 2014, respectively, and $13 million and $15 million for the nine months ended September 30, 2015 and 2014, respectively, relates to a non-fair

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value variable put arrangement whereby the noncontrolling interest holder may require Bunge to purchase the remaining shares of an oilseed processing operation in Central and Eastern Europe. Accretion for the respective periods includes the effect of losses incurred by the operations for the three and nine months ended September 30, 2015, and 2014, respectively.

(2) Approximately 3 million and 2 million outstanding stock options and contingently issuable restricted stock units were not dilutive and not included in the weighted-average number of common shares outstanding for the three and nine months ended September 30, 2015.

Approximately 2 million and 3 million outstanding stock options and contingently issuable restricted stock units were not dilutive and not included in the weighted-average number of common shares outstanding for the three and nine months ended September 30, 2014.

17. SEGMENT INFORMATION

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

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

(US$ in millions)

Three Months Ended September 30, 2015	Agribusiness	Edible Oil Products	Milling Products	Sugar and Bioenergy	Fertilizer	Discontinued Operations & Unallocated (1)	Total
Net sales to external customers	$ 7,718	$ 1,659	$ 375	$ 891	$ 119	$	$ 10,762
Inter segment revenues	999	44		9		(1,052)	
Gross profit	527	98	66	53	1		745
Foreign exchange gains (losses)	5	(4)	(4)	(23)	2		(24)

Noncontrolling interests (1)	**5**	**(2)**			**(1)**	**3**	**5**
Other income (expense) net(2)	**47**	**3**	**(1)**	**(1)**	**1**		**49**
Segment EBIT (3)	**369**	**13**	**32**	**3**	**(3)**		**414**
Discontinued operations (5)						**21**	**21**
Depreciation, depletion and amortization	**(58)**	**(22)**	**(10)**	**(43)**	**(3)**		**(136)**
Total assets	**$ 12,669**	**$ 1,975**	**$ 1,037**	**$ 2,219**	**$ 358**	**$ 181**	**$ 18,439**
Three Months Ended September 30, 2014							
Net sales to external customers	$ 9,835	$ 2,016	$ 516	$ 1,154	$ 155	$	$ 13,676
Inter segment revenues	1,205	37	36		1	(1,279)	
Gross profit	423	135	78	64	19		719
Foreign exchange gains (losses)	13	(3)	(2)	13	2		23
Noncontrolling interests (1)	(14)	(3)		(2)	(2)	11	(10)
Other income (expense) net	(5)	(1)		6	(2)		(2)
Segment EBIT (3)	186	37	37	44	12		316
Discontinued operations (5)						27	27
Depreciation, depletion and amortization	(63)	(24)	(12)	(59)	(4)		(162)
Total assets	$ 16,487	$ 2,317	$ 1,258	$ 3,424	$ 385	$ 274	$ 24,145

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Nine Months Ended September 30, 2015	Agribusiness	Edible Oil Products	Milling Products	Sugar and Bioenergy	Fertilizer	Discontinued Operations & Unallocated (1)	Total
Net sales to external customers	$ 23,373	$ 4,974	$ 1,230	$ 2,519	$ 254	$	$ 32,350
Inter segment revenues	2,570	126	36	12		(2,744)	
Gross profit	1,393	297	193	99	8		1,990
Foreign exchange gains (losses)	29		(8)	(38)	2		(15)
Noncontrolling interests (1)	(6)	(5)			(1)	13	1
Other income (expense) net(2)	47	3	(3)	(7)	1		41
Segment EBIT (3)(4)	863	43	88	(32)	(8)		954
Discontinued operations (5)						36	36
Depreciation, depletion and amortization	(173)	(65)	(33)	(121)	(11)		(403)
Total assets	$ 12,669	$ 1,975	$ 1,037	$ 2,219	$ 358	$ 181	$ 18,439
Nine Months Ended September 30, 2014							
Net sales to external customers	$ 32,783	$ 6,043	$ 1,604	$ 3,184	$ 316	$	$ 43,930
Inter segment revenues	2,935	115	40		2	(3,092)	
Gross profit	1,198	399	235	54	40		1,926
Foreign exchange gains (losses)	32	(3)	(2)	31	1		59
Noncontrolling interests (1)	(11)	(5)			(4)	27	7
Other income (expense) net	(6)		(2)	14	(1)		5
Segment EBIT (3)	576	105	113	(14)	29		809
Discontinued operations (5)						37	37
Depreciation, depletion and amortization	(177)	(73)	(36)	(150)	(12)		(448)
Total assets	$ 16,487	$ 2,317	$ 1,258	$ 3,424	$ 385	$ 274	$ 24,145

(1) Includes noncontrolling interests share of interest and tax to reconcile to consolidated noncontrolling interest and discontinued operations of Brazilian fertilizer distribution business and certain asset management operations.

(2) Includes a pre-tax gain of $47 million on the sale from certain Agribusiness grain assets in Canada.

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

(4) Includes a pre-tax, non-cash impairment charge of $15 million in cost of goods sold recorded in the second quarter 2015, related to the announced closure of Bunge s oil packaging plant in the United States.

(5) Represents net income (loss) from discontinued operations.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(US$ in millions)	**2015**	**2014**	**2015**	**2014**
Total segment EBIT from continuing operations	**$ 414**	$ 316	**$ 954**	$ 809
Interest income	**18**	19	**42**	71
Interest expense	**(77)**	(70)	**(187)**	(225)
Income tax (expense) benefit	**(140)**	(9)	**(270)**	(150)
Income (loss) from discontinued operations, net of tax	**21**	27	**36**	37
Noncontrolling interests share of interest and tax	**3**	11	**13**	27
Net income attributable to Bunge	**$ 239**	$ 294	**$ 588**	$ 569

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18. SUBSEQUENT EVENT

On October 30, 2015, Bunge Alimentos S.A., an indirect wholly owned subsidiary of Bunge, closed on the acquisition of 100% ownership interest in Moinho Pacifico, a Brazilian wheat mill and port terminal in Santos, Brazil. Bunge paid cash of approximately 1,020 million Brazilian *reais* (approximately $257 million as of September 30, 2015). Moinho Pacifico is one of the largest wheat processors in Brazil.

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Cautionary Statement Regarding Forward Looking Statements

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

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

You should refer to Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2014, filed with the SEC on March 2, 2015, and Part II Item 1A. Risk Factors in this Quarterly Report on Form 10-Q for a more detailed discussion of these factors.

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

Third Quarter 2015 Overview

You should refer to Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Factors Affecting Operating Results in our Annual Report on Form 10-K for the year ended December 31, 2014 for a discussion of key factors affecting operating results in each of our business segments.

Segment Overview

Agribusiness EBIT for the third quarter of 2015 was $369 million compared to $186 million in the third quarter of 2014. In Oilseeds, soybean processing in the U.S., Brazil, Argentina and Europe were the largest contributors to the quarter, benefitting from strong domestic and export demand for soybean meal. Softseed processing results in Europe and Canada declined as farmers retained seed. Results in oilseed trading & distribution were lower compared to the strong performance in the third quarter of 2014. In Grains, higher results were primarily driven by our Brazilian grain origination operation which experienced a significant pick-up in volume in the quarter with the devaluation of the Brazilian *real*. Grain origination results in other origins were similar to last year and did not make a significant contribution to results due to slow farmer selling. Results in grain trading & distribution which included the recovery of approximately $50 million of losses on open positions at the end of the second quarter of 2015, were good and similar when compared to the third quarter of 2014. Our global team managed risk well during the third quarter of 2015 as crop prices declined, reflecting good harvests and inventory build-up in most regions. Higher segment volumes were primarily due to our soy processing operations in the U.S., Argentina and Asia. Third quarter 2014 results were impacted by approximately $80 million in temporary mark-to-market hedging losses in our oilseed processing and distribution operations, which reversed later in the year when we executed the contracts.

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Edible Oil Products EBIT for the third quarter of 2015 was $13 million compared to $37 million in the third quarter of 2014. Results in North America improved primarily due to higher margins in both our refining and packaging operations. In Brazil, margins and volumes were pressured due to the rapid contraction of consumer demand and the significant devaluation of the Brazilian *real*. While volumes are rebuilding from lower levels, margins remain low. Results in our European operations were also down in the third quarter of 2015 largely due to the weak economic environment in certain countries, which more than offset the savings from our performance improvement initiatives.

