global roots

2002 ANNUAL REPORT

GLOBAL ROOTS

Bunge first took root in Amsterdam almost 200 years ago. Today our roots have matured, strengthened and spread around the world. In 2002 they helped us expand into new markets and solidify our positions in existing ones.

Global roots are an important competitive advantage for Bunge as we operate in a truly global industry. A foundation has to be in place in order to benefit from opportunity. With operations in 29 countries on five continents and nearly two centuries of international experience, Bunge is perfectly positioned to capitalize on the world's growing demand for food.

Bunge's goal is to be the best integrated agribusiness and food company in the world.

FINANCIAL HIGHLIGHTS

(US$ in millions, except volumes, share data and employees)	2002	2001	2000
		Year Ended December 31,	
Selected Consolidated Statements of Income Data			
Volumes (in millions of metric tons)	90.3	71.6	60.0
Net sales	$14,074	$11,484	$ 9,667
Depreciation, depletion and amortization	171	167	149
Income from operations	739	527	296
Net income	255	134	12
Earnings per share: (1)			
Basic	$ 2.66	$ 1.87	$ .19
Diluted	2.64	1.86	.19
Weighted average number of ordinary shares outstanding:			
Basic	95,895,338	71,844,895	64,380,000
Diluted	96,649,129	72,004,754	64,380,000
Selected Consolidated Balance Sheet Data			
Operating working capital (2)	$ 1,155	$ 952	$ 920
Readily marketable inventories (3)	1,517	764	799
Property, plant and equipment, net	2,056	1,669	1,859
Total assets	8,349	5,443	5,854
Short-term and long-term debt, including current portion	3,403	1,813	2,525
Adjusted net financial debt (4)	1,404	844	1,242
Minority interest in subsidiaries	495	493	543
Shareholders' equity	$ 1,472	$ 1,376	$ 1,139

Other Financial Information

	2002	2001	2000
Common shares outstanding	99,332,233	83,155,100	64,380,000
Number of employees	24,207	17,360	18,098
Cash dividends	$ 37	$ 8	$ –
Cash dividends per share	$ .385	$ .095	$ –

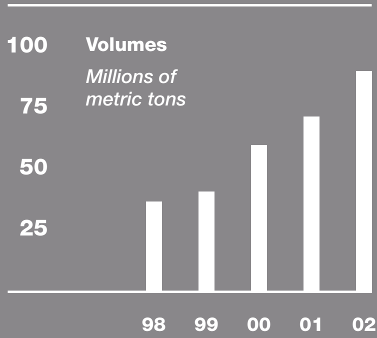
(1) Fiscal 2002 included a cumulative effect of change in accounting principles charge of $.24 per share. Fiscal 2001 included a gain on discontinued operations of $.04 per share and cumulative effect of change in accounting principle gain of $.10 per share. Fiscal 2000 included a loss on discontinued operations of $.15 per share.

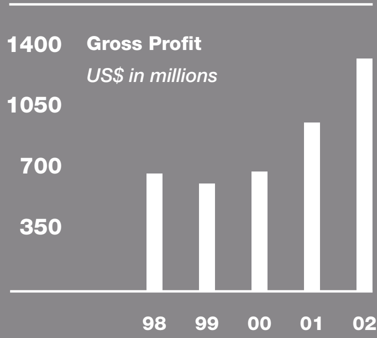
(2) Operating working capital equals current assets (excluding cash and cash equivalents, marketable securities and readily marketable inventories) less current liabilities (excluding short-term debt and current maturities of long-term debt).

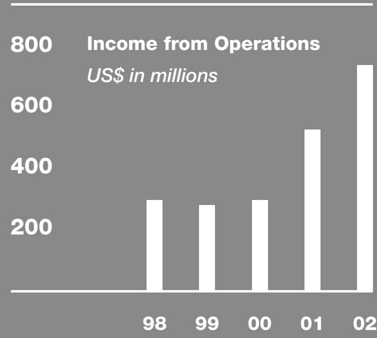
(3) Readily marketable inventories are agricultural commodities inventories that are readily convertible to cash because of their commodity characteristics, widely available markets and international pricing mechanisms.

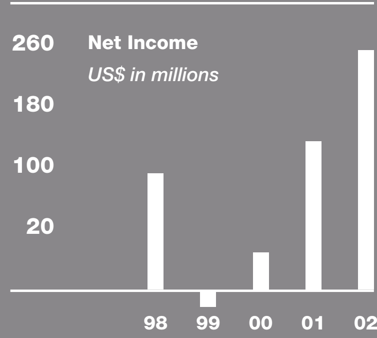
(4) The following is a reconciliation of the differences between adjusted net financial debt and total debt, which is the US GAAP financial measure most directly comparable to adjusted net financial debt.

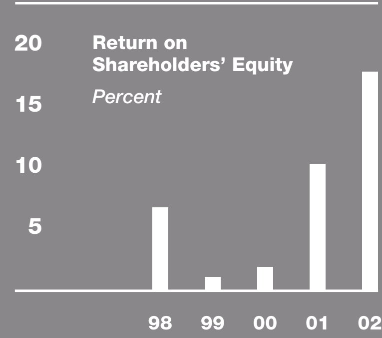
	2002	2001	2000
		Year Ended December 31,	
Short-term debt	$ 1,250	$ 803	$ 1,268
Long-term debt, including current portion	2,153	1,010	1,257
Total debt	3,403	1,813	2,525
Less –			
Cash and cash equivalents	470	199	423
Marketable securities	12	6	61
Readily marketable inventories	1,517	764	799
Adjusted net financial debt	$ 1,404	$ 844	$ 1,242


100
75
50
25
Volumes
Millions of metric tons
98
99
00
01
02


1400
1050
700
350
Gross Profit
US$ in millions
98
99
00
01
02


800
600
400
200
Income from Operations
US$ in millions
98
99
00
01
02


260
180
100
20
Net Income
US$ in millions
98
99
00
01
02


20
15
10
5
Return on Shareholders' Equity
Percent
98
99
00
01
02

Bunge is the number one seller of bottled vegetable oil worldwide

LETTER TO SHAREHOLDERS

Dear Shareholders and Colleagues,

2002 was a remarkable year for our company.

Bunge experienced significant growth during the year, becoming the largest oilseed processor in the world and the leading seller of bottled vegetable oil to consumers. We expanded into new regions, attained leadership positions in various segments of our industry and became more efficient and profitable than ever before.

It was also a year of strong financial performance. Net income rose by 90% over 2001, and earnings per share reached $2.66 – the third consecutive year of growth. Operating income increased in every business unit. These results were due to fundamental improvements across the company.

The acquisition of Cereol was the defining event of the year. As a result, we increased our oilseed processing capacity from 20 to 34 million tons per year, significantly expanded our presence in the European market and enhanced our strong positions in North America. Because the operations and cultures of Bunge and Cereol are highly complementary, we expect a smooth integration, and I welcome our new colleagues.

In January 2003, Bunge announced an important partnership with DuPont that includes the creation of a stand-alone ingredients company, Solae, and alliances in agricultural production and biotechnology. This partnership strengthens our farmer and customer relationships and expands revenue streams in our core businesses.

We are optimistic about the future. Our industry delivers steady growth. As populations grow and incomes rise, consumption will increase, agricultural production will expand and our industry will continue to grow. We believe that our leading market positions and our unique operating model will enable us to achieve our goal of increasing earnings per share by an average of 10–12% per year.

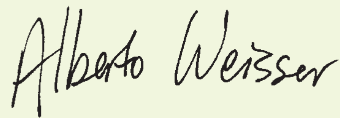
Bunge is the largest originator and processor of oilseeds in the Americas and eastern Europe, the largest exporter of oilseeds to Asia, a significant player in foodservice in North America and the leading fertilizer producer in South America. Our scale and geographic scope foster production and logistic efficiencies that lower costs, improve customer service and reduce risk.

Our decentralized management philosophy and values of entrepreneurship, openness and trust create a working environment that engenders speed, flexibility and teamwork – attributes that help us to identify and capitalize on opportunities. Our success to date is a testament to this approach and to the intelligence and hard work of our dedicated employees.

These accomplishments are also due in large part to the contributions of Ludwig Schmitt-Rhaden, who retired from our board in 2002. When we speak of Bunge's transformation, focus and values, we must speak of Ludwig. His leadership, first as CEO and then as chairman, helped create the foundation upon which we build today.

As always, we are grateful for the confidence that you have placed in us. Creating value for our shareholders is paramount. I am confident that we will continue to do so in the coming years.