Milling Products - EBIT for the third quarter of 2015 was $32 million compared to $37 million in the third quarter of 2014. Improved EBIT in North America was more than offset by lower results in Brazil. Our Brazilian wheat milling business was impacted by lower margins when expressed in U.S. dollars and lower volumes due to the rapid contraction of consumer demand, particularly from the food service channel, and the significant devaluation of the Brazilian *real*. In local currency, our team managed to hold margins similar to last year levels; however, the weak economic conditions have made it difficult to pass through an increase in prices to cover higher local costs and currency impacts. In North America, higher margins and volumes in our Mexican wheat milling business more than offset the impacts of currency devaluation and lower margins in our U.S. corn milling business. Rice milling results were comparable to last year.

Sugar and Bioenergy - EBIT for the third quarter of 2015 was $3 million compared to $44 million in the third quarter of 2014. Results were lower in both sugarcane milling and trading & merchandising. In milling, lower prices and sucrose content in sugarcane (ATR), more than offset higher volume. While production volume was up this year, it was lower than expected due to excess rain in September, which limited the number of milling days. In trading & merchandising, lower margins more than offset higher volumes compared to a particularly strong result in the third quarter of 2014. Results in our biofuel businesses were comparable to last year. Results in the third quarter of 2015 were impacted by a $5 million loss from our Brazilian renewable oils joint venture. We also incurred mark-to-market losses of $7 million related to forward sugar hedges, which are expected to reverse in the fourth quarter of 2015, whereas last year s third quarter of 2014 results included mark-to-market gains related to hedges on our forward sugar sales of $12 million and gains on foreign currency hedges.

Fertilizer EBIT for the third quarter of 2015 was a loss of $3 million compared to income of $12 million in the third quarter of 2014. The loss in the quarter was due to lower volumes and margins in our Argentine operations resulting from reduced farmer planting of corn and wheat. Results in our Brazilian port operation were also down due to lower fertilizer imports and currency translation.

Segment Results

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

(US$ in millions, except volumes)	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Volumes (in thousands of metric tons):				
Agribusiness	**36,154**	34,937	**100,200**	101,615
Edible oil products	**1,733**	1,721	**5,005**	5,050
Milling products	**1,064**	1,102	**3,136**	3,450
Sugar and Bioenergy	**2,428**	2,229	**7,424**	6,303
Fertilizer	**287**	349	**620**	707
Net sales:				
Agribusiness	**$ 7,718**	$ 9,835	**$ 23,373**	$ 32,783
Edible oil products	**1,659**	2,016	**4,974**	6,043
Milling products	**375**	516	**1,230**	1,604
Sugar and Bioenergy	**891**	1,154	**2,519**	3,184
Fertilizer	**119**	155	**254**	316
Total	**$ 10,762**	$ 13,676	**$ 32,350**	$ 43,930

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Cost of goods sold:								
Agribusiness	**$**	**(7,191)**	$	(9,412)	**$**	**(21,980)**	$	(31,585)
Edible oil products		**(1,561)**		(1,881)		**(4,677)**		(5,644)
Milling products		**(309)**		(438)		**(1,037)**		(1,369)
Sugar and Bioenergy		**(838)**		(1,090)		**(2,420)**		(3,130)
Fertilizer		**(118)**		(136)		**(246)**		(276)
Total	**$**	**(10,017)**	$	(12,957)	**$**	**(30,360)**	$	(42,004)
Gross profit:								
Agribusiness	**$**	**527**	$	423	**$**	**1,393**	$	1,198
Edible oil products		**98**		135		**297**		399
Milling products		**66**		78		**193**		235
Sugar and Bioenergy		**53**		64		**99**		54
Fertilizer		**1**		19		**8**		40
Total	**$**	**745**	$	719	**$**	**1,990**	$	1,926
Selling, general and administrative expenses:								
Agribusiness	**$**	**(215)**	$	(231)	**$**	**(600)**	$	(637)
Edible oil products		**(82)**		(91)		**(252)**		(286)
Milling products		**(29)**		(39)		**(94)**		(118)
Sugar and Bioenergy		**(26)**		(37)		**(86)**		(113)
Fertilizer		**(6)**		(5)		**(18)**		(7)
Total	**$**	**(358)**	$	(403)	**$**	**(1,050)**	$	(1,161)
Foreign exchange gains (losses):								
Agribusiness	**$**	**5**	$	13	**$**	**29**	$	32
Edible oil products		**(4)**		(3)				(3)
Milling products		**(4)**		(2)		**(8)**		(2)
Sugar and Bioenergy		**(23)**		13		**(38)**		31
Fertilizer		**2**		2		**2**		1
Total	**$**	**(24)**	$	23	**$**	**(15)**	$	59
Noncontrolling interests:								
Agribusiness	**$**	**5**	$	(14)	**$**	**(6)**	$	(11)
Edible oil products		**(2)**		(3)		**(5)**		(5)
Milling products								
Sugar and Bioenergy				(2)				
Fertilizer		**(1)**		(2)		**(1)**		(4)
Total	**$**	**2**	$	(21)	**$**	**(12)**	$	(20)
Other income (expense) - net:								
Agribusiness **(1)**	**$**	**47**	$	(5)	**$**	**47**	$	(6)
Edible oil products		**3**		(1)		**3**		
Milling products		**(1)**				**(3)**		(2)
Sugar and Bioenergy		**(1)**		6		**(7)**		14
Fertilizer		**1**		(2)		**1**		(1)
Total	**$**	**49**	$	(2)	**$**	**41**	$	5

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Segment earnings before interest and tax: (2)				
Agribusiness	**$ 369**	$ 186	**$ 863**	$ 576
Edible oil products	**13**	37	**43**	105
Milling products	**32**	37	**88**	113
Sugar and Bioenergy	**3**	44	**(32)**	(14)
Fertilizer	**(3)**	12	**(8)**	29
Total	**$ 414**	$ 316	**$ 954**	$ 809
Depreciation, depletion and amortization:				
Agribusiness	**$ (58)**	$ (63)	**$ (173)**	$ (177)
Edible oil products	**(22)**	(24)	**(65)**	(73)
Milling products	**(10)**	(12)	**(33)**	(36)
Sugar and Bioenergy	**(43)**	(59)	**(121)**	(150)
Fertilizer	**(3)**	(4)	**(11)**	(12)
Total	**$ (136)**	$ (162)	**$ (403)**	$ (448)

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(1) Includes a 2015 pre-tax gain of $47 million on the sale from certain Agribusiness grain assets in Canada.

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

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

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
(US$ in millions)	**2015**	**2014**	**2015**	**2014**
Total segment EBIT	$ 414	$ 316	$ 954	$ 809
Interest income	18	19	42	71
Interest expense	(77)	(70)	(187)	(225)
Income tax (expense) benefit	(140)	(9)	(270)	(150)
Income (loss) from discontinued operations, net of tax	21	27	36	37
Noncontrolling interests share of interest and tax	3	11	13	27
Net income (loss) attributable to Bunge	$ 239	$ 294	$ 588	$ 569

Three Months Ended September 30, 2015 Compared to Three Months Ended September 30, 2014

Agribusiness Segment Agribusiness segment net sales decreased by 22% to $7.7 billion in the third quarter of 2015, compared to $9.8 billion in the third quarter of 2014. The decrease was driven by lower overall commodity prices (primarily soybeans, which on average were 18% lower compared to the third quarter of 2014), partly offset by higher volumes, which increased 3% from the same period last year. In our grain origination business, increased volumes driven by strong farmer selling in Brazil as a result of the weak Brazilian *real* were partly offset by low farmer selling in the Black Sea region, particularly Russia as a result of export tax uncertainty. In our oilseed processing business, sales were essentially flat quarter over quarter. Although volumes showed 18% growth, driven by strong crushing volumes in North America, Argentina and China, the positive impact from higher volumes was offset by a significant decrease in oilseed commodity prices. In our trading & distribution activities, volumes were lower, primarily driven by a less attractive margin environment in Europe, the Middle East and Africa.

Cost of goods sold decreased by 24% primarily as a result of overall lower commodity prices and the devaluation in most global currencies against the U.S. dollar; in particular the significant weakening of the Brazilian *real* which reduced our industrial costs in Brazil.

Gross profit increased to $527 million in the third quarter of 2015, from $423 million in the third quarter of 2014, primarily driven by higher results in both our oilseed processing and grain origination businesses. In oilseeds, soy processing margins in the United States were driven higher by improved capacity utilization as crush margins were strong. Additionally, prior year oilseed processing results included mark-to-market losses on forward positions in our North American and European oilseed processing and distribution operations. Soy processing results also improved from favorable structural margins in the United States, Brazil, Argentina and Europe, benefiting from strong domestic and export demand for soybean meal. These improved oilseeds processing results were partly offset by lower results in softseed, particularly canola processing due to weaker oil demand. In grains origination, results were strong in Brazil which benefited from increased farmer selling due to the weakened Brazilian *real.*

SG&A expenses decreased by 7% to $215 million in the third quarter of 2015 compared to $231 million last year. This reduction was primarily driven by the weakening of most global currencies relative to the U.S. dollar.

Foreign exchange results in the third quarter of 2015 were a gain of $5 million, compared to a gain of $13 million in the same period in 2014. These results were primarily driven by movements in the Brazilian *real*, relative to the U.S. dollar.

Noncontrolling interests represent (income) loss attributed to the noncontrolling interest holders in joint venture operations that are consolidated in our financial statements. Noncontrolling interests was a loss of $5 million in the third quarter of 2015 compared to income of $14 million in the comparable period last year. The period to period change is primarily driven by weaker performance in our port operations in northwest of the United States and our oilseed processing activities in Asia Pacific.

Other income (expense) net was income of $47 million in the third quarter of 2015, primarily resulting from the $47 million gain on the sale of certain grain assets in Canada to G3 Canada Limited (formerly the Canadian Wheat Board). Other income (expense)-net in the third quarter of 2014 was expense of $5 million.

Segment EBIT increased by $183 million to $369 million in the third quarter of 2015 from $186 million in the third quarter of 2014, primarily as a result of higher gross profit driven by strong results in our oilseed processing operations in the U.S., Argentina and Brazil and grain origination operations in Brazil. Results in 2015, also included a gain of $47 million on the sale of certain grain assets in Canada to G3 Canada Limited (formerly the Canadian Wheat Board).

Edible Oil Products Segment - Edible oil products segment net sales decreased by 18% in the third quarter of 2015 to $1.7 billion, compared to $2 billion in the same period last year, resulting from lower global vegetable oil prices while volumes were essentially flat. Volumes were higher in Asia Pacific with increased demand in India and China offset by lower volumes in Brazil, driven by weaker demand in a recessionary economic environment. Net sales were also impacted by the devaluation of the Brazilian *real*, Ukrainian *hryvnia* and other global currencies*,* when translated into U.S. dollars, compared with the third quarter of 2014.

Cost of goods sold decreased 17% to $1.6 billion from $1.9 billion in the third quarter of 2014, primarily due to lower raw material costs resulting from declining global commodity prices and the translation of local currency costs into U.S. dollars.

Gross profit decreased to $98 million, compared with $135 million for the third quarter of 2014. The decrease was primarily driven by the weak demand in Brazil, particularly in margarines and packaged oils, and in Europe as consumers held back purchases and traded down to lower value products in our main branded markets. Gross profit was also impacted by the strengthening of the U.S. dollar against local currencies in our main markets, as we were not able to fully recover the higher costs in our margins.

SG&A expenses decreased to $82 million in the third quarter of 2015, from $91 million in the same period a year ago, primarily as a result of translation effects of weakening currencies in South America and Europe relative to the U.S. dollar. Our cost efficiency programs also continued to benefit SG&A costs.

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Segment EBIT declined by $24 million to $13 million in the third quarter of 2015, compared with $37 million in the year-ago period, primarily due to lower results in Brazil and Europe driven by a weaker economic environment, partially offset by lower SG&A.

Milling Products Segment - Milling products segment net sales were $375 million in the third quarter of 2015, 27% lower compared to $516 million for the same period of 2014. The decline in sales was mostly driven by the impact of the devaluation of the Brazilian *real* and Mexican *peso* when converted into U.S. dollars, as well as lower selling prices for wheat products due to lower global commodity prices. Volumes decreased by 3%, primarily in our Brazil wheat milling and U.S. corn million businesses, where consumer and food service channel demand was weaker, partially offset by an increase in volumes in our Mexico wheat milling business.

Cost of goods sold decreased to $309 million from $438 million in the third quarter of 2014, resulting from lower volumes and wheat prices partly offset by higher corn prices on average for the third quarter 2015, for futures. Wheat prices were down 3% and corn prices were up 6% from the year-ago period. Foreign exchange effects on industrial costs in Brazil and Mexico and lower energy prices in the United States also reduced costs.

Gross profit decreased to $66 million from $78 million in the same period last year, primarily due to lower margins and volumes in Brazil. In Brazil, the weakened food service demand and the impact of the Brazilian *real* translation reduced margin and volumes. These were partly offset by the positive impact of local currency costs in Brazil when translated into U.S. dollars and improved volumes and margins in our Mexico wheat milling business that included mark-to-market gains and synergy improvements.

SG&A expenses decreased by 26% to $29 million for the third quarter of 2015, mainly from the positive impact of the weaker Brazilian *real* and Mexican *peso* and continuing results from our performance improvement initiatives.

Segment EBIT decreased to $32 million in the third quarter of 2015, from $37 million last year, primarily as a result of lower gross profit, partially offset by lower SG&A.

Sugar and Bioenergy Segment - Sugar and Bioenergy segment net sales decreased to $891 million compared to $1,154 million in the third quarter last year. Higher volumes in our global trading and merchandising operations were more than offset by lower global sugar prices. On average, the futures price of raw sugar was 29% lower in the third quarter of 2015 than in the same period last year. Additionally, in the Brazilian domestic market, with the rising price of ethanol and gasoline, volumes in hydrous ethanol were lower than the prior period. The devaluation of the Brazilian *real* against the U.S. dollar, compared to the same period last year negatively impacted translated domestic sales.

Cost of goods sold decreased 23% in the third quarter of 2015 to $838 million compared to $1,090 million in the third quarter of 2014, primarily driven by lower global sugar prices and the impact of the weaker Brazilian *real* relative to the U.S. dollar, partially offset by an increase in volumes.

Gross profit decreased to $53 million in the third quarter of 2015 from the $64 million reported in the third quarter of 2014. Results in 2015 were positively impacted by improved crushing efficiency and improved agricultural productivity, but were adversely impacted by mark-to-market losses related to hedges on forward sugar sales. Results in our trading & distribution business were lower than the same period last year due to a lower margin environment. Results in 2014 included approximately $12 million due to higher milling margins on mark-to-market gains related to our hedges on forward sugar sales.

SG&A expenses decreased by 30% to $26 million in the third quarter of 2015 from $37 million in the comparable period of 2014, primarily due to the devaluation of the Brazilian *real*, positively impacting local currency costs translated into U.S. dollars and execution of our cost reduction programs.

Foreign exchange results in the third quarter of 2015 were losses of $23 million, compared to gains of $13 million in 2014. These results relate primarily to certain foreign currency hedges.

Other income (expenses)-net was a loss of $1 million in the third quarter of 2015, compared to income of $6 million in the third quarter of 2014. In 2015, $5 million of losses in our joint venture for the production of renewable oils in Brazil were partially offset by gains in our corn wet-milling joint venture facility in Argentina. In 2014 our corn wet-milling joint venture facility in Argentina benefitted from higher distillers grains prices.

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Segment EBIT in the third quarter of 2015 was a gain of $3 million, compared to a gain of $44 million in the same period of 2014. Lower SG&A expenses were more than offset by a decline in gross profit and foreign exchange losses.

Fertilizer Segment - Fertilizer segment net sales decreased 23% to $119 million in the third quarter of 2015, from $155 million in the prior period, primarily due to lower fertilizer imports into Brazil. In Argentina, we experienced a reduction in volumes driven by reduced fertilizer application by farmers due to poor farmer economics which was only partially offset by higher volumes of single super phosphate as a result of the acquisition of a production facility in November 2014.

Cost of goods sold was $118 million in the third quarter of 2015, compared to $136 million a year ago, driven by lower volumes and the weaker Argentine *peso* on local currency industrial costs when translated into U.S. dollars.

Gross profit decreased to $1 million in the third quarter of 2015, from $19 million in the comparable period of 2014. In Argentina, gross profit was impacted by the reduction in volumes from lower usage of nitrogen by the Argentine farmers and in our Brazilian port operations lower results were primarily due to a decrease in import volumes and the Brazilian *real* devaluation.

SG&A expenses were $6 million and $5 million for the three months ending September 30, 2015 and 2014, respectively.

Noncontrolling interests represents (income) loss attributed to the noncontrolling interest holders in operations that are consolidated in our financial statements. The $1 million gain in the third quarter of 2015 and $2 million gain in the third quarter of 2014 represents the noncontrolling interest share of income at our non-wholly owned Brazilian port operations.