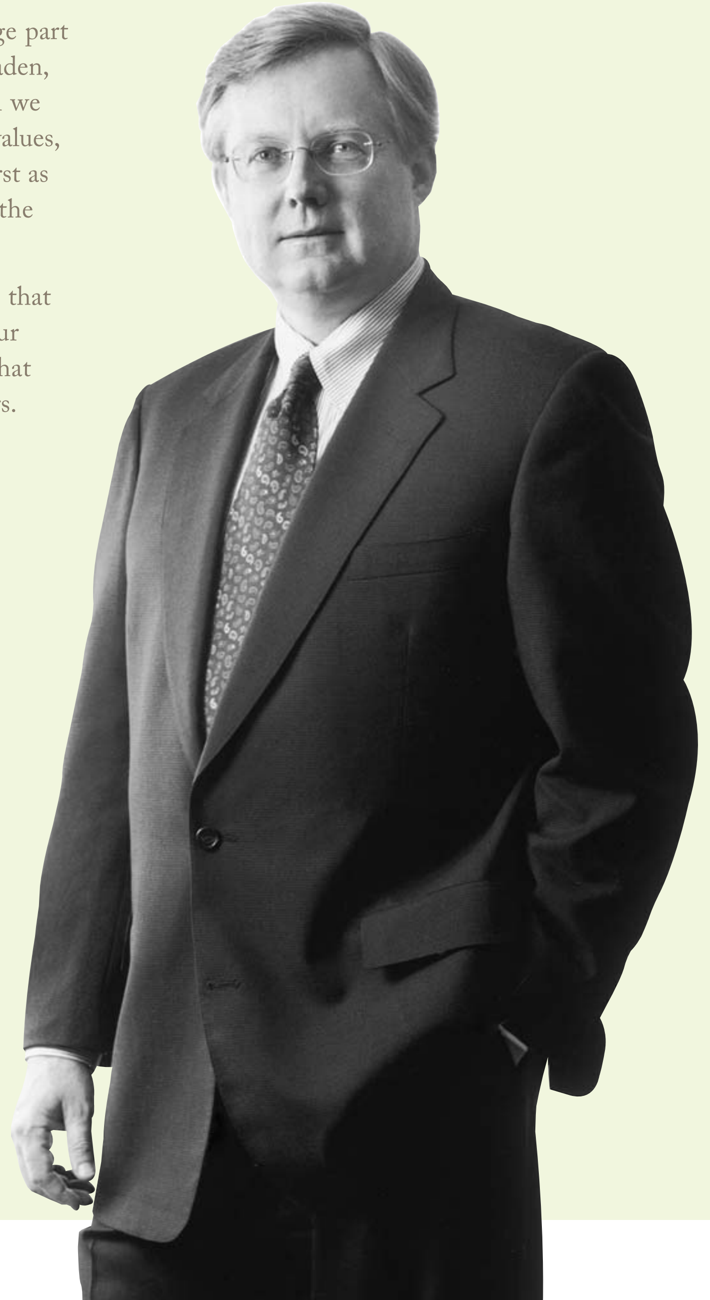
Sincerely,



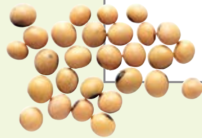
Alberto Weisser

Chairman and
Chief Executive Officer

April 21, 2003



OIL PROHIBITED



Since 1923

NORTH
AMERICA

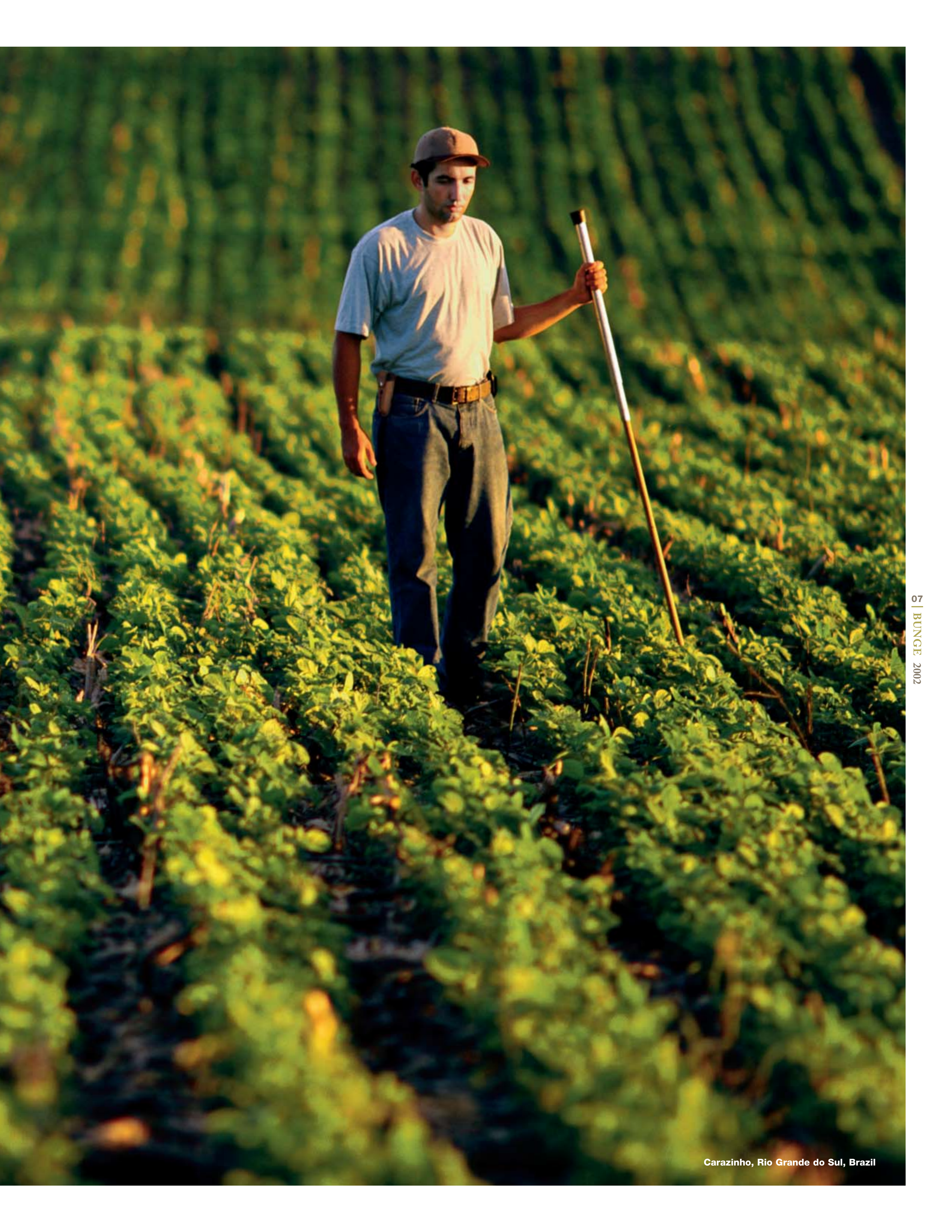
North America is the world's leading agribusiness market – the largest producer and exporter of agricultural products. It also has the most significant consumer and foodservice markets, due to its large population and high per capita income. Bunge is a leading oilseed processor and the top supplier of edible oils to the foodservice sector.

Destrehan, Louisiana, USA

Since 1884

SOUTH AMERICA

South America is the world's fastest growing agricultural producer, and with the world's largest reserve of unforested arable land, it holds tremendous long-term growth potential. It is also the world's fastest growing fertilizer market. Bunge is the region's number one oilseed processor, wheat miller and vegetable oil producer, its largest overall exporter of agricultural products and its leading fertilizer producer.


Carazinho, Rio Grande do Sul, Brazil

floriol
AKCIÓ

Budapest, Hungary

Since 1930

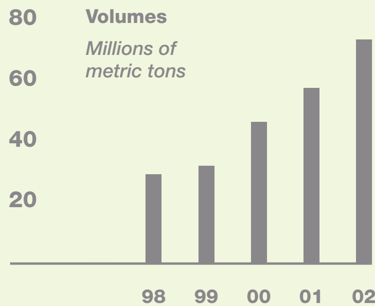
ASIA

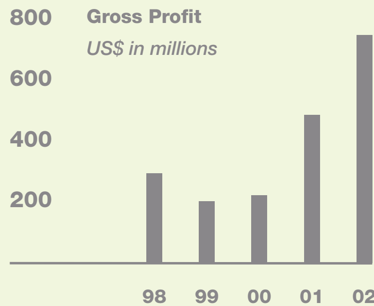
With rising per capita income, especially in India and China, and the world's largest population, Asia has the highest potential for food consumption growth in the world. Bunge is the leading exporter of soybean products to China and Southeast Asia, and the leading exporter of soybean oil to India. In 2002, we introduced two new brands of bottled vegetable oil to the Indian market, and we increased our processing capacity.

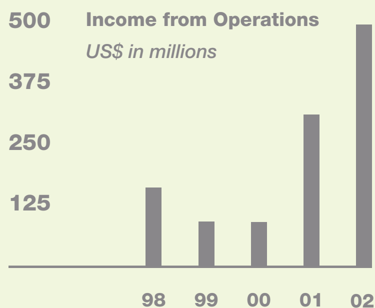
Mumbai, India

AGRIBUSINESS

Canola







Income from operations in Bunge's agribusiness division has increased over 400% in the past three years.

GLOBAL BALANCE

Agribusiness has been at the center of Bunge's operations since our founding nearly 200 years ago. It is also where our global roots are most visible and generate the most value. Our agribusiness division comprises grain origination, oilseed processing and international marketing. In 2002, these businesses generated 56% of total operating profit.

Global balance in grain origination and oilseed processing is critical. Bunge's agribusiness assets are well-balanced between the Northern and Southern hemispheres, allowing us to source raw materials year-round and provide customers with product diversity and flexible logistics and delivery solutions. The worldwide scope of our sales and marketing division – Bunge Global Markets – gives us direct access to every major market through its 21 offices in 18 countries.

As part of our acquisition of Cereol, Bunge added manufacturing assets in Europe that allow us to supply this key market with both imported and domestic product. The aquisition also broadened our position in the United States by making Bunge the leader in the Eastern Corn Belt. We continue to expand our leadership position in Brazil. We began construction of a new soybean processing facility in Uruçui, Piaui, one of the newest regions of soy production, and leased an integrated processing facility in Passo Fundo, Rio Grande do Sul. Lastly, we became the leading soybean processor in Argentina with our acquisition of La Plata Cereal.

WHAT ARE OILSEEDS ?

Oilseeds are crushed and processed into oil for use in cooking and condiment production, into meal for use in animal feed and into oils and chemicals for industrial purposes. Varieties include canola (rapeseed), peanut, sunflower, cotton and soybeans.

Soybeans are by far the world's most widely used oilseed. They consist of 40% protein and 20% oil. When crushed into meal, their high protein content yields the preferred protein source for animal feed.

Oilseeds such as canola and sunflower have higher oil content, and are crushed primarily to extract vegetable oil for food use.

Bunge is the world's leading oilseed processor.

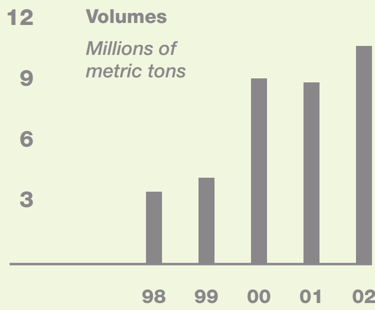
Soybeans

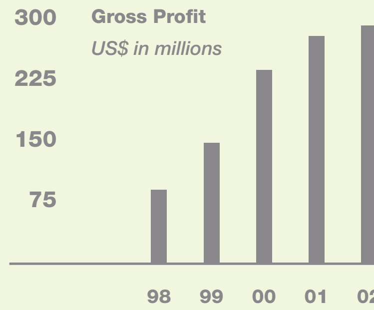
Canola

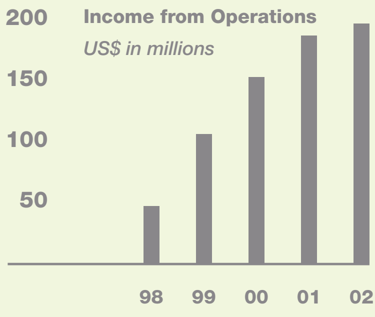
Sunflower

FERTILIZER

Corn







Bunge's fertilizer volumes grew 20% in 2002, outpacing the 10% growth experienced in Brazil as a whole.

MARKET LEADERSHIP

Brazil is the world's fastest growing agricultural producer and exporter. As a result, the nation's fertilizer market has grown an average of 7% annually in the last decade, while global consumption has been flat. Projected increases in soybean and corn production will generate over 60% of Brazil's fertilizer demand in the coming five years. Bunge foresaw these trends, and beginning in 1996, made the first of seven acquisitions to consolidate what was a fragmented industry.

Today, Bunge is the country's largest manufacturer and seller of fertilizer and phosphate-based animal feed products. Almost one-third of Brazilian farmers and more than half of the country's meat producers use our products, giving us the leading position in these two high-growth market segments. Consequently, our fertilizer volumes rose to 10.7 million metric tons from 8.9 million metric tons in 2002, a 20% gain.

As South America's only major vertically integrated fertilizer manufacturer and its leading agribusiness company, Bunge is uniquely positioned to capitalize on the region's growth trends by deepening relationships with our 60,000 farmer-customers. Our new production agriculture partnership with DuPont, already under way in Brazil, will maximize this advantage by offering a complete product and service portfolio to farmers.

HOW IMPROVEMENTS IN LOGISTICS HELP US GROW

Logistics is an important component of the Bunge value chain, and significant cost savings are achieved by optimizing the storage and transportation of agricultural commodities and fertilizer.

For example, ocean shipments are coordinated to allow for intermediate pick-ups and drop-offs along a route, and chartered vessel efficiency is maximized by backhauling cargo to its point of origin. Ground transportation does the same by hauling soybeans to ports and returning inland with fertilizer.

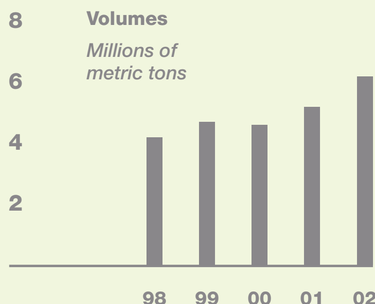
Logistics is the web that connects all of our locations, and it is the engine that drives our integration.

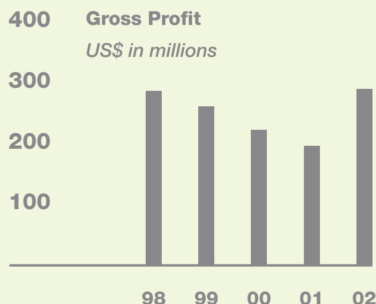
Backhauling Cargo

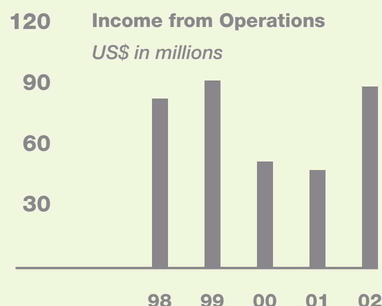
Vessel Efficiency

FOOD PRODUCTS

Vegetable Oil







Food products improved strongly in 2002. Income from operations increased 85% to $89 million.

INTEGRATION

Our food products division is where our market-leading origination, processing and global logistics activities intersect to create value-added products for consumers, foodservice and food processors. Integrating our agribusiness and food products businesses lowers our costs and ensures product quality. We supply our edible oil business with raw materials from our agribusiness division, and reduce production and logistics costs by attaching refining and packaging plants to origination and processing facilities. More than 74% of these raw materials are sourced and delivered through our origination and logistics network.