Segment EBIT declined to a loss of $3 million in the third quarter of 2015 from income of $12 million in the same period a year ago as a result of lower gross profit.

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

	Three Months Ended September 30,	
(US$ in millions)	**2015**	**2014**
Interest income	$ 18	$ 19
Interest expense	(77)	(70)

Interest income and interest expense remained relatively unchanged between 2015 and 2014.

Income Tax Expense - In the quarter ended September 30, 2015, income tax expense was $140 million compared to $9 million in the quarter ended September 30, 2014. The effective tax rate in the third quarter of 2015 increased to 40% compared to 3% in the third quarter of 2014. The third quarter of 2015 effective tax rate reflects the impact of geographical earnings mix and the establishment of valuation allowances in Asia. In 2014, income tax expense included a net $66 million of discrete tax benefits, primarily from the recording of a $52 million deferred tax asset for operating losses of a subsidiary effectively taxable in Brazil.

Discontinued Operations - Discontinued operations results for the third quarter of 2015 were income of $21 million, net of tax, compared to income of $27 million, net of tax, in the third quarter of 2014. In 2015, gains in Brazilian fertilizer were primarily the result of foreign exchange gains. In 2014, income primarily related to benefits from settlement of certain recorded uncertain tax positions under a tax amnesty program in Brazil that resulted in a reduction of related penalties and interest owed.

Net Income Attributable to Bunge - For the quarter ended September 30, 2015, net income attributable to Bunge decreased to $239 million from $294 million in the quarter ended September 30, 2014. An improvement in segment EBIT in Agribusiness was more than offset by declines in EBIT of all of our other segments and an increase in income tax expense.

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Nine Months Ended September 30, 2015 Compared to Nine Months Ended September 30, 2014

Agribusiness Segment - Net sales of $23.4 billion in the nine months ended September 30, 2015 were down 29% from net sales of $32.8 billion in the nine months ended September 30, 2014. The decrease is primarily driven by significantly lower global commodity prices in the first nine months of 2015 compared to the same period last year. Also, volumes slightly decreased 1% period-over-period with higher oilseed processing volumes being more than offset by lower grain origination and grain and oilseeds trading & distribution volumes. In oilseed processing, higher volumes in North America and Asia and to a lesser extent Argentina were fully offset by lower global commodity prices. In grains, lower origination volumes in North America due to weak farmer selling and lower farmer selling in Argentina, were partly offset by higher volumes in the Black Sea region. In our trading & distribution businesses volumes were lower in both grains and oilseeds in most regions.

Cost of goods sold decreased by 30% to $22.0 billion in the nine months ended September 30, 2015, from $31.6 billion last year, resulting primarily from the lower global commodity prices and the translation effect of weaker global currencies compared with the same period in 2014. Soybean, corn and wheat prices declined 27%, 12% and 14%, respectively in the nine months ended September 30, 2015 compared to the same period in 2014. Solid performance in ocean freight, particularly bunker fuel procurement and in ports and services also contributed to the period over period cost improvement.

Gross profit increased by $195 million, to $1,393 million in the nine months ended September 30, 2015, compared to $1,198 million in the same period a year ago. Strong performance in our oilseed processing business was led by improved results particularly in China and the United States. Grain trading & distribution also benefitted from improved ocean freight and port logistics contributions.

SG&A expenses were $600 million in the nine months ended September 30, 2015 compared to $637 million in the nine months ended September 30, 2014. Expenses in the first nine months of 2015 benefitted from the translation of weaker global currencies, particularly the Brazilian *real* and the *euro,* into U.S. dollars.

Foreign exchange gains were $29 million for the first nine months of 2015 compared to gains of $32 million in the same period of 2014.

Noncontrolling interests represent (income) loss attributed to the noncontrolling interest holders in non wholly owned venture operations consolidated in our financial statements. For the nine months ended September 30, 2015, the income of $6 million compared to income of $11 million in the same period last year represents primarily declining results in our port operation in northwest of the United States.

Other income (expense) net was income of $47 million in the nine months ended September 30 2015, primarily resulting from the $47 million gain on the sale of certain Canadian grain assets to G3 Canada Limited (formerly the Canadian Wheat Board). Other income (expense)-net in the prior period was expense of $6 million.

Segment EBIT increased 50% to $863 million in the nine months ended September 30, 2015 from $576 million in the nine months ended September 30, 2014 primarily as a result of improved gross profit in our oilseed processing business, grain trading and distribution business, a reduction in SG&A from the weakening of global currencies against the U.S. dollar and $47 million gain on the sale of certain assets in Canada.

Edible Oil Products Segment - Edible oil products segment net sales decreased by 18% to $5.0 billion in the nine months ended September 30, 2015, from $6.0 billion in the same period last year, resulting primarily from lower global vegetable oil prices and the translation impact of weaker global currencies relative to the U.S. dollar. Volumes in 2015 were slightly lower for the comparable period last year, with most of the decline resulting from worsening of the economies that directly impacted packaged oil and margarine demand in Brazil and notably in Europe.

Cost of goods sold decreased for the nine months ended September 30, 2015 to $4.7 billion from $5.6 billion in the same period of 2014, due to lower raw material costs resulting from market price declines of edible oils, lower demand in Brazil and Europe which lowered production volumes and the translation impact of the weaker global currencies relative to the U.S. dollar. Cost of goods sold for the nine months ended September 30, 2015 included an impairment charge of $15 million related to the announced closing of one of our U.S. edible oil packaging facilities.

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Gross profit for the first nine months of 2015 decreased to $297 million compared to $399 million for the same period a year ago. The decrease was driven by lower volumes and margins in Brazil packaged oils and margarines and Europe as consumers pulled-back on purchases and traded down to lower value products. The impact of the weaker economic environment was partly offset by cost benefits from our production efficiency programs. The U.S. facility impairment charge also contributed to the reduced gross profit.

SG&A expenses decreased by 12% to $252 million in the first nine months of 2015, from $286 million a year ago, primarily as a result of the translation benefits of the strengthening U.S. dollar relative to the global currencies we operate in, primarily the Brazilian *real*, Argentine *peso* and *euro* and our cost reduction initiatives.

Foreign exchange results for the nine months ended September 30, 2015 were nil, compared with a loss of $3 million for the same period in 2014.

Noncontrolling interests represent (income) loss attributed to noncontrolling interests in consolidated operations. Income attributable to noncontrolling interests was $5 million in both the nine months ended September 30, 2015 and 2014 and represents primarily the noncontrolling interest share of income from our edible oils non-wholly owned ventures in Europe.

Segment EBIT decreased to $43 million for the nine months ended September 30, 2015, from $105 million in the same period a year ago as lower gross profit was only partly offset by lower SG&A.

Milling Products Segment - Milling products segment sales decreased by 23% to $1,230 million in the nine months ended September 30, 2015 from $1,604 million in the same period last year in part due to approximately 13% lower average prices for corn and wheat. Volumes declined 9% compared to the same period last year, primarily in our U.S. corn milling operations, driven by soft demand in the ready-to-eat cereal and brewery industries, and wheat milling in Brazil, which was impacted by the weak economic environment that depressed demand both in retail and food services. Volumes in our U.S. rice milling operations were also lower. Additionally, the foreign exchange impact in the devaluation of the Brazilian *real* and Mexican *peso* against the U.S. dollar for our Brazilian and Mexican operations negatively impacted our sales.

Cost of goods sold decreased by 24% to $1,037 million for the nine months ended September 30, 2015 from $1,369 million in the nine months ended September 30, 2014 primarily due to lower volumes, lower commodity raw material costs and the translation impact of the devaluation of the Brazilian *real* and Mexican *peso* against the U.S. dollar.

Gross profit decreased to $193 million in the first nine months of 2015, from $235 million in the same period a year ago, primarily due to lower volumes and margins in Brazil related to food service and retail industry and lower volumes in U.S. corn milling from depressed demand in cereal and brewery industries for the first half of the year. Margins and volumes in Brazil were adversely impacted by the effects of the currency devaluation. Our Mexico wheat milling operations improved in the third quarter of 2015 driven by higher volumes and margins.

SG&A expenses decreased to $94 million for the nine months ended September 30, 2015, from $118 million a year ago, mainly resulting from the translation benefit of the weaker Brazilian *real* and Mexican *peso* on the translation of local currency expenses.

Foreign exchange results for the nine months ended September 30, 2015 were a loss of $8 million, compared with a loss of $2 million for the same period in 2014. The increase related primarily to the weakening of the Mexican *peso* against the U.S. dollar for our Mexican operations during the first nine months of 2015.

Segment EBIT decreased to $88 million for the nine months ended September 30, 2015 from $113 million in the same period last year, as weakening demand in Brazil and the U.S. resulted in lower volumes and margins and higher foreign exchange losses, partially offset by lower SG&A expenses.

Sugar and Bioenergy Segment - Sugar and Bioenergy segment net sales were $2.5 billion in the nine months ended September 30, 2015, compared to $3.2 billion in the nine months ended September 30, 2014. The 21% decrease in sales was driven by lower global prices of sugar and domestic ethanol prices in the first half of the year in Brazil. On average, the futures price of raw sugar was 24% lower in the first nine months of 2015, compared to the same period last year. Also, the devaluation of the Brazilian *real* for comparable periods negatively impacted

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local sales of sugar and ethanol, when converted into U.S. dollars. Volumes increased 18% compared to the first nine months of 2014 due to increased activity in our trading and merchandising business.

Cost of goods sold decreased 23% to $2.4 billion for the first nine months of 2015, compared to $3.1 billion for the same period last year, driven by lower prices of raw materials and the impact of the weaker Brazilian *real* relative to the U.S. dollar, partially offset by higher volumes.

Gross profit increased to $99 million in the nine months ended September 30, 2015 from $54 million in the same period of last year, primarily driven by improved results in our industrial operations resulting from crushing efficiency, both in volumes and industrial costs and higher volumes and margins in cogeneration. In our global trading & distribution operations, higher volumes were more than offset by lower margins.

SG&A expenses were $86 million for the nine months ended September 30, 2015, 24% lower compared to $113 million for the same period a year ago, driven by translation benefits of the devaluation of the Brazilian *real* on local currency costs, and cost reduction and efficiency initiatives in our sugar milling business.

Foreign exchange results in the nine months ended September 30, 2015 were losses of $38 million, compared to gains of $31 million in the same period a year ago. These results are related primarily to results on certain currency hedges.

Other income (expense)-net was expense of $7 million in the nine months ended September 30, 2015, compared to $14 million of income for the same period in 2014. Losses in our joint venture for the production of renewable oils in Brazil were partly offset by good results in our corn wet-milling joint venture in Argentina. Results in our North American bioenergy investment were lower.

Segment EBIT was a loss of $32 million and $14 million for the nine months ended September 30, 2015, and 2014, respectively. Improved gross profit primarily from our industrial operations in Brazil and lower SG&A expenses from the translation benefit of the weaker Brazilian *real* on local currency costs were more than offset by foreign exchange losses and lower results in certain joint ventures.

Fertilizer Segment Fertilizer segment net sales decreased 20% to $254 million in the nine months ended September 30, 2015, compared to $316 million in the nine months ended September 30, 2014, primarily due to lower fertilizer imports in Brazil. In Argentina, sales declined primarily due to lower volume driven by reduced usage in fertilizer dosages by the Argentine farmer as a result of the weakening macroeconomic environment and lower farm economics for corn and wheat production. In addition, in the first quarter of 2015 volumes were reduced with a strike at one of our plants.

Cost of goods sold was $246 million for the nine months ended September 30, 2015, compared to $276 million for the same period last year. Lower volumes and raw material costs and the translation benefit of the weaker Argentine *peso*, were partly offset by higher cost imports of nitrogen due to the aforementioned strike.

Gross profit decreased to $8 million for the nine months ended September 30, 2015 from $40 million in the comparable period of 2014 as a result of lower volumes and not fully recovered industrial costs in our Brazilian port operations. Gross profit in our Argentine operations was impacted by higher production costs, depressed volumes from lower farmer usage and impacts of the strike.

SG&A was $18 million for the first nine months of 2015 compared with $7 million in the first nine months of 2014. The lower expense in 2014 includes the reversal of certain value added tax, labor and bad debt provisions in Brazil.

Noncontrolling interests represents (income) loss attributed to the noncontrolling interest holders in operations that are consolidated in our financial statements. The $1 million gain in the first nine months of 2015 and $4 million gain in the first nine months of 2014 represents the noncontrolling interest share of income at our non-wholly owned Brazilian port operations.

Segment EBIT was a loss of $8 million for the nine months ended September 30, 2015, compared to income of $29 million in the same period of 2014, mainly driven by lower gross profit in our Brazilian port operations, the impact of the strike in Argentina and the positive SG&A impact on 2014 results.

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

(US$ in millions)	Nine Months Ended September 30, 2015	2014
Interest income	**$ 42**	$ 71
Interest expense	**(187)**	(225)

Interest income decreased to $42 million when compared to the same period of 2014, as a result of lower cash investments in Brazil and Argentina in the first half of the year. Also, interest income in 2014 included $12 million of accumulated interest on a loan provided to and repaid by a related party. Interest expense decreased by 17% when compared to the same period last year, primarily due to lower average outstanding debt, mainly as a result of reduced working capital requirements due to lower global commodity prices in 2015, compared to the same period a year ago. In addition, interest expense declined due to a lower average borrowing interest rate due to the increased utilization of revolving credit facilities in place of senior note term loans with higher coupon interest rates.

Income Tax Expense - In the nine months ended September 30, 2015, income tax expense was $270 million compared to income tax expense of $150 million in the nine months ended September 30, 2014. The effective tax rate for the nine months ended September 30, 2015 increased to 33% compared to 22% in the nine months ended September 30, 2014. The higher effective tax rate for the nine months ended September 30, 2015, resulted mainly from geographical earnings mix that included profits in higher tax jurisdictions. Income tax expense in 2014 included $53 million of discrete tax benefits, primarily resulting from a deferred tax asset recorded for operating losses of a subsidiary effectively taxable in Brazil.

Discontinued Operations - Discontinued operations results for the nine months ended September 30, 2015 were income of $36 million, net of tax, compared to $37 million, net of tax, in the nine months ended September 30, 2014. In 2015, gains in Brazilian fertilizer driven by foreign exchange gains and collections of previously written-off farmer receivables were partly offset by losses in the asset management business. In 2014, results were driven by benefits related to a tax amnesty program in Brazil and collections of previously written-off farmer receivables.

Net Income Attributable to Bunge - For the nine months ended September 30, 2015, net income attributable to Bunge increased to $588 million from $569 million in the nine months ended September 30, 2014. This increase resulted primarily from an increase in EBIT of $145 million, particularly in Agribusiness partly offset by EBIT losses in our other segments and higher income tax expense.

Liquidity and Capital Resources

Liquidity

Our main financial objectives are to prudently manage financial risks, ensure consistent access to liquidity, minimize cost of capital in order to efficiently finance our business and maintain balance sheet strength. We generally finance our ongoing operations with cash flows generated from operations, issuance of commercial paper, borrowings under various bilateral and revolving credit facilities, term loans and proceeds from the issuance of senior notes. Acquisitions and long-lived assets are generally financed with a combination of equity and long-term debt.

Our current ratio, which is a widely used measure of liquidity and is defined as current assets divided by current liabilities, was 1.41 and 1.50 at September 30, 2015 and December 31, 2014, respectively.

Cash and Cash Equivalents - Cash and cash equivalents were $303 million and $362 million at September 30, 2015 and December 31, 2014, respectively. Cash balances are managed in accordance with our investment policy, the objectives of which are to preserve the principal value of our cash assets, maintain a high degree of liquidity and deliver competitive returns subject to prevailing market conditions. Cash balances are invested in short term deposits with highly-rated financial institutions and in U.S. government securities.

Readily Marketable Inventories (RMI) - RMI are agricultural commodity inventories such as soybeans, soybean meal, soybean oil, corn, wheat and sugar that are readily convertible to cash because of their commodity characteristics, widely available markets and international pricing mechanisms. RMI in our Agribusiness segment are reported at fair value and were $3,914 million and $4,125 million at September 30, 2015 and December 31, 2014, respectively. Of these amounts $2,989 million and $2,937 million were attributable to merchandising activities at

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September 30, 2015 and December 31, 2014, respectively. RMI in our edible oil products segment are reported at fair value in the aggregate amount of $96 million and $127 million at September 30, 2015 and December 31, 2014, respectively. The sugar and bioenergy segment included sugar RMI of $128 million and $157 million at September 30, 2015 and December 31, 2014, respectively, which can be attributed to our trading and merchandising business.