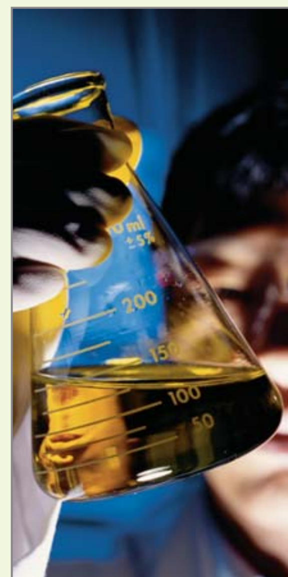
Bunge is the leading seller of bottled vegetable oil worldwide, the top provider of premium shortenings and oils to the U.S. foodservice industry, the world's leading producer of canola oil, the top maker and seller of flours and mixes in Brazil, and the leading corn dry miller in the world.

Our new partnership with DuPont, which includes a biotechnology alliance and a vegetable protein ingredients joint venture, will produce additional avenues for growth. Solae, the joint venture, is the leading producer of soy protein concentrates worldwide. The biotech alliance will enable Bunge to develop soybeans with enhanced traits – functional benefits for processors and higher nutritional value and better taste for consumers – and will expand our presence and product portfolio in the food products sector.

VEGETABLE OIL
IN FOOD CONSUMPTION

Vegetable oil is a major food component and plays a significant role in nutrition, health and food preparation. It is a primary source of lipids, which, together with proteins and carbohydrates, constitute the principal structural components of living cells in the human body.

As a country's standard of living increases, vegetable oil consumption rises, replacing animal fat as the primary food preparation ingredient and improving that society's overall health. Bunge, through its joint venture with DuPont, is at the forefront of research to unlock vegetable oil's potential health benefits.



Nutrition Research

EXECUTIVE COMMITTEE

Sitting left to right

Raul Padilla *Bunge Argentina*
Drew Burke *Ingredients and New Business Development*
Bill Wells *Chief Financial Officer*
Alberto Weisser *Chief Executive Officer*
Carl Hausmann *Bunge Europe*
John Klein *Bunge North America*
Archie Gwathmey *Bunge Global Markets*

Standing left to right

Flávio Sá Carvalho *Chief Personnel Officer*
Fernando Kfouri *Food Products*
Mario Barbosa *Bunge Fertilizantes*
Sergio Waldrich *Bunge Alimentos*

CORPORATE CITIZENSHIP

Bunge has a long tradition of community responsibility and active corporate citizenship. By sharing our resources and our expertise, we contribute to the sustainable development of the communities in which we operate. Our philanthropic efforts are focused on educational, social, scientific and cultural activities.

One of our newest and most important initiatives is the Comunidade Educativa in Brazil, which is offered through Fundação Bunge. The program, launched last May, allows Bunge Brazil employees to volunteer up to two hours per week on company time at their local schools. The employees work with the local school administrators to develop and support pursuits ranging from environmental conservation to citizenship workshops, cultural awareness and sports and leisure activities. So far, more than 400 Bunge employees have volunteered at seven schools in the states of São Paulo, Rio Grande do Sul and Santa Catarina. Fundação Bunge also sponsors the Basic Education Incentive Prize. Created in 1996, the Prize is awarded annually in conjunction with the Brazilian Ministry of Education to recognize the efforts of primary school teachers to improve the quality of elementary school education.

In the United States, the Bunge North America Foundation focuses its efforts on matching employee gifts to educational institutions and supporting the National Merit Scholarship Program. In Argentina, Fundación Bunge y Born supports a range of activities and programs to cultivate growth in local communities.

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INTRODUCTION

We are an integrated agribusiness and food company. We conduct our operations in three divisions: agribusiness, fertilizers and food products. In each of our business divisions, operating performance is affected by the following key factors.

Agribusiness In the agribusiness division, we purchase, store, process, transport, merchandise and finance agricultural commodities, principally soy commodity products. In our grain origination, oilseed processing and international marketing operations, soy commodity products represent 59%, 100% and 77%, respectively, of our total sales volumes in 2002. In this division, profitability is principally affected by the price of soy commodity products, the volatility of the prices for these products and the relationship among those prices. Prices, in turn, are affected by the perceived and actual availability of, and demand for, soy commodity products. Availability is affected by weather conditions, governmental trade policies and growing patterns, including substitution by farmers of other agricultural commodities for soybeans. Demand is affected by growth in worldwide consumption of food products and the price of substitute agricultural products. In addition, the high capital costs and time required to construct oilseed processing facilities may cause imbalances between industry-wide levels of oilseed processing capacity and demand for soy commodity products. The relationship among the prices for the various soy commodity products may be affected by these imbalances. The effect of these factors on prices of soy commodity products will affect our decisions regarding whether and when to purchase, store, process, transport or merchandise these commodities.

Because agricultural commodity prices are often volatile, we believe net sales are not a reliable indicator of performance in the agribusiness division. Gross profit is a better measure we use to evaluate the financial performance success of this division. Gross profit reflects the net margin earned on the difference between the purchase and sales prices of agricultural commodities, less the costs of storing, processing and transporting those agricultural commodities based upon the volumes we transact.

Fertilizer In the fertilizer division, demand for our products is affected by the profitability of the Brazilian agricultural sector, agricultural commodity prices, the types of crops planted, the number of acres planted and weather related issues affecting the success of the harvest. The continued development of the Brazilian agricultural sector has had, and we expect will continue to have, a positive impact on demand for our fertilizer products. Our cost of goods sold in the fertilizer business principally consists of the cost of our primary raw materials, which are nitrogen, phosphate and potassium.

Food products In the food products division, our net sales are affected by competition, changes in eating habits, Brazilian currency fluctuations and changes in general economic conditions in our principal markets for this division, Europe, the United States and Brazil. During economic downturns, such as the recession experienced in Brazil after the 1999 devaluation of the *real,* consumers tend to purchase less expensive food products in lieu of premium brands, thus negatively affecting our net sales and gross profit. Competition in this industry has intensified in the past several years due to consolidation in the supermarket industry and attempts by competitors to increase market share. Profitability in this division is also affected by the mix of products that we sell. Our cost of goods sold in our food products division is principally affected by fluctuations in agricultural commodity prices.

EVENTS AFFECTING OPERATING RESULTS

Several significant transactions or events have occurred during the periods discussed below that have had, or will have, a significant impact on our operating results.

Acquisition of Cereol On October 15, 2002, we acquired from Edison S.p.A. (Edison) a 54.69% controlling interest in Cereol S.A., a French agribusiness company, for approximately €449 million in cash. We also paid Edison €14 million for a three-year non-compete agreement. On December 4, 2002, we purchased additional shares of Cereol that were publicly traded on the Euronext market for approximately €351 million in cash. As a result of these transactions, we own 97.38% of Cereol's share capital and voting rights. We financed the acquisition with available cash and borrowings. We assumed Cereol's cash of €95 million and debt of €644 million on the acquisition date. We refinanced a portion of the debt in accordance with the change in control provisions in certain of Cereol's financing documents by entering into a €500 million 364-day revolving credit facility on October 15, 2002, which was increased to €600 million on December 17, 2002.

Cereol is currently in arbitration relating to the sale of Ducros. If the Ducros dispute is finally resolved on or before October 15, 2005 for an amount less than €77 million, we will pay to all former Cereol shareholders an additional purchase price of up to €3 per share, or a total of €77 million. If the Ducros dispute is finally resolved on or before October 15, 2005 for an amount equal to or greater than €77 million, shareholders will not receive any additional purchase price. If the Ducros dispute is resolved after October 15, 2005, all former Cereol shareholders other than Edison will receive an additional purchase price of €3 per share, and Edison will receive up to €3 per share or a total of €42 million, depending on the outcome. Regardless of the outcome or its timing, we are entitled to be indemnified by Edison for any amount that exceeds €77 million.

We are accounting for the Cereol acquisition under the purchase method, which entails allocating the purchase price to the fair values of our share of the assets and liabilities acquired. Cereol's results of operations and minority interest have been reflected in our consolidated financial statements since October 1, 2002.

Fluctuation in foreign currency exchange rates

In recent years, both Brazil and Argentina have been negatively affected by volatile economic and political conditions. Devaluations generally have a positive effect on our results when local currency amounts, such as local operating expenses, are translated to U.S. dollars. Appreciations generally have a corresponding negative effect on our financial results. Devaluations in Brazil and Argentina had a material positive impact on our financial results in 2002.

Argentina During December 2001, the Argentine government suspended foreign currency trading, which resulted in a 39% devaluation as of December 31, 2001. In January 2002, the government abandoned the fixed *peso*-dollar exchange rate. The resulting devaluation of the *peso* during the 2002 calendar year was 51%. Our Argentine subsidiaries' assets and liabilities are translated into U.S. dollars from local currency at month-end exchange rates, and we record the resulting foreign exchange translation adjustments into our consolidated balance sheets as a component of accumulated other comprehensive income (loss). Included in our other comprehensive income (loss) for the years ended December 31, 2002 and 2001 were foreign exchange translation losses of $68 million and $71 million, respectively, representing the loss from the translation of our Argentine assets and liabilities. We minimized the effect on our net income for 2002 from the decline in value of the *peso*, through a long position in U.S. dollars, including U.S. dollar-linked inventories.

As a result of its financial crisis, the Argentine government is not current on its payments of value added tax rebates. We recorded a $20 million provision against recoverable taxes from the Argentine government in 2001, and an additional $44 million provision in 2002.

In March 2002, the Argentine government imposed export tariffs on raw grains and processed agricultural products and industrial goods, including soybean meal and oil. In April 2002, the government increased these tariffs to 23.5% on soybeans and 20% on soybean meal and oil, wheat and corn. These tariffs are shared between growers and exporters on a transaction-by-transaction basis, which affects our cost of raw materials.

Argentine presidential elections are scheduled for April 2003. We cannot predict the effect, if any, that a change in the administration might have on us.

A highly inflationary economy is one whose cumulative inflation over a three-year period is 100% or more. Based on recent inflationary trends, it is possible Argentina's three year cumulative inflation rate could exceed 100% in the near future. If Argentina becomes classified as a highly inflationary economy, we will be required to change the functional currency of our Argentine subsidiaries to the U.S. dollar from the *peso* in accordance with U.S. Generally Accepted Accounting Principles (GAAP). If we change the functional currency of our Argentine subsidiaries to the U.S. dollar our financial statements would be affected prospectively in several ways.

We use permanently invested intercompany loans as a source of capital to reduce the exposure to foreign currency fluctuations in our foreign subsidiaries. These loans are treated as analogous to equity for accounting purposes. Therefore, the foreign exchange gains or losses on these intercompany loans are recorded in other comprehensive income (loss). If we change the functional currency of our Argentine subsidiaries, we would no longer record foreign exchange gains or losses on these intercompany loans.

It is uncertain if and when Argentina will be classified as a highly inflationary economy. Because of this uncertainty we are unable to determine what effect a change in the

functional currency of our Argentine subsidiaries to the U.S. dollar would have on our financial position, results of operations or cash flows.

Brazil The Brazilian government has often changed its economic policy, sometimes significantly, in response to negative economic conditions. Past government actions have included the devaluation of the *real* and the imposition of exchange, wage and price controls. The functional currency of our Brazilian subsidiaries is the *real.* In early 1999, the Brazilian government allowed the *real* to float freely. In 2002, the devaluation of the *real* to the U.S. dollar was 34%. Our Brazilian subsidiaries' assets and liabilities are translated into U.S. dollars from local currency at month-end exchange rates, and the resulting foreign exchange translation adjustments are recorded in the consolidated balance sheets as a component of accumulated other comprehensive income (loss). Included in other comprehensive income (loss) for the years ended December 31, 2002 and 2001 were foreign exchange translation losses of $376 million and $144 million, respectively, representing the loss from the translation of our Brazilian assets and liabilities.

We minimized the effect of the decline in the value of the Brazilian *real* relative to the U.S. dollar on our net income through the use of intercompany loans that are deemed to be permanently invested and by hedging U.S. dollar net monetary assets and liabilities. In addition, our agricultural commodities inventories, because of their international pricing in U.S. dollars, provide a natural hedge to the currency exposure. Our Brazilian fertilizer division has also historically been able to link our sales prices to those of dollar-linked imported raw material costs, thereby minimizing the effect of exchange rate fluctuations. However, our food products division's net sales in Brazil, which comprised approximately 8% of our total net sales in 2002 and 9% of our total net sales in 2001, were denominated in Brazilian *reais.*

Brazilian presidential elections occurred in October 2002, and Luiz Inácio Lula da Silva was elected president for a term of four years. The volatility of the *real* and the Brazilian capital markets during 2002 was due, in part, to uncertainties surrounding the election and the policies the new government could implement. We cannot assure you that the new government will not implement policy changes that could adversely affect our Brazilian operations. Changes in policy, including tariffs, exchange controls or other factors, could adversely affect our business and financial results, as could inflation, further currency devaluation and other developments, and the Brazilian government's response to them.