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

Revolving Credit Facilities - At September 30, 2015, we had approximately $5,015 million of aggregate committed borrowing capacity under our commercial paper program and revolving credit facilities, of which $4,336 million was unused and available. The following table summarizes these facilities as of the periods presented:

(US$ in millions) Commercial Paper Program and Revolving Credit Facilities	Maturities	Total Committed Capacity September 30, 2015	Borrowings Outstanding September 30, 2015	Borrowings Outstanding December 31, 2014
Commercial paper	2019	$ 600	$ 130	$
Long-term revolving credit facilities (1)	2016-2019	4,415	549	538
Total		$ 5,015	$ 679	$ 538

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

We had $200 million of borrowings outstanding at September 30, 2015 under our three-year unsecured bilateral revolving credit facilities (the Facilities) totalling $700 million, which are maturing at various dates in June and November 2016. Borrowings under these Facilities bear interest at LIBOR plus a margin, which will vary from 0.90% to 1.55% per annum based on the credit ratings of our senior long-term unsecured debt. Amounts under the Facilities that remain undrawn are subject to a commitment fee payable at a rate of 0.25%.

On August 10, 2015, we entered into an amendment agreement to our unsecured $1,750 million syndicated revolving credit facility, dated March 17, 2014 (the Facility). The amendment agreement extends the maturity date of the Facility to August 10, 2018. We have the option to request an extension of the maturity date of the Facility for two additional one-year periods. Each lender in its sole discretion may agree to any such request. The amendment agreement also lowers the range of margin applicable to our borrowings under the Facility. Borrowings under the

Facility will bear interest at LIBOR plus a margin, which will vary from 0.35% to 1.35% per annum, based on the credit ratings of our senior long-term unsecured debt. We will also pay a fee that varies from 0.10% to 0.40% per annum, based on the utilization of the Facility. Amounts under the Facility that remain undrawn are subject to a commitment fee payable quarterly in arrears at a rate of 35% of the margin specified above, which will vary based on the rating level at each quarterly payment date. We may, from time-to-time, with the consent of the facility agent, request one or more of the existing lenders or new lenders to increase the total commitments under the Facility by up to $250 million pursuant to an accordion provision. At September 30, 2015, we had $300 million of borrowings outstanding under the Facility.

We had $49 million borrowings outstanding at September 30, 2015 under our $865 million five-year unsecured syndicated revolving credit agreement with CoBank, ACB, (the CoBank Facility) as administrative agent and certain lender party thereto, maturing May 30, 2018. Borrowings under the CoBank Facility bear interest at LIBOR plus a margin, which will vary between 1.050% and 1.675% per annum based on the credit ratings of our long-term senior unsecured debt. Amounts under the CoBank Facility that remain undrawn are subject to a commitment fee ranging from 0.125% to 0.275% per annum based on the ratings of our long-term senior unsecured debt.

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We had no borrowings outstanding at September 30, 2015 under our $1,100 million five-year unsecured syndicated revolving credit agreement (the Credit Agreement) with certain lenders party thereto, maturing November 20, 2019. Borrowings under the Credit Agreement bear interest at LIBOR plus a margin, which will vary from 1.00% to 1.75% per annum based on the credit ratings of our senior long-term unsecured debt (Rating Level). Amounts under the Credit Agreement that remain undrawn are subject to a commitment fee ranging from 0.10% to 0.25%, varying based on the Rating Level.

Our commercial paper program is supported by committed back-up bank credit lines (the Liquidity Facility) equal to the amount of the commercial paper program provided by lending institutions that are required to be rated at least A-1 by Standard & Poor s and P-1 by Moody s Investor Services. The cost of borrowing under the Liquidity Facility would typically be higher than the cost of issuance under our commercial paper program. At September 30, 2015, there was $130 million outstanding under the commercial paper program and no amount was outstanding under the Liquidity Facility. The Liquidity Facility is our only revolving credit facility that requires lenders to maintain minimum credit ratings.

In addition to committed credit facilities, from time-to-time, we enter into bilateral short-term credit lines as necessary based on our financing requirements. At September 30, 2015 and December 31, 2014, respectively, we had $160 million and $50 million outstanding under these bilateral short-term credit lines.

Short and long-term debt Our short and long-term debt increased by $77 million at September 30, 2015 from December 31, 2014, primarily due to payments made for capital expenditures, the repurchase of common shares for $300 million and payment of $41 million for the acquisition of Heartland Harvest, Inc., largely offset by lower working capital financing requirements during the year as a result of on average lower commodity prices. For the nine month period ended September 30, 2015, our average short and long-term debt outstanding was approximately $4,223 million compared to approximately $5,499 million for the nine months ended at September 30, 2014. Our long-term debt balance was $3,102 million at September 30, 2015 compared to $3,234 million at September 30, 2014. The following table summarizes our short-term debt at September 30, 2015.

(US$ in millions)	Outstanding Balance at Quarter End	Weighted Average Interest Rate at Quarter End(1)	Highest Balance Outstanding During Quarter(1)	Average Balance During Quarter(1)	Weighted Average Interest Rate During Quarter
Bank borrowings	$ 702	3.85%	$ 885	$ 773	3.20%
Commercial paper	130	0.43%	500	354	0.42%
Total	$ 832	3.32%	$ 1,385	$ 1,127	2.33%

(1) Based on monthly balances.

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

(US$ in millions)	September 30, 2015	December 31, 2014
Short-term debt: (1)		
Short-term debt (2) (3)	**$ 832**	$ 594
Current portion of long-term debt, including consolidated investment fund debt	**519**	408
Total short-term debt	**1,351**	1,002
Long-term debt (4):		
Bilateral revolving credit facilities expiry 2016	**200**	200
Revolving credit facility expiry 2018	**49**	338
Revolving credit facility expiry 2018	**300**	
Term loan due 2019 - three-month Yen LIBOR plus 0.75% (Tranche A)	**237**	
Term loan due 2019 - fixed Yen interest rate of 0.96% (Tranche B)	**50**	
Term loan due 2019 - three-month LIBOR plus 1.30% (Tranche C)	**85**	
5.10% Senior Notes due 2015		382
4.10% Senior Notes due 2016	**500**	500
5.90% Senior Notes due 2017	**250**	250
3.20% Senior Notes due 2017	**600**	600
8.50% Senior Notes due 2019	**600**	600
Other (5)	**231**	393
Subtotal	**3,102**	3,263
Less: Current portion of long-term debt	**(519)**	(408)
Total long-term debt, including consolidated investment fund debt	**2,583**	2,855
Total debt	**$ 3,934**	**$ 3,857**

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(1) Includes secured debt of $13 million and $21 million at September 30, 2015 and December 31, 2014, respectively.

(2) Includes $173 million and $155 million of local currency borrowings in certain Central and Eastern European, South American and Asia-Pacific countries at a weighted average interest rate of 11.29 % and 11.95% as of September 30, 2015 and December 31, 2014, respectively.

(3) Includes consolidated investment fund debt which matures at various dates through 2015 with no recourse to Bunge. Bunge elected to account for $23 million and $24 million at fair value as of September 30, 2015 and December 31, 2014, respectively.

(4) Includes secured debt of $39 million and $43 million at September 30, 2015 and December 31, 2014, respectively.

(5) Includes consolidated investment fund debt which matures at various dates through 2017 with no recourse to Bunge. Bunge elected to account for $54 million and $195 million at fair value as of September 30, 2015 and December 31, 2014, respectively.

Credit Ratings Bunge s debt ratings and outlook by major credit rating agencies at September 30, 2015 was as follows:

	Short-term Debt (1)	**Long-term Debt**	**Outlook**
Standard & Poor s	A-1	BBB- (2)	Stable
Moody s	P-1	Baa2	Stable
Fitch	Not Rated	BBB	Stable

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(1) Short-term debt rating applies only to Bunge Asset Funding Corp., the issuer under our commercial paper program.

(2) On November 4, 2015 Standard & Poor s upgraded Bunge s long-term debt rating from BBB- to BBB.

Our debt agreements do not have any credit rating downgrade triggers that would accelerate maturity of our debt. However, credit rating downgrades would increase our borrowing costs under our credit facilities and, depending on their severity, could impede our ability to obtain credit facilities or access the capital markets in the future on competitive terms subject to prevailing market conditions. A significant increase in

our borrowing costs could impair our ability to compete effectively in our business relative to competitors with higher credit ratings.

Our credit facilities and certain senior notes require us to comply with specified financial covenants including minimum net worth, minimum current ratio, a maximum debt to capitalization ratio and limitations on secured indebtedness. We were in compliance with these covenants as of September 30, 2015.

Trade Receivable Securitization Program Our trade receivable securitization program provides us with an additional source of liquidity. The program provides funding for up to $700 million against receivables sold into the program. The securitization program terminates on June 1, 2016.

Equity

Total equity is set forth in the following table:

(US$ in millions)		September 30, 2015		December 31, 2014
Equity:				
Convertible perpetual preference shares	$	690	$	690
Common shares		1		1
Additional paid-in capital		5,102		5,053
Retained earnings		7,585		7,180
Accumulated other comprehensive income		(6,212)		(4,058)
Treasury shares, at cost - 2015 - 9,586,083 shares and 2014 - 5,714,273 shares		(720)		(420)
Total Bunge shareholders equity		**6,446**		**8,446**
Noncontrolling interest		215		244
Total equity	**$**	**6,661**	**$**	**8,690**

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Total Bunge shareholders equity was $6,661 million at September 30, 2015 compared to $8,690 million at December 31, 2014. The decrease in shareholders equity was primarily due to translation adjustments of $2,356 million, declared dividends to common and preferred shareholders of $158 million and $25 million, respectively and the $300 million cost for purchasing treasury shares during the nine months ended September 30, 2015. These reductions were partially offset by $588 million net income attributable to Bunge for the nine months ended September 30, 2015.

Noncontrolling interest decreased to $215 million at September 30, 2015 from $244 million at December 31, 2014, primarily related to the return of shareholders capital in one of our noncontrolling interests in the United States and the impact of currency translation adjustments.

As of September 30, 2015, we had 6,900,000 4.875% cumulative convertible perpetual preference shares outstanding with an aggregate liquidation preference of $690 million. Each convertible perpetual preference share has an initial liquidation preference of $100, which will be adjusted for any accumulated and unpaid dividends. The convertible perpetual preference shares carry an annual dividend of $4.875 per share payable quarterly. As a result of adjustments made to the initial conversion price because cash dividends paid on Bunge Limited s common shares exceeded certain specified thresholds, each convertible perpetual preference share is convertible, at the holder s option, at any time into 1.1297 Bunge Limited common shares, based on the conversion price of $89.1299 per share, subject to certain additional anti-dilution adjustments (which represents 7,794,930 Bunge Limited common shares at September 30, 2015). At any time on or after December 1, 2011, if the closing price of our common shares equals or exceeds 130% of the conversion price for 20 trading days during any consecutive 30 trading days (including the last trading day of such period), we may elect to cause the convertible perpetual preference shares to be automatically converted into Bunge Limited common shares at the then-prevailing conversion price. The convertible perpetual preference shares are not redeemable by us at any time.

Cash Flows

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

For the nine months ended September 30, 2015, our cash and cash equivalents decreased by $59 million, reflecting the net effect of cash flows from operating, investing and financing activities. This compares to a decrease of $385 million in cash and cash equivalents for the nine months ended September 30, 2014.

Cash provided by operating activities was $633 million for the nine months ended September 30, 2015 compared to cash provided by operating activities of $1,116 million for the nine months ended September 30, 2014. Cash used for net operating assets and liabilities for the nine months 2015 is primarily due to higher working capital levels than December 31, 2014, due to peak harvest season in North America where higher volumes are partly offset by lower average commodity prices. Cash provided by change in net operating assets and liabilities for the nine months 2014 is primarily due to lower working capital levels than December 31, 2013, primarily due to lower average commodity prices partly offset by higher volumes resulting from peak harvest season in North America.

Our operating subsidiaries are primarily funded with U.S. dollar-denominated debt. The functional currency of our operating subsidiaries is generally the local currency and the subsidiary financial statements are prepared in the functional currency and then translated into U.S. dollars. These loans are remeasured into their respective functional currencies at exchange rates at each balance sheet date, resulting in a foreign exchange gain or loss in our consolidated statements of income. In addition, certain of our non-U.S. operating subsidiaries have the U.S. dollar as their functional currency and are often partially funded with local currency borrowings, resulting in a similar foreign exchange remeasurement gain or loss. For the nine months ended September 30, 2015 and 2014, we

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recorded a foreign exchange gain of $227 million and $61 million, respectively, which were included as adjustments to reconcile net income to cash used for operating activities in the line item Foreign exchange loss (gain) on debt in our condensed consolidated statements of cash flows. This adjustment is required because the cash flow impacts of these gains or losses are non-cash items and will represent financing activities when the subsidiary repays the underlying debt. As a result, these foreign exchange remeasurement gains and losses are included in net income but have no impact on cash flows from operations.

Cash used for investing activities was $417 million in the nine months ended September 30, 2015 compared to $453 million in the nine months ended September 30, 2014. For the 2015 period, payments made for capital expenditures of $365 million were primarily related to replanting of sugarcane and maintenance and improvements for our industrial sugar business in Brazil, construction of a wheat milling facility in Brazil and the construction of a port facility and oilseed processing plant in Ukraine. We also acquired Heartland Harvest, Inc. (HHI), a U.S. based producer of die cut pellets, and the remaining interest in a Spanish biodiesel production facility. Also, on a net basis we made payments of $43 million for our share of the acquisition of G3 Canada Limited (formerly the Canadian Wheat Board), which transaction included the sale of certain Canadian grain assets. During the first nine months of 2014 payments made for capital expenditures of $515 million primarily included investments in property, plant and equipment related to our sugar business in Brazil, construction of a port terminal in Brazil, investments in a wheat milling facility in Brazil, edible oil refining and packaging facilities in the U.S. and Mexico, a port facility and oilseed processing facility in Ukraine, a facility in China and construction of a port facility in Australia. We also acquired the assets of a corn milling company in the U.S. for $12 million.

Cash used for financing activities was $185 million in the nine months ended September 30, 2015, compared to $1,031 million in the nine months ended September 30, 2014. In the 2015 period dividends paid to our common shareholders and holders of our convertible preference shares were $178 million. Further, in connection with our common share repurchase program, in 2015 we purchased 3,871,810 of our common shares at a cost of $300 million. During the first nine months of 2014 we purchased 3,780,987 of our common shares at a cost of $300 million in connection with our common share repurchase program, and paid $162 million to our common shareholders and holders of our convertible preference shares and had additional working capital funding requirements.

Off-Balance Sheet Arrangements

Guarantees - We have issued or were a party to the following guarantees at September 30, 2015:

(US$ in millions)		Maximum Potential Future Payments
Unconsolidated affiliates financing (1)	$	70
Residual value guarantee (2)		149
Total	**$**	**219**

(1) We issued guarantees to certain financial institutions related to debt of certain of our unconsolidated joint ventures. The terms of the guarantees are equal to the terms of the related financings which have maturity dates in 2015 through 2018. There are no recourse provisions or collateral that would enable us to recover any amounts paid under these guarantees. At September 30, 2015, we had no outstanding recorded obligation related to these guarantees.

(2) We issued guarantees to certain financial institutions which are party to certain operating lease arrangements for railcars and barges. These guarantees provide for a minimum residual value to be received by the lessor at the conclusion of the lease term. These leases expire at various dates from 2016 through 2019. At September 30, 2015, our recorded obligation related to these guarantees was $5 million.

In addition, Bunge Limited has provided full and unconditional parent level guarantees of the outstanding indebtedness under certain senior credit facilities and senior notes entered into or issued by its 100% owned subsidiaries. At September 30, 2015, debt with a carrying amount of $3,502 million related to these guarantees is included in our condensed consolidated balance sheet. This debt includes the senior notes issued by two of our 100% owned finance subsidiaries, Bunge Limited Finance Corp. and Bunge N.A. Finance L.P. There are no significant restrictions on the ability of Bunge Limited Finance Corp., Bunge N.A. Finance L.P. or any other of our subsidiaries to transfer funds to Bunge Limited.

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Dividends

We paid a regular quarterly cash dividend of $0.38 per share on September 2, 2015 to common shareholders of record on August 19, 2015. In addition, we paid a quarterly dividend of $1.21875 per share on our cumulative convertible perpetual preference shares on September 1, 2015 to shareholders of record on August 15, 2015. On August 5, 2015, we announced that our Board of Directors had approved a regular quarterly cash dividend of $0.38 per common share. The dividend will be payable on December 2, 2015 to common shareholders of record on November 16, 2015. We also announced on August 5, 2015 that we will pay a quarterly cash dividend of $1.21875 per share on our cumulative convertible perpetual preference shares on December 1, 2015 to shareholders of record on November 15, 2015.