Financing initiatives Prior to 2000, we obtained most of our financing on a decentralized basis at subsidiary levels. In 2000, we began taking steps to coordinate our financing activities at the parent company level. We established a master trust facility designated to permit us and our subsidiaries to borrow funds on a more efficient basis. We also established a commercial paper program that, as increased in 2001, allowed for borrowings up to $750 million, and the issuance of $170 million of redeemable preferred stock and $125 million of fixed rate trust certificates. We used the proceeds from these financings to refinance the indebtedness of our Brazilian subsidiaries, which lowered our foreign currency exposure and interest costs. In the third quarter of 2001, we sold 18,775,100 common shares, or approximately 23% of our outstanding common shares, in an initial public offering, which resulted in net proceeds of $278 million. We used the net proceeds of our initial public offering to reduce indebtedness under our commercial paper program. These financing initiatives had a positive effect on our results of operations in 2001, and we expect them to continue to do so.

In the first quarter of 2002, we increased our commercial paper facility to $930 million, and we finalized an additional $420 million three-year revolving credit facility, a $67 million two-year term loan and a $50 million three-year revolving credit facility. In the first quarter of 2002, we also sold 16,093,633 common shares in a follow-on equity offering, which resulted in net proceeds of $292 million. We used $105 million to buy back shares held by minority shareholders in connection with the corporate restructuring of our Brazilian subsidiaries, and the remainder to reduce indebtedness under our commercial paper program. On July 11, 2002, we amended our commercial paper facility to reduce the maximum borrowings allowed under that facility to $600 million and extended the maturities of our back-up credit lines so that $360 million has a 364-day term and $240 million has a three-year term. In addition, in September 2002, we increased the maximum borrowing under our revolving credit facility from $420 million to $460 million.

On September 25, 2002, we completed a private placement of $486 million aggregate principal amount of senior guaranteed notes. On October 15, 2002, we completed an offering of $200 million aggregate principal amount of senior notes. In addition, on November 27, 2002, we completed an offering of $250 million aggregate principal amount of convertible notes, which are convertible into our common shares. We used the net proceeds of these offerings to reduce indebtedness and for payments made in connection with the Cereol acquisition.

Expansion of international marketing activities The international marketing activities of our agribusiness division grew significantly in 2000 and 2001, as we opened new offices in the United States, Europe, the Middle East and Asia and substantially increased the number of employees in this business worldwide. This expansion resulted in increased sales volumes, gross profit, selling, general and administrative expenses and working capital in 2002, 2001 and 2000.

Brazilian acquisitions and restructurings In 2000, we consolidated our leading position in the Brazilian fertilizer industry by acquiring a controlling interest in Manah, a Brazilian fertilizer company, for $47 million in cash, net of cash acquired of $36 million. As a result of the acquisition of Manah, we obtained a controlling interest in Fosfertil. We accounted for the acquisition of Manah and Fosfertil under the purchase accounting method. Manah's and Fosfertil's results are included in our results of operations beginning in April 2000.

During the past four years, we increased our ownership in several of our Brazilian subsidiaries through share exchanges with the minority shareholders of those entities. We also merged several of our Brazilian subsidiaries to reduce costs and expenses, rationalize our facilities and reduce our turnover tax liability in Brazil, which is based on sales between legal entities, including legal entities under common control.

In 2001, we initiated a corporate restructuring of three of our Brazilian subsidiaries. The restructuring required the approval of the Brazilian securities commission, which was obtained in January 2002. The restructuring involved the exchange of all of the shares of Bunge Fertilizantes S.A. and Bunge Alimentos S.A. for shares of Serrana S.A., which was renamed Bunge Brasil S.A. Pursuant to Brazilian securities laws, the three restructured subsidiaries offered withdrawal rights to their shareholders. These withdrawal rights required our subsidiaries to buy back and cancel shares from minority shareholders at a total cost of $275 million, of which $105 million was paid in cash. After the withdrawal rights expired on February 18, 2002, we delisted Bunge Fertilizantes and Bunge Alimentos, thereby reducing the number of our publicly traded subsidiaries in Brazil from four to two: Bunge Brasil and Fosfertil. We accounted for the restructuring as an acquisition of minority interest in the first quarter of 2002.

Acquisition of La Plata Cereal On March 4, 2002, we completed our acquisition of La Plata Cereal S.A., an Argentine agribusiness company, from Andre & Cie S.A., a Swiss agribusiness company. The purchase price was approximately $3 million in cash, and we assumed $42 million in debt.

Impairment and restructuring charges During 2001, we finalized plans to close older, less efficient plants in our edible oil products segment, which are being replaced with newer and lower-cost facilities. As a result, we recorded non-cash write-downs on property, plant and equipment of $14 million. In 2000, we conducted restructuring initiatives, primarily in response to a downturn in profitability in the global agricultural commodities industry, which had begun in 1998. Our restructuring program was primarily focused on reducing overcapacity in our oilseed processing business. During 2000, we closed three oilseed processing plants in Brazil and one plant in the United States. We also wrote down some assets in our edible oil products and corn products businesses that had become obsolete due to advances in technology in some of our product lines, such as our shift from cans to clear plastic containers for bottled oils. As a result, we recorded impairment and restructuring charges of $49 million in 2000, which consisted of a $44 million non-cash write-down of property, plant and equipment and goodwill, as well as $5 million in employee termination costs that were paid in 2001.

INDUSTRY ECONOMIC CONDITIONS AND CYCLICALITY

Demand for agricultural commodities has continued to increase due to growth in world population, despite the occurrence of regional economic downturns. However, beginning in the latter half of 1998, gross profit margins in our oilseed processing business declined significantly due to excessive industry-wide processing capacity. The effects of these adverse industry conditions on our business were exacerbated by increases in consumption of non-soy oils, particularly palm and rapeseed, and by China's shift to oilseed purchases in lieu of meal and oil.

During 2000, we and other global oilseed processors responded to these events by closing older, less efficient facilities in Brazil and the United States. These plant closings resulted in a reduction in industry overcapacity in Brazil and the United States. Since then, the closing of less efficient oil processing plants and renewed growth in developing countries has contributed to an improved balance in the industry between demand and processing capacity, and to a recovery in profitability. In addition, we expect the European ban on the use of meat and bone meal in animal feed and improvements in Asian economies to increase long-term demand for soybean meal. These factors resulted in an improvement in our oilseed processing gross profit margins beginning in the fourth quarter of 2000. Margins continued to recover in 2001, reaching their highs in late 2001.

In the second half of 2002, the United States suffered a smaller than expected soybean harvest due to poor growing conditions. The United States simultaneously experienced decreased demand for U.S.-origin meat products, resulting in a decline in U.S. demand for soybean meal. As a result, industry-wide oilseed processing margins decreased significantly from their highs in late 2001. In response to these events, the industry began to idle soybean processing capacity, and in February 2003, we announced that we will be idling production at our oilseed processing facility in Cairo, Illinois. Oilseed processing margins may continue to fluctuate following industry cycles.

In September 2001, China became a member of the World Trade Organization (WTO). As part of its entry into the WTO, China agreed to certain trade liberalization measures, including the gradual reduction of its agricultural import tariffs. We believe that these tariff reductions will eventually result in increased sales volumes of our products in China.

EFFECTS OF FOREIGN CURRENCY TRANSACTIONS ON OUR BUSINESS

Functional currency Our reporting currency is the U.S. dollar. However, the functional currency of the majority of our foreign subsidiaries is their local currency. We translate the amounts included in the consolidated statements of income of our foreign subsidiaries into U.S. dollars on a monthly basis at weighted average exchange rates, which we believe are representative of the actual exchange rates on the dates of the transactions. Our foreign subsidiaries' assets and liabilities are translated into U.S. dollars from local currency at year-end exchange rates, and we record the resulting foreign exchange translation adjustments in our consolidated balance sheets as a component of accumulated other comprehensive income (loss).

In determining the functional currency for our foreign subsidiaries, we make judgments based on the collective economic indicators affecting those subsidiaries. The economic indicators we review include the currency in which cash flows are denominated, how sales prices are determined, the sales markets in which the subsidiaries operate, where their operating costs are generated, how they obtain financing and the level of intercompany transactions with us. A significant change in these economic indicators would require us to reassess the functional currency of our foreign subsidiaries.

If we determine that the functional currency of any of our foreign subsidiaries should be the U.S. dollar, our financial statements would be affected. We would:

- translate depreciation, depletion and amortization expenses at the historical exchange rates on the dates that the assets were placed in service;
- generate foreign exchange transaction gains or losses on foreign currency denominated monetary assets and liabilities;
- record non-monetary items, such as inventories, prepaid expenses and fixed assets, at the exchange rate on the dates that the transactions were consummated; and
- eliminate the foreign exchange translation adjustment.

We use permanently invested intercompany loans as a source of capital to reduce the exposure to foreign currency fluctuations in our foreign subsidiaries. These loans are treated as analogous to equity for accounting purposes. Therefore, the foreign exchange gains or losses on these intercompany loans are recorded in other comprehensive income (loss). If we were to determine that the functional currency of any of our subsidiaries should be the U.S. dollar, we would no longer record foreign exchange gains or losses on these intercompany loans.

Argentina and Brazil In recent years, both Argentina and Brazil have been negatively affected by volatile economic and political conditions. In particular, the volatility of the *peso* and the *real* has affected our financial results. Devaluations generally have a positive effect on our results when local currency costs are translated to U.S. dollars. Appreciations generally have a corresponding negative effect on our financial results. Thus, significant currency fluctuations can have a material impact on our financial results.

Argentina In 2002, the devaluation of the *peso* against the U.S. dollar was 51%. A devaluation of the *peso* affects our consolidated financial statements by:

- reducing our *peso*-denominated selling, general and administrative and depreciation expenses, as well as other *peso*-denominated operating costs as a result of the translation of those amounts for consolidation purposes into U.S. dollars at weakening exchange rates;
- generating foreign exchange transactions gains or losses on U.S. dollar-denominated monetary assets and liabilities of our Argentine subsidiaries, which are reflected in our consolidated statements of income;
- generating financial gains based on changes in market value of our readily marketable agricultural inventories, which are linked to U.S. dollar prices; and
- generating foreign currency translation losses on the net assets of our Argentine subsidiaries, which are reflected in other comprehensive income (loss).

Brazil In early 1999, the Brazilian government allowed the *real* to float freely, resulting in a 32% devaluation against the U.S. dollar in 1999, an additional 9% in 2000, 16% in 2001 and 34% in 2002. A devaluation of the *real* affects our consolidated financial statements by:

- reducing our *real*-denominated net sales as a result of the translation of those amounts into U.S. dollars for consolidation purposes at weakening exchange rates;
- reducing our *real*-denominated selling, general and administrative and depreciation, depletion and amortization expenses, as well as other *real*-denominated operating costs as a result of the translation of those amounts for consolidation purposes into U.S. dollars at weakening exchange rates;
- generating foreign exchange transaction gains or losses on U.S. dollar-denominated monetary assets and liabilities of our Brazilian subsidiaries, which are reflected in our consolidated statements of income;
- generating financial gains based on changes in market value of our readily marketable agricultural inventories, which are priced in U.S. dollars;
- increasing our foreign currency hedging costs due to higher risk premiums, which increases are reflected in our consolidated statements of income; and
- generating foreign currency translation losses on the net assets of our Brazilian subsidiaries, which are reflected in other comprehensive income (loss).

Foreign currency exposure The net sales of our agribusiness division and our U.S.-based food products division, which comprised over 79% of our total net sales in 2002, are invoiced in U.S. dollars or linked to dollar prices. The value of our agricultural commodities inventories is linked to dollar prices. In addition, the Brazilian fertilizer industry, due to its relationship to the agricultural sector, which derives its profitability from dollar-based international commodity prices, has historically been able to link its sales prices to those of imported raw material costs, thereby minimizing the effect exchange rate fluctuations have on us. However, our food products division's net sales in Brazil, which comprised approximately 8% of our total net sales in 2002 and 9% of our total net sales in 2001, were denominated in Brazilian *reais*.

During 2000, we initiated measures to reduce our exposure to foreign currency fluctuations in Brazil and Argentina, particularly their effects on our results of operations. These measures included replacing the third party U.S. dollar-denominated debt of our Argentine

and Brazilian subsidiaries with long-term intercompany loans. These loans do not require cash payment of principal and are treated as analogous to equity for accounting purposes. As a result, since 2000 the foreign exchange gains or losses on these intercompany loans are recorded in other comprehensive income (loss) in contrast to foreign exchange gains or losses on third party debt, which are recorded in non-operating income (expense) – net in our consolidated statements of income.

INVENTORIES

In our agribusiness segment, we account for our inventories at estimated net realizable market value. These inventories are agricultural commodities that are freely traded, have quoted market prices, may be sold without significant further processing and have predictable and insignificant costs of disposal. We derive our estimates from exchange quoted prices, adjusted for differences in local markets. Changes in the market values of these inventories are recognized in earnings as a component of cost of goods sold.

DERIVATIVES

We minimize the effects of changes in price of agricultural commodities on our agribusiness inventories and agricultural commodities forward cash purchase and sales contracts by using exchange-traded futures and options contracts to minimize our net positions in these inventories and contracts. We account for these exchange-traded futures and option contracts and forward purchase and sales contracts at quoted market prices, which are based on exchange quoted prices, adjusted for differences in local markets. Changes in the market value of all of these contracts are recognized in earnings as a component of cost of goods sold. If we were to use different methods to estimate market value, amounts reported as cost of goods sold could differ.

We hedge portions of the soy commodities products used in and produced by our U.S. oilseed processing business. To do this, we use exchange-traded futures contracts that are designated as cash flow hedges. The changes in the market value of these futures contracts have historically been, and are expected to continue to be, highly effective at offsetting changes in price movements of the hedged item. Gains or losses arising from hedging transactions are deferred in other comprehensive income (loss), net of applicable taxes, and are recognized in cost of goods sold when the products associated with the hedged item are sold. If we determine that the instruments used are no longer effective at offsetting changes in the price changes of the hedged item, we would reflect the changes in the market value of these futures contracts in earnings as a component of cost of goods sold.

We also enter into derivative financial instruments, including foreign currency swaps and purchased call options, to limit exposure to changes in foreign currency exchange rates with respect to our foreign currency denominated assets and liabilities. We only enter into derivatives that are related to our inherent business and financial exposure as a global agribusiness company.

EMPLOYEE BENEFIT PLANS

We sponsor various pension and postretirement benefit plans. In connection with the plans, we make various assumptions in the determination of projected benefit obligations and expense recognition related to pension and postretirement obligations. Key assumptions include discount rates, rates of return on plan assets, asset allocations and rates of future compensation increases. Management develops its assumptions based on its experience and by reference to market related data. All assumptions are reviewed periodically and adjusted as necessary. Weighted average pension assumptions used by management at December 31, 2002 include a discount rate of 6.8% and long-term rate of return on plan assets of 8.4%. We lowered the discount rate on our U.S.-based pension plans, which represent approximately 88% of our pension obligations, from 7.5% at December 31, 2001 to 6.75% at December 31, 2002 largely based on a decrease in Aa rated corporate bond yields. The long-term rates of return on plan assets related to our U.S.-based pension plans at December 31, 2002 range from 8%-9%, based upon an assumed average allocation of plan investments of 65% equity securities and 35% fixed income debt securities and historical rates of return.

In 2002, the combination of a decline in assets and a decline in the discount rate caused us to record a minimum pension liability, which reduced shareholders' equity by $11 million, net of tax. Future recognition of additional minimum pension liabilities will depend primarily on the actual return on assets and the discount rate.

SEASONALITY

In our agribusiness division, we do not experience material seasonal fluctuations in volume since we are geographically diversified in the global agribusiness market. The worldwide need for food is not seasonal and increases as populations grow. The geographic balance of our grain origination assets in the northern and southern hemispheres also assures us a more consistent supply of agricultural commodities throughout the year, although our overall supply of agricultural commodities can be impacted by adverse weather conditions such as flood, drought or frost. However, there is a degree of seasonality in our gross profit, as our higher margin oilseed processing operations experience increases in volumes in the second, third and fourth quarters due to the timing of the soybean harvests. In addition, price and margin variations and increased availability of agricultural commodities at harvest times often cause fluctuations in our inventories and short-term borrowings.

In our fertilizer division, we are subject to consistent seasonal trends based on the agricultural growing cycle in Brazil. As a result, fertilizer sales are significantly higher in the third and fourth quarters of our fiscal year.

In our food products division, there are no significant seasonal effects on our business.

INCOME TAXES

As a Bermuda exempted company, we are not subject to income taxes in our jurisdiction of incorporation. However, our subsidiaries, which operate in several tax jurisdictions, are subject to income taxes at various statutory rates.

Our U.S. export sales of agricultural commodities and certain food products have been subject to favorable U.S. tax treatment, thus lowering our overall tax liabilities and thereby reducing our income tax expense by $9 million in 2002 and $10 million in 2001. However, the WTO recently ruled that this tax treatment is a trade-distorting subsidy and has authorized the European Union to impose sanctions against the United States. It appears likely that the U.S. Congress could change or eliminate this treatment, which would subject U.S. exporters, including us, to higher tax rates.

In Brazil, our operations have generated a significant amount of net operating losses, which are attributable to the recent and prior devaluations of the Brazilian *real*. However, we are required to reduce portions of these net operating losses through valuation allowances based on our assessment of the likelihood of their realization. As of December 31, 2002, we had deferred tax assets related to net operating losses of $310 million, upon which we have a $91 million valuation allowance. The use of these net operating losses net of the valuation allowances will reduce our future tax liabilities. In addition, our effective rate can be favorably or unfavorably affected by the volatility in the exchange rate for the *real* because we receive current Brazilian tax benefits or expenses related to foreign exchange losses or gains on certain U.S. dollar denominated intercompany loans.

INCREASE IN ENERGY COSTS

We use substantial amounts of energy in connection with the operation of our facilities. Global energy costs have recently increased, resulting in an increase in our cost of goods sold. A significant increase in the cost of energy could adversely affect our operating results.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We believe that the application of the following accounting policies, which are important to our financial position and results of operations, requires significant judgments and estimates on the part of management. For a summary of all of our accounting policies, including the accounting policies discussed below, see Note 1 of the consolidated financial statements.

Recoverable taxes We evaluate the collectibility of our recoverable taxes and record valuation allowances if we determine that collection is doubtful. As we discuss in Note 25 of the consolidated financial statements, in our agribusiness segment, we recorded a $44 million valuation allowance in 2002 and a $20 million valuation allowance in 2001 in connection with recoverable taxes due from the Argentine government. The provisions are reflected in our cost of goods sold. We recorded these provisions because of the currency devaluation and deep-

ening economic difficulties and political uncertainties in Argentina. These recoverable taxes represent value added taxes paid on the acquisition of grain that are refundable by the Argentine government when the finished goods are exported.

Management's assumption about the collectibility of recoverable taxes requires significant judgment because it involves an assessment of the ability and willingness of the Argentine government to pay the taxes. As of December 31, 2002, the Argentine government was past due.

Goodwill, intangible assets and long-lived assets Effective January 1, 2002, we adopted Statement of Financial Accounting Standards (SFAS) No. 142, *Goodwill and Other Intangible Assets,* as described more fully in Note 8 of the consolidated financial statements. SFAS No. 142 requires that goodwill be tested for impairment within six months of the date of adoption and then at least annually thereafter. During the first quarter of 2002, we completed our transitional impairment testing at the reporting unit level and recorded a charge of $14 million, net of tax of $1 million, as of January 1, 2002. This change is reflected in our consolidated financial statements as a cumulative effect of change in accounting principle. In the fourth quarter of 2002, we performed our annual impairment test and recorded an additional charge of $4 million. In assessing the recovery of goodwill, projections regarding estimated discounted future cash flows and other factors are made to determine the fair value of the reporting units and the respective assets. If these estimates or related projections change in the future, we may be required to record additional impairment charges.

Long-lived assets include property, plant and equipment and identifiable intangibles. When facts and circumstances indicate that the carrying values of long-lived assets may be impaired, an evaluation of recoverability is performed by comparing the carrying value of the assets to the projected future cash flows to be generated by such assets. If it appears that the carrying value of our assets may not be recoverable, we recognize an impairment loss as a charge against results of operations. Our judgments related to the expected useful lives of long-lived assets and our ability to realize undiscounted cash flows in excess of the carrying amount of such assets are affected by factors such as the ongoing maintenance and improvements of the assets, changes in economic conditions and changes in operating performance. As we assess the ongoing expected cash flows and carrying amounts of our long-lived assets, changes in these factors could cause us to realize material impairment charges.

Contingencies We are a party to a large number of claims and lawsuits, primarily tax and labor claims in Brazil, arising in the normal course of business, and have accrued our estimate of the probable costs to resolve these claims. This estimate has been developed in consultation with in-house and outside counsel and is based on an analysis of potential results, assuming a combination of litigation and settlement strategies. Future results of operations for any particular quarterly or annual period could be materially affected by changes in our assumptions or the effectiveness of our strategies relating to these proceedings.

Income taxes We record valuation allowances to reduce our deferred tax assets to the amount that we are likely to realize. We consider future taxable income and prudent tax planning strategies to assess the need for and the size of the valuation allowances. If we determine that we can realize a deferred tax asset in excess of our net recorded amount, we decrease the valuation allowance, thereby increasing income. Conversely, if we determine that we are unable to realize all or part of our net deferred tax asset, we increase the valuation allowance, thereby decreasing income.

Prior to recording a valuation allowance, our net deferred tax assets were $497 million at December 31, 2002. We have valuation allowances of $91 million representing the uncertainty regarding the recoverability of the net operating loss carryforwards generated by our Brazilian and Argentine subsidiaries.

RESULTS OF OPERATIONS

Reclassification In the third quarter of 2002, we reclassified certain consumer product lines from the edible oil products segment to the wheat milling and bakery products segment. This change is reflected in our results of operations for the year ended December 31, 2002, and all prior year amounts have been reclassified to conform to the current presentation.

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

(US$ in millions, except volumes)	*Year Ended December 31,* 2002	2001	2000
Net sales:			
Agribusiness	**$10,291**	$ 8,412	$ 6,327
Fertilizer	**1,384**	1,316	1,466
Edible oil products	**1,471**	872	983
Wheat milling and bakery products	**591**	580	563
Other (soy ingredients and corn products)	**337**	304	328
Food products total	**2,399**	1,756	1,874
Total	**$14,074**	$11,484	$ 9,667
Cost of goods sold:			
Agribusiness	**$ 9,542**	$ 7,925	$ 6,104
Fertilizer	**1,091**	1,036	1,228
Edible oil products	**1,310**	787	846
Wheat milling and bakery products	**518**	515	506
Other (soy ingredients and corn products)	**282**	258	300
Food products total	**2,110**	1,560	1,652
Total	**$12,743**	$10,521	$ 8,984
Gross profit:			
Agribusiness	**$ 749**	$ 487	$ 223
Fertilizer	**293**	280	238
Edible oil products	**161**	85	137
Wheat milling and bakery products	**73**	65	57
Other (soy ingredients and corn products)	**55**	46	28
Food products total	**289**	196	222
Total	**$ 1,331**	$ 963	$ 683
Selling, general and administrative expenses:			
Agribusiness	**$ 253**	$ 176	$ 132
Fertilizer	**96**	93	85
Edible oil products	**127**	75	103
Wheat milling and bakery products	**54**	56	47
Other (soy ingredients and corn products)	**19**	17	20
Food products total	**200**	148	170
Unallocated	**43**	19	–
Total	**$ 592**	$ 436	$ 387

(US$ in millions, except volumes)	2002	2001	2000
			Year Ended December 31,
Income from operations:			
Agribusiness	**$ 496**	$ 311	$ 91
Fertilizer	**197**	187	153
Edible oil products	**34**	10	34
Wheat milling and bakery products	**19**	9	10
Other (soy ingredients and corn products)	**36**	29	8
Food products total	**89**	48	52
Unallocated other	**(43)**	(19)	–
Total	**$ 739**	$ 527	$ 296
Net income	**$ 255**	$ 134	$ 12
Volumes (in millions of metric tons):			
Agribusiness	**73.4**	57.5	46.3
Fertilizer	**10.7**	8.9	9.1
Edible oil products	**2.6**	1.6	1.5
Wheat milling and bakery products	**2.0**	2.1	2.0
Other (soy ingredients and corn products)	**1.6**	1.5	1.1
Food products total	**6.2**	5.2	4.6
Total	**90.3**	71.6	60.0

YEAR ENDED DECEMBER 31, 2002 COMPARED TO YEAR ENDED DECEMBER 31, 2001

Overview Our net sales increased 23% to $14,074 million in 2002 from $11,484 million in 2001 due to increases in net sales in all segments, with agribusiness volumes increasing 28%, fertilizer volumes increasing 20% and food products volumes increasing 22%. Sales volumes increased significantly due to organic growth in our business and the acquisition of Cereol. Our cost of goods sold increased 21% in 2002 from 2001, in line with the increase in net sales.

Our gross profit increased 38% in 2002 from 2001 primarily due to a 54% increase in gross profit in our agribusiness segment, but all other segments also contributed to the increase.

Our selling, general and administrative (SG&A) expenses increased 36% in 2002 from 2001 primarily due to expenses attributable to the acquisition of Cereol. SG&A in 2001 included $14 million of non-recurring credits related to the recovery of social health and welfare taxes paid by our Brazilian subsidiaries.

Income from operations increased 40% in 2002 from 2001. The devaluation of the Brazilian *real* and Argentine *peso* during 2002 favorably affected our profitability, particularly in the agribusiness segment which sells most of its products into export markets at U.S. dollar prices. This benefits gross profit margins as operating costs are based on local currency. The positive effects of the devaluations of the *real* and *peso* on gross profit more than offset the foreign exchange losses incurred on the dollar-denominated monetary items that are included in non-operating income (loss) – net. The devaluations also resulted in gains relating to the change in the market value of our agribusiness segment's readily marketable inventories.

The variations in our net sales, gross profit and income from operations by segments are described in more detail below.

Agribusiness segment In our agribusiness segment, net sales increased 22% to $10,291 million in 2002 from $8,412 million in 2001 due to a 28% increase in volumes. Volumes increased in all three business lines due to a strong South American crop, increased demand for soy

commodity products, continued growth in our international marketing business and our acquisitions of Cereol and La Plata Cereal.

Cost of goods sold increased 20% in 2002 from 2001 primarily due to increased volumes, partially offset by the effects of the devaluation of the Brazilian *real* and Argentine *peso*.

Gross profit increased 54% in 2002 from 2001 predominantly due to higher volumes, the devaluation of the Brazilian *real* and Argentine *peso*, favorable pricing and a large, quality crop in South America. The increase in 2002 was offset in part by the increase in cost of goods sold and a $44 million non-cash charge relating to the collectibility of recoverable taxes from the Argentine government. SG&A increased 44% in 2002 from 2001 primarily due to the expansion of our business and the acquisitions of Cereol and La Plata Cereal.

Income from operations increased 59% in 2002 from 2001 due to the improvement in gross profit and the acquisition of Cereol.

Fertilizer segment In our fertilizer segment, net sales increased 5% to $1,384 million in 2002 from $1,316 million in 2001 primarily due to an increase in sales volumes, partially offset by lower average selling prices. The increase in volumes was a result of increases in acreage planted, a large second crop in Brazil that increased demand for raw materials, a strong export market for Brazilian meat products that increased demand for animal nutrients and an extra month of results from Fosfertil. The decline in average selling prices was due to high inventory levels and a competitive price environment due to low prices of imported raw materials. Cost of goods sold increased 5% in 2002 from 2001 primarily due to increased volumes, partially offset by the *real* devaluation.

Gross profit increased 5% in 2002 from 2001 as a result of the higher sales volumes and $20 million of profit attributable to an extra month of results from Fosfertil, partially offset by the increase in cost of goods sold and lower average selling prices. SG&A increased 3% in 2002 from 2001 primarily due to the increase in sales volumes and the extra month of Fosfertil. SG&A in 2001 included an $8 million non-recurring credit relating to Brazilian health and welfare taxes.

Income from operations increased 5% in 2002 from 2001 primarily due to the improvements in gross profit.

Edible oil products segment In our edible oil products segment, net sales increased 69% to $1,471 million in 2002 from $872 million in 2001 primarily due to the acquisition of Cereol and organic growth. Cost of goods sold increased 66% in 2002 from 2001 primarily due to increased volumes resulting from our acquisition of Cereol and higher raw material costs, principally crude soybean oil.

Gross profit increased 89% in 2002 from 2001 primarily due to our acquisition of Cereol. SG&A increased 69% in 2002 from 2001 due to our acquisition of Cereol, partially offset by our cost reduction efforts and the impact of the *real* devaluation on *real*-denominated costs.

Income from operations increased to $34 million in 2002 from $10 million in 2001 primarily due to our acquisition of Cereol and organic growth.

Wheat milling and bakery products segment In our wheat milling and bakery products segment, net sales increased 2% to $591 million in 2002 from $580 million in 2001 due to higher average selling prices, partially offset by a slight decline in sales volumes. The increase in average selling prices was largely due to a supply shortage in wheat milling products in Brazil as competitors in financial difficulty lowered production, as well as a change in the product mix to higher priced products. Cost of goods sold was flat.

Gross profit increased 12% in 2002 from 2001 primarily due to higher average selling prices. SG&A decreased 4% in 2002 from 2001 due to the effects of the *real* devaluation.

Income from operations increased to $19 million in 2002 from $9 million in 2001 as a result of higher average selling prices and the decrease in SG&A.

Other segment (soy ingredients and corn products)
In our other segment, net sales increased 11% to $337 million in 2002 from $304 million in 2001 predominantly due to our acquisition of Cereol and organic growth in our soy ingredients business. Cost of goods sold increased 9% in 2002 from 2001, in line with the increase in net sales.

Gross profit increased 20% in 2002 from 2001 due to the Cereol acquisition and an increase in volumes in the soy ingredients business. SG&A increased 12% in 2002 from 2001 primarily due to the Cereol acquisition.

Income from operations increased 24% in 2002 from 2001 due to the increase in gross profit.

Non-operating income (expense) – net A summary of significant non-operating income (expense) – net for the periods indicated follows.

(US$ in millions)	*Year Ended December 31,* 2002	2001
Interest income	**$ 95**	$ 114
Interest expense	**(148)**	(187)
Interest expense on debt financing readily marketable inventories	**(29)**	(38)
Foreign exchange expense	**(179)**	(148)
Other income (expense)	**6**	(4)
Total	**$ (255)**	$ (263)

Interest income decreased 17% in 2002 from 2001 due to lower average interest rates. Interest expense decreased 21% in 2002 from 2001 because of lower interest rates and more efficient use of working capital, partially offset by an increase in interest expense due to higher debt levels resulting from debt incurred to acquire Cereol and our assumption of Cereol's debt. Interest expense on debt financing readily marketable inventories decreased 24% in 2002 from 2001 due to lower average short-term rates.

Foreign exchange losses increased 21% in 2002 from 2001 primarily due to the devaluations of the Brazilian *real* and the Argentine *peso* against the U.S. dollar. The *real* decreased in value relative to the U.S. dollar by 34% in 2002 compared to 16% in 2001. The Argentine *peso* decreased in value relative to the U.S. dollar by 51% in 2002 compared to 39% in 2001. We minimized our foreign currency exposure in Argentina through an increase in our permanently invested intercompany loans and a long position in U.S. dollars. The foreign exchange losses were substantially offset by marked-to-market gains on readily marketable inventories included in income from operations.

Income tax expense Income tax expense increased to $104 million in 2002 from $68 million in 2001 primarily due to an increase in taxable income. Our effective tax rate decreased in 2002 from 2001 predominantly due to a $20 million tax credit relating to the refund of prior years' U.S. foreign sales corporation benefits. Our effective tax rate was also favorably affected by the devaluation of the Brazilian *real* as we recognized Brazilian tax benefits related to foreign exchange losses.

Minority interest Minority interest expense increased to $102 million in 2002 from $72 million in 2001 primarily due to increased earnings at our less than wholly owned subsidiaries and our acquisition of Cereol.

Net income Net income increased 90% to $255 million in 2002 from $134 million in 2001. As a result of the adoption of SFAS No. 142, *Goodwill and Other Intangible Assets,* and our completion of the transitional impairment test, we recorded a goodwill impairment charge in 2002 of $14 million, net of tax, related mainly to goodwill in our bakery mixes business line of our wheat milling and bakery products segment. In addition, subsequent to the adoption of SFAS No. 142, in the fourth quarter of 2002, we recorded an additional goodwill impairment charge of $4 million in cost of goods sold resulting from the loss of a customer in the wheat milling and bakery products segment. As a result of the early adoption of SFAS No. 143, *Accounting for Asset Retirement Obligations,* effective as of January 1, 2002, we also recorded an asset retirement obligation charge of $9 million, net of tax, as a cumulative effect of change in accounting principle.

Net income in 2001 was positively affected by a $7 million, net of tax, cumulative effect of a change in accounting principle related to the adoption of SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities.* As a result of the adoption, commencing in 2001, we began recording unrealized gains and losses on previously unrecognized forward and sales contracts as a component of cost of goods sold over the term of these contracts rather than on the delivery date for the underlying commodity. In addition, we recorded a $3 million gain on the disposal of our baked goods division in Brazil, which we sold to a third party in March 2001 for $59 million.

In February 2002, we restructured our corporate organization in Brazil, which generated an increase in our ownership. We paid $105 million in cash to increase our interest in Bunge Alimentos and Bunge Fertilizantes to 83%. In 2002, net income was $30 million higher than it would have been if the restructuring transaction had not taken place.

YEAR ENDED DECEMBER 31, 2001 COMPARED TO YEAR ENDED DECEMBER 31, 2000

Overview Our net sales increased 19% to $11,484 million in 2001 from $9,667 million in 2000 due to increases in net sales in our agribusiness segment, partially offset by decreases in our fertilizer, edible oil products, wheat milling and bakery products and other segments. Our cost of goods sold increased 17% in 2001 from 2000 in line with the increase in net sales. Our gross profit increased 41% in 2001 from 2000 due to significantly improved profitability in our agribusiness segment as well as increases in our fertilizer, wheat milling and bakery products and other segments, offset slightly by a decrease in our edible oil products segment. SG&A increased 13% in 2001 from 2000 primarily due to growth in our agribusiness segment, partially offset by the devaluation of the *real* and our cost reduction programs. Income from operations increased 78% in 2001 from 2000 primarily due to higher gross profit in our agribusiness, fertilizer, wheat milling and bakery products and other segments.

Agribusiness In our agribusiness segment, net sales increased 33% to $8,412 million in 2001 from $6,327 million in 2000 due to higher sales volumes and higher average selling prices for our soy commodity products. The increase in sales volumes was due to growth in our international marketing operations. Average selling prices increased primarily due to the strong global demand for soy commodity products. Cost of goods sold increased 30% in 2001 from 2000 due to higher sales volumes in our international marketing business, higher average soy commodity product prices and higher energy costs in the United States. In 2000, cost of goods sold included $39 million of impairment and restructuring charges.

Gross profit in our agribusiness segment increased 118% in 2001 from 2000 due to improved profitability in all three of our agribusiness business lines. Strong global demand for soy commodity products, industry-wide reductions in soybean processing capacity, increases in sales of corn and wheat, and the 16% devaluation of the Brazilian *real* contributed to higher gross profit margins. In 2001, gross profit included a $20 million non-cash charge relating to the collectibility of recoverable taxes from the Argentine government. SG&A increased 33% in our agribusiness segment principally due to the growth in our international marketing operations.

Income from operations increased to $311 million in 2001 from $91 million in 2000 primarily due to higher gross profit margins resulting from strong global demand for soy commodity products.

Fertilizer In our fertilizer segment, net sales decreased 10% to $1,316 million in 2001 from $1,466 million in 2000 due to lower average selling prices as well as a slight decrease in volumes. Average selling prices decreased due to a decline in imported raw material costs, which affected market prices. Lower retail sales volumes were almost entirely offset by volume increases due to a full twelve months of results in 2001 from the April 2000 acquisitions of Manah and Fosfertil and increases in animal nutrient sales volumes as a result of the strong export market for Brazilian meat. Retail sales volumes were lower because sales in 2000 were unusually strong as farmers purchased fertilizer in advance of normal seasonal patterns. Cost of goods sold decreased 16% in 2001 from 2000 primarily due to a change in product mix to lower cost goods and a decline in the price of imported raw materials.

Gross profit in our fertilizer segment increased 18% in 2001 from 2000 primarily due to lower cost of goods sold and a full twelve months of results from the acquisitions of Manah and Fosfertil. SG&A increased 9% in 2001 from 2000 primarily due to the acquisitions of Manah and Fosfertil.

Income from operations increased 22% in 2001 from 2000 primarily due to the inclusion of results from Manah and Fosfertil.

Edible oil products In our edible oil products segment, net sales decreased 11% to $872 million in 2001 from $983 million in 2000. This decrease was primarily due to lower average selling prices in 2001 as a result of competitive pressures in the U.S. refined oil markets and the adverse effects of the Brazilian *real* devaluation. Cost of goods sold, which included impairment and restructuring charges of $14 million in 2001 and $5 million in 2000, decreased 7% in 2001 from 2000. This decline was primarily due to the *real* devaluation and lower raw material costs, partially offset by higher energy costs in the United States.

Gross profit decreased 38% in 2001 from 2000 primarily due to lower average selling prices and the adverse effect of the *real* devaluation. SG&A decreased 27% in 2001 from 2000 primarily due to the effects of the *real* devaluation and our cost reduction programs.

Income from operations decreased 71% in 2001 from 2000 due to lower average selling prices as a result of competitive pressures in the U.S. refined oil markets.

Wheat milling and bakery products In our wheat milling and bakery products segment, net sales increased 3% to $580 million in 2001 from $563 million in 2000 primarily attributable to higher sales volumes and a recovery of wheat milling product prices, partially offset by lower average selling prices of bakery products and the adverse effects of the Brazilian *real* devaluation. Cost of goods sold increased 2% in 2001 from 2000 primarily due to higher wheat costs, almost entirely offset by the *real* devaluation.

Gross profit increased 14% in 2001 from 2000 due to higher sales volumes and the recovery in wheat milling product prices in Brazil. SG&A increased 19% in 2001 from 2000 primarily due to higher sales volumes.

Income from operations in our wheat milling and bakery products segment decreased 10% in 2001 from 2000 due to higher SG&A.

Other segment (soy ingredients and corn products) In our other segment, net sales decreased 7% to $304 million in 2001 from $328 million in 2000. Increased net sales in our soy ingredients business were more than offset by a decline in net sales in our corn products business. Net sales in our soy ingredients business increased due to higher sales volumes, partially offset by lower average selling prices. Net sales in our corn products business decreased primarily due to lower sales volumes as a result of a labor strike at our Danville, Illinois facility, which was settled in August 2001. Cost of goods sold decreased 14% in 2001 from 2000 primarily due to lower sales volumes in our corn products business.

Gross profit increased 64% in 2001 from 2000 primarily due to higher sales volumes in our soy ingredients business and lower operating expenses in our corn products business because of the labor strike at our Danville facility. SG&A decreased 15% in 2001 from 2000 primarily due to the effects of the *real* devaluation and our cost reduction programs.

Income from operations increased to $29 million in 2001 from $8 million in 2000 due to higher sales volumes in our soy ingredient business and lower cost of goods sold.

Non-operating income (expense) – net A summary of significant non-operating income (expense) – net for the periods indicated follows.

(US$ in millions)	*Year Ended December 31,* 2001	2000
Interest income	$ 114	$ 138
Interest expense	(187)	(202)
Interest expense on debt financing readily marketable inventories	(38)	(52)
Foreign exchange expense	(148)	(116)
Other income (expense)	(4)	7
Total	$ (263)	$ (225)

Interest income decreased 17% in 2001 from 2000 primarily due to lower levels of invested cash and marketable securities. Interest expense decreased 7% in 2001 from 2000 because of lower levels of long-term debt and lower average interest rates in 2001. Interest expense on debt financing readily marketable inventories decreased 27% in 2001 from 2000 due to lower average short-term interest rates.

Foreign exchange losses increased 27% in 2001 from 2000 primarily due to the 39% devaluation of the Argentine *peso* from a fixed *peso*-dollar exchange rate in December 2001. Foreign exchange losses from our Brazilian operations decreased in 2001 despite the *real* declining in value 16% against the U.S. dollar compared to 9% in 2000 primarily due to a reduction in our exposure to foreign currency fluctuations in Brazil through the use of permanently invested intercompany loans. Foreign exchange losses of $148 million were substantially offset by marked-to-market gains on readily marketable inventories included in income from operations.

Income tax expense Income tax expense increased to $68 million in 2001 from $12 million in 2000 primarily due to higher taxable income.

Minority interest Minority interest expense increased to $72 million in 2001 from $37 million in 2000 due to the increase in income from continuing operations before minority interest.

Net income Net income increased to $134 million in 2001 from $12 million in 2000. Net income in 2001 included a $7 million gain from the cumulative effect of a change in accounting principle related to the adoption of SFAS No. 133, *Accounting for Derivative Instruments*

and Hedging Activities. As a result of the adoption, commencing in 2001, we recorded unrealized gains and losses on previously unrecognized forward purchase and sales contracts as a component of cost of goods sold over the term of these contracts rather than on the delivery date for the underlying commodity. Also in 2001, we recorded a $3 million gain on the disposal of our baked goods division in Brazil, compared to a loss relating to the division in 2000. We sold this division in March 2001 for $59 million, net of expenses.

If we had completed our August 2001 initial public offering and our March 2002 public offering on January 1, 2001 and applied the net proceeds of $278 million and $292 million, respectively, our net income in 2001 would have increased by $25 million to $159 million.

LIQUIDITY AND CAPITAL RESOURCES

Our primary financing objective is to maintain a conservative balance sheet that provides flexibility to pursue our growth objectives. We use a combination of operating cash flows, equity and debt to finance non-current assets and working capital needs.

Our short and long-term debt increased $1,590 million in 2002 due to the acquisition of Cereol. We borrowed approximately $833 million to acquire Cereol and assumed debt of approximately $659 million, net of cash of $90 million, on the acquisition date. We refinanced a portion of this debt by entering into a €500 million 364-day revolving credit facility on October 15, 2002, which was increased to €600 million on December 17, 2002, of which €375 million was outstanding at December 31, 2002. This credit facility was entered into by a subsidiary, and is guaranteed by us. Excluding the debt incurred in connection with the acquisition of Cereol, our indebtedness was reduced by $117 million due to proceeds from our March 2002 equity offering, increased cash flows from operations and increased efficiency in the use of working capital.

To finance working capital, we use cash flows generated from operations and short-term (usually 30-60 days maturity) borrowings, including our commercial paper facility and various short-term credit lines. At December 31, 2002, we had $555 million outstanding under our commercial paper program. On July 11, 2002, to reduce our reliance on short-term borrowings, we amended our commercial paper facility to reduce the maximum borrowings allowed under that facility from $930 million to $600 million. We maintain back-up bank credit lines at least equal to our outstanding commercial paper borrowings, and we also amended these lines so that $360 million has a 364-day term and $240 million has a three-year term. If we were unable to access the commercial paper market, we would use our back-up bank credit lines, which would be at a higher cost than our commercial paper. We have never used these back-up credit lines.

We also have a $460 million three-year revolving senior credit facility, of which $200 million was outstanding at December 31, 2002, and a $50 million three-year senior credit facility, of which $50 million was outstanding at December 31, 2002. Both facilities are entered into by our wholly owned subsidiary, Bunge Limited Finance Corp. ("BLFC"), and are guaranteed by us.

To reduce further reliance on short-term borrowings and raise funds to acquire Cereol, we completed the following long-term financing transactions in 2002:

- On September 25, 2002, we completed the private placement of $486 million aggregate principal amount of unsecured senior guaranteed notes, which were issued by BLFC, and guaranteed by us. The notes were issued in three series comprised of $82 million of notes bearing interest at 6.31% that mature on September 30, 2007, $53 million of notes bearing interest at 6.78% that mature on September 30, 2009 and $351 million of notes bearing interest at 7.44% that mature on September 30, 2012. Interest is payable semi-annually in arrears on March 30 and September 30 of each year, commencing on March 30, 2003.
- On October 15, 2002, we completed an offering of $200 million aggregate principal amount of unsecured senior notes bearing interest at a rate of 7.80% per year that matures on October 15, 2012. The notes were issued by BLFC and guaranteed by us. Interest is payable semi-annually in arrears on April 15 and October 15 of each year, commencing April 15, 2003.
- On November 27, 2002, we completed an offering of $250 million aggregate principal amount of convertible notes, which were issued by BLFC and guaranteed by us. The notes bear interest at a rate of 3.75% and will mature on November 15, 2022. Interest is payable semi-annually in arrears on May 15 and November 15 of each year, commencing on May 15, 2003. The notes are con-

vertible into common shares of Bunge Limited on the fulfillment of certain conditions. The notes are redeemable by BLFC after November 22, 2005. Holders may require BLFC to repurchase the notes on November 15, 2007, 2012 and 2017.

- In the second and third quarters of 2002, we entered into treasury rate lock contracts with notional values of $200 million at a 10-year forward treasury yield of 4.99%, $60 million at 5-year forward treasury yield of 3.13%, $40 million at a 10-year forward treasury yield of 4.07% and $300 million at a 10-year forward treasury yield of 4.14%, to hedge some of the interest rate variability risk associated with changes in the U.S. Treasury rate. We accounted for these derivative contracts as cash flow hedges. At December 31, 2002, we recorded a loss of approximately $22 million, relating to these derivative contracts, in other comprehensive income (loss), which will be reclassified to income over the term of the debt incurred. In addition, we reclassified approximately $5 million, relating to these derivative contracts, from other comprehensive income (loss) to non-operating income (expense) – net in the consolidated statement of income for the year ended December 31, 2002. Since we did not issue as much debt as we originally forecast, a portion of the loss on the treasury locks was immediately reclassified from other comprehensive income (loss) to income. The amount remaining in other comprehensive income (loss) is commensurate with the actual debt issued.

The guarantees of our senior credit facilities and senior notes had a carrying value of $1,401 million at December 31, 2002.

At our subsidiaries, we have various other long-term debt facilities at fixed and variable interest rates denominated in both U.S. dollars and Brazilian *reais,* most of which mature between 2002 and 2006. At December 31, 2002, we had $775 million outstanding under these long-term credit facilities. Of this amount, at December 31, 2002, $310 million was secured by certain land, property, plant and equipment and export commodity contracts, as well as shares of the capital stock of Bunge Fertilizantes, Fosfertil and Ultrafertil having a net carrying value of $519 million.

Our long-term debt agreements, commercial paper program, senior credit facilities and senior guaranteed notes require us to comply with specified financial covenants related to minimum net worth and working capital and a maximum long-term debt to net worth ratio. We were in compliance with these covenants as of December 31, 2002.

We do not have any ratings downgrade triggers that would accelerate the maturity dates of our debt. However, a downgrade in our credit rating could adversely affect our ability to renew existing, or to obtain access to new, credit facilities in the future and would increase the cost of such facilities to us.

In March 2002, we sold 16,093,633 common shares in a public offering, which resulted in net proceeds of $292 million, after underwriting discounts, commissions and expenses. We used net proceeds of $105 million to buy back shares held by minority shareholders in connection with the corporate restructuring of our Brazilian subsidiaries, and the remainder to reduce indebtedness under our commercial paper program.

Cash and cash equivalents were $470 million at December 31, 2002 and $199 million at December 31, 2001. Included in our inventories were readily marketable commodities inventories of $1,517 million at December 31, 2002 and $764 million at December 31, 2001. These agricultural commodities, which are financed with debt, are readily convertible to cash because of their commodity characteristics, widely available markets and international pricing mechanisms. The increase in readily marketable inventories was primarily due to the acquisition of crops from the South American harvest that occurs in the first half of the year.

Shareholders' equity increased to $1,472 million at December 31, 2002 from $1,376 million at December 31, 2001 as a result of net income of $255 million in 2002, net proceeds of $292 million received from our common shares offering in March 2002 and $21 million received from Mutual Investment Limited on the note receivable and $1 million attributable to the exercise of employee stock options. This increase was partially offset by foreign exchange translation losses of $403 million primarily generated by our Brazilian and Argentine subsidiaries, dividends paid to shareholders of $37 million and other comprehensive losses of $33 million.

Our current ratio, defined as current assets divided by current liabilities, was 1.44 at December 31, 2002. Due to our cash levels and the liquidity of our agricultural commodities inventories, we believe we have sufficient working capital to satisfy our present business needs.

Guarantees In addition to the guarantees of our senior credit facilities and our senior notes, we have issued or were a party to the following guarantees at December 31, 2002:

(US$ in millions)	Maximum Potential Future Payments
Operating lease residual values	$ 70
Unconsolidated affiliates financing	22
Customer financing	22
Total	$ 114

We entered into synthetic lease agreements for barges and railcars originally owned by us and subsequently sold to third parties. The leases are classified as operating leases. Any gains on the sales have been deferred and are being recognized ratably over the related lease terms. We have the option at the end of each lease to purchase the barges or railcars at fixed prices based on estimated fair values or to sell the assets. If we elect to sell, we receive proceeds up to fixed amounts specified in the agreements. If the proceeds are less than the specified fixed amounts, we are obligated under a guarantee to pay supplemental rent for the deficiency in proceeds. The operating leases expire through 2007. There are no recourse provisions or collateral that would enable us to recover any amounts paid under this guarantee. We have not recorded any liability related to this guarantee at December 31, 2002.

We have issued a guarantee to a financial institution related to the debt of our joint ventures in Argentina, which are our unconsolidated affiliates. The term of the guarantee is equal to the term of the related financing, which matures in seven years. There are no recourse provisions or collateral that would enable us to recover any amounts paid under this guarantee. We have recorded a liability of $6 million related to this guarantee at December 31, 2002.

We have issued guarantees to a financial institution in Brazil related to amounts owed the institution by certain of our customers. The terms of the guarantees are equal to the terms of the related financing arrangements, which can be as short as 120 days or as long as 360 days. There are no recourse provisions or collateral that would enable us to recover any amounts paid under these guarantees. We have not recorded any liability related to these guarantees at December 31, 2002.

Off-balance sheet financings During 2002, our wholly owned U.S. operating subsidiary established a receivables securitization facility. In addition, through the acquisition of Cereol, we assumed a second receivables securitization facility. Through agreements with certain financial institutions, we may sell, on a revolving basis, undivided percentage ownership interests in designated pools of accounts receivable without recourse up to a maximum amount of $138 million. Collections reduce accounts receivable included in the pools, and are used to purchase new receivables, which become part of the pools. The facilities expire in 2005 and 2007 and the effective yield rates approximate the 30-day commercial paper rate plus annual commitment fees ranging from 29 to 40 basis points.

For the year ended December 31, 2002, the outstanding undivided interests averaged $123 million. We retain collection and administrative responsibilities for the receivables in the pools. We recognized $1 million in related charges for the year ended December 31, 2002, which are included in selling, general and administrative expenses in our consolidated statements of income.

In addition, we retain interests in the pools of receivables not sold. Due to the short-term nature of the receivables, our retained interests in the pools are valued at historical cost, which approximate fair value. The full amount of the allowance for doubtful accounts has been retained in our consolidated balance sheets since collections of all pooled receivables are first utilized to reduce the outstanding undivided interests. Accounts receivable at December 31, 2002, were net of $138 million, representing the outstanding undivided interests in pooled receivables.

Other than the receivables securitization and our sale-leaseback transactions relating to certain barges, we do not have any off-balance sheet financings.

Cash flows In 2002, we generated cash of $271 million, which was the net effect of cash flows from operating, investing and financing activities, compared to 2001, when we used cash of $224 million.

Our operating activities provided cash of $130 million in 2002 compared to $209 million in 2001. The decrease resulted from the consolidation of Cereol's cash flow from operations for the fourth quarter of 2002. We did not have the benefit of a full year of cash flow from Cereol as

it was acquired in October 2002. Excluding the negative effect of Cereol's cash flow used by operating activities for the fourth quarter of 2002 of $164 million, cash flow from operating activities provided $294 million for 2002, an increase of $85 million compared to 2001.

Cash from operating activities before working capital changes increased to $749 million for 2002 from $424 million in 2001 due to increased net income and the *real* devaluation. We continue to focus on effectively managing our working capital. Cash flow from operating activities before working capital changes is one of our major sources of liquidity.

Cash used in investing activities increased to $1,073 million in 2002 from $179 million used in 2001. Investing activities consist primarily of payments for business acquisitions and additions to property, plant and equipment under our capital expenditure plan. Payments for business acquisitions were significantly higher in 2002 due to the acquisition of Cereol and the acquisition of shares held by minority shareholders in connection with the corporate restructuring of our Brazilian subsidiaries. In 2001, we received net proceeds of $59 million from the sale of our baked goods division. Total capital expenditures for 2002 were $242 million. Of this amount, approximately $117 million represented maintenance capital expenditures. Maintenance capital expenditures are expenditures made to replace existing equipment in order to maintain current production capabilities. The majority of non-maintenance capital expenditures incurred in 2002 related to efficiency improvements to reduce costs, equipment upgrades due to changes in technology and business expansion. Although we have no current material commitments for capital expenditures, we estimate that our total capital expenditures will be approximately $375 million in 2003 and $475 million in 2004.

Cash provided by financing activities increased to $1,295 million in 2002 from $224 million used in 2001. In the first quarter of 2002, we sold common shares for net proceeds of $292 million. As part of our continuing strategy of centralizing our financing activities at the parent company level, we paid down $451 million of long-term variable rate revolving loans at some of our subsidiaries and partially replaced it with parent company borrowings. We also paid the last installment of $56 million on a 9.25% note collateralized by our commodity exports. In addition, we borrowed $317 million under our long-term credit facilities. In the second half of 2002, we issued senior guaranteed notes, senior notes and convertible notes for aggregate net proceeds of $925 million. Dividends paid during 2002 were $37 million. In addition, our former parent company, Mutual Investment Limited, repaid $21 million of the principal amount of a note due us.

In 2001, we used cash of $224 million, compared to 2000, when we generated cash of $60 million.

Our operating activities generated cash of $209 million in 2001 and used cash of $521 million in 2000. The large use of cash in 2000 was primarily due to the sales growth in our international marketing operations which resulted in an increase in inventories and accounts receivable. Cash flow from operating activities before working capital changes was $424 million in 2001 and $210 million in 2000. The increase in cash flow from operations was primarily due to the increase in income from operations before minority interest.

Cash used in investing activities was $179 million in 2001 and $91 million in 2000. Capital expenditures were $230 million in 2001 and $184 million in 2000. The majority of these capital expenditures related to efficiency improvements to reduce costs, equipment upgrades due to changes in technology and business expansion. In 2001, we completed a number of revenue enhancing projects which we began in 2000, including constructing a sulfuric acid plant in Brazil for our fertilizer segment, as well as the completion of additional agricultural commodities storage facilities in North America and Brazil and the upgrade of our Destrehan, Louisiana export elevator. In April 2001, we completed the expansion of our oilseed processing plant in Rondonopolis, Brazil, which is the largest oilseed processing plant in Brazil.

Cash used in financing activities was $224 million in 2001 and cash provided by financing activities was $709 million in 2000. During 2001, we sold common shares in an initial public offering for net proceeds of $278 million and Mutual Investment repaid $50 million of the principal amount on a note due us. During 2000, we received net proceeds of $163 million from the issuance of redeemable preferred stock and issued $107 million of three-year trust certificates and $18 million of five-year trust certificates.

The following table summarizes our financial obligations and their expected maturities at December 31, 2002, and the effect such obligations are expected to have on our liquidity and cash flows in the periods indicated.

				At December 31, 2002
(US$ in millions)	Total	Less than 1 year	1-3 years	After 3 years
Commercial paper borrowings	$ 555	$ 555	$ –	$ –
Other short-term borrowings	695	695	–	–
Long-term debt	2,153	249	857	1,047
Non-cancelable lease obligations	172	49	71	52
Total	$ 3,575	$ 1,548	$ 928	$ 1,099

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 agricultural commodity prices, foreign currency exchange rates and interest rates, which may affect our results of operations and financial position. We use derivative financial instruments for the purpose of minimizing the risks and/or costs associated with fluctuations in commodity prices and foreign exchange rates. While these hedging instruments are subject to fluctuations in value, those fluctuations are generally offset by the value of the underlying exposures being hedged. The counterparties to these contractual arrangements are primarily major financial institutions or, in the case of commodity futures and options, a commodity exchange. As a result, credit risk arising from these contracts is not significant and we do not anticipate any significant losses. We do not expect the net cash requirements arising from our risk management activities to be material. Our finance and risk management committee supervises, reviews and periodically revises our overall risk management policies and risk limits. We only enter into derivatives that are related to our inherent business and financial exposure as a global agribusiness company.

Commodities risk We operate in many areas of the food industry from agricultural raw materials to production and sale of branded food products. As a result, we use and produce various materials, many of which are agricultural commodities, including soybeans, soybean oil, soybean meal, wheat and corn. Agricultural commodities are subject to price fluctuations due to a number of unpredictable factors that may create price risk. We enter into various derivative contracts, primarily exchange traded futures and options, with the objective of managing our exposure to adverse price movements in the agricultural commodities used for 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 a combination of quantity and value at risk limits. We measure and review our sensitivity to our net commodities position on a daily basis.

The daily net agricultural commodity position consists of inventory, related purchase and sale contracts, and exchange-traded contracts, 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 each net position at quoted average futures prices for the period. 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:

				Year Ended December 31,
(US$ in millions)	2002		2001	
	Fair Value	Market Risk	Fair Value	Market Risk
Highest long position	$ 529	$ 53	$ 209	$ 21
Highest short position	(10)	(1)	(77)	(8)
Average long position	$ 162	$ 16	$ 138	$ 14

The change in fair value of the average daily position as of December 31, 2002 from the year ended December 31, 2001 was principally a result of the October 2002 acquisition of Cereol.

Currency risk Our global operations require active participation in foreign exchange markets. To reduce the risk of foreign exchange rate fluctuations, we follow a policy of hedging net monetary assets and liabilities denominated in currencies other than the functional currencies applicable to each of our various subsidiaries. Our primary exposure is related to our businesses located in Brazil and Argentina and to a lesser extent, Europe, the Middle East and Asia. To minimize the adverse impact of currency movements, we enter into foreign exchange swaps, forwards and option contracts to hedge currency exposures.

When determining our exposure, we exclude intercompany loans that are deemed to be permanently invested. Permanently invested intercompany loans will not be repaid 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 loss.

The balance of permanently invested intercompany borrowings was $699 million as of December 31, 2002 and $595 million as of December 31, 2001. Included in other comprehensive income (loss) are exchange losses related to permanently invested intercompany loans of $215 million in the year ended December 31, 2002 and $112 million in the year ended December 31, 2001.

For risk management purposes and to determine the overall level of hedging required, we further reduce the foreign exchange exposure determined above by the value of our agricultural commodities inventories. Our agricultural commodities inventories, because of their international pricing in U.S. dollars, provide a natural hedge to our currency exposure.

Our net currency position, including cross-currency swaps and currency options, and our market risk, which is the potential loss from an adverse 10% change in foreign currency exchange rates, is set forth in the following table. In addition, we have provided an analysis of our foreign currency exposure after reducing the exposure for our agricultural commodities inventory. Actual results may differ from the information set forth below.

(US$ in millions)	As of December 31, 2002	2001
Brazilian operations:		
Net currency short position, from financial instruments, including derivatives	$ (843)	$ (511)
Market risk	(84)	(51)
Agricultural commodities inventories	870	401
Net currency long (short) position, less agricultural commodities inventories	27	(110)
Market risk	$ 3	$ (11)
Argentine operations:		
Net currency long (short) position, from financial instruments, including derivatives	$ 112	$ (48)
Market risk