Critical Accounting Policies

Critical accounting policies are defined as those policies that are both important to the portrayal of our financial condition and results of operations and require management to exercise significant judgment. For a complete discussion of our accounting policies, see our Annual Report on Form 10-K for the year ended December 31, 2014, filed with the Securities and Exchange Commission. There were no material changes to our critical accounting policies during the nine months ended September 30, 2015. For recent accounting pronouncements refer to Note 2 to our condensed consolidated financial statements included in Part I of this Quarterly Report on Form 10-Q.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Risk Management

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

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

Credit and Counterparty Risk

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

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During periods of tight conditions in global credit markets, downturns in regional or global economic conditions, and/or significant price volatility, credit and counterparty risks are heightened. This increased risk is monitored through, among other things, increased communication with key counterparties, management reviews and specific focus on counterparties or groups of counterparties that we may determine as high risk. In addition, we have limited new credit extensions in certain cases and reduced our use of non-exchange cleared derivative instruments.

Commodities Risk

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

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

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

	Nine Months Ended September 30, 2015		Year Ended December 31, 2014	
(US$ in millions)	**Value**	**Market Risk**	**Value**	**Market Risk**
Highest daily aggregated position value	$ 64	$ (6)	$ (219)	$ (22)
Lowest daily aggregated position value	$ (950)	$ (95)	$ (1,608)	$ (161)

Ocean Freight Risk

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

of our ocean freight costs. The ocean freight derivatives are included in other current assets and other current liabilities on the condensed consolidated balance sheets at fair value.

Energy Risk

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

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Currency Risk

Our global operations require active participation in foreign exchange markets. Our primary foreign currency exposures are the Brazilian *real*, the e*uro* and other European currencies, the Argentine *peso,* and the Chinese *yuan/renminbi*. To reduce the risk arising from foreign exchange rate fluctuations, we enter into derivative instruments, such as forward contracts and swaps, and foreign currency options. The changes in market value of such contracts have a high correlation to the price changes in the related currency exposures. The potential loss in fair value for such net currency position resulting from a hypothetical 10% adverse change in foreign currency exchange rates as of September 30, 2015 was not material.

We have significant operations in Argentina. We utilize the official exchange rate published by the Argentine government for our commercial transactions and re-measurement purposes of financial statements. Due to exchange controls put in place by the Argentine government, a parallel market exists for exchanging Argentine *pesos* to U.S. dollars at rates less favorable than the official rate. The Argentine *peso* experienced increased devaluation and volatility since early 2014. Our financial position and results of operations are not materially impacted; however we continue to monitor political and economic conditions, including inflation in Argentina.

When determining our exposure, we exclude intercompany loans that are deemed to be permanently invested. The repayments of permanently invested intercompany loans are not planned or anticipated in the foreseeable future and therefore are treated as analogous to equity for accounting purposes. As a result, the foreign exchange gains and losses on these borrowings are excluded from the determination of net income and recorded as a component of accumulated other comprehensive income (loss) in the condensed consolidated balance sheets. Included in other comprehensive income (loss) are foreign exchange losses of $543 million for the nine months ended September 30, 2015 and $296 million for the year ended December 31, 2014 related to permanently invested intercompany loans.

Interest Rate Risk

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

The aggregate fair value of our short and long-term debt including non-recourse investment fund debt, based on market yields at September 30, 2015, was $4,071 million with a carrying value of $3,934 million. There was no significant change in our interest rate risk at September 30, 2015.

A hypothetical 100 basis point increase in the interest yields on our debt at September 30, 2015 would result in a decrease of approximately $42 million in the fair value of our debt. Similarly, a decrease of 100 basis points in the interest yields on our debt at September 30, 2015 would cause an increase of approximately $42 million in the fair value of our debt.

A hypothetical 1% change in LIBOR would result in a change of approximately $24 million in our interest expense. Some of our variable rate debt is denominated in currencies other than the U.S. dollars and is indexed to non-U.S. dollar-based interest rate indices, such as Japanese *Yen*

LIBOR, TJLP and certain benchmark rates in local bank markets. As such, the hypothetical 1% change in interest rate ignores the potential impact of any currency movements.

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ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures As of September 30, 2015, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as that term is defined in Exchange Act Rules 13a-15(e) and 15d-15(e) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of the end of the fiscal quarter covered by this Quarterly Report on Form 10-Q.

Internal Control Over Financial Reporting There has been no change in our internal control over financial reporting during the third quarter ended September 30, 2015 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II.

INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

The Argentine tax authorities have been conducting a review of income and other taxes paid by exporters and processors of cereals and other agricultural commodities in the country. In that regard, in October 2010, the Argentine tax authorities carried out inspections at several of our locations in Argentina relating to allegations of income tax evasion covering the periods from 2007 to 2009. In December 2012, our Argentine subsidiary received an income tax assessment relating to fiscal years 2006 and 2007 with a claim of approximately 436 million Argentine *pesos* (approximately $46 million as of September 30, 2015), plus previously accrued interest on the outstanding amount due of approximately 1,024 million Argentine *pesos* (approximately $109 million as of September 30, 2015). Our Argentine subsidiary has appealed this assessment before the National Tax Court. Fiscal years 2008 and 2009 are currently being audited by the tax authorities. In April 2012, the Argentine government suspended our Argentine subsidiary from a registry of grain traders and, in October 2012, the government excluded our subsidiary from this registry in connection with the income tax allegations discussed above. While the suspension and exclusion have not had a material adverse effect on our business in Argentina, these actions have resulted in additional administrative requirements and increased logistical costs on grain shipments within Argentina. Additionally, in April 2011, the Argentine tax authorities conducted inspections of our locations and those of several other grain exporters with respect to allegations of evasion of liability for value-added taxes and an inquest proceeding was initiated in the first quarter of 2012 to determine whether there is any potential criminal culpability relating to these matters. Also during 2011, we paid $112 million of accrued export tax obligations in Argentina under protest while reserving all of ours rights in respect of such payment. In the first quarter of 2012, the Argentine tax authorities assessed interest on these paid export taxes, which as of September 30, 2015, totaled approximately $198 million. We previously recorded an accrual of $30 million for a portion of the assessed interest. Based on a July 2015 determination by the Argentine Supreme Court and the opinions of external legal advisors, management has concluded that the risk of payment of such interest is remote and reversed the accrual. We are challenging these actions in the Argentine courts and management believes that these tax-related allegations and claims are without merit and intends to vigorously defend against them. However, management is, at this time, unable to predict their outcome.

Various tax matters in Brazil and Argentina are discussed in Note 14 to our condensed consolidated financial statements included in Part I of this Quarterly Report on Form 10-Q. We are also a party to a large number of labor, civil and other claims relating to our Brazilian operations. We have reserved an aggregate of $128 million as of September 30, 2015 in respect of these claims. These claims relate to various disputes with third parties including suppliers and customers and include approximately 79 million Brazilian *reais* (approximately $20 million as of September 30, 2015) related to a legacy environmental claim.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A. Risk Factors in our 2014 Annual Report on Form 10-K, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

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

In May 2015, Bunge established a new program for the repurchase of up to $500 million of Bunge s issued and outstanding common shares. The program has no time expiration associated with it. Bunge completed the previous program of $975 million during the first quarter of 2015 with the repurchase of 2,460,600 common shares for $200 million.

Period		Total Number of Shares (or Units) Purchased		Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs		Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
August 1, 2015	August 31, 2015	1,411,210	$	71.00	1,411,210	$	400,000,022
Total		**1,411,210**	**$**	**71.00**	**1,411,210**		

ITEM 3. **DEFAULTS UPON SENIOR SECURITIES**

None.

ITEM 4. **MINE SAFETY DISCLOSURES**

Not applicable.

ITEM 5. **OTHER INFORMATION**

None.

ITEM 6. **EXHIBITS**

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

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	BUNGE LIMITED	
Date: November 6, 2015	By:	/s/ Andrew J. Burke Andrew J. Burke Chief Financial Officer
		/s/ J. Matt Simmons, Jr. J. Matt Simmons, Jr. Controller and Principal Accounting Officer

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EXHIBIT INDEX

31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002
101	The following financial information from Bunge Limited s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2015 formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Statements of Income, (ii) the Condensed Consolidated Statements of Comprehensive Income (Loss), (iii) the Condensed Consolidated Balance Sheets, (iv) the Condensed Consolidated Statements of Cash Flows, (v) the Condensed Consolidated Statements of Changes in Equity and Redeemable Noncontrolling Interests, and (vi) the Notes to the Condensed Consolidated Financial Statements.*

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* Filed herewith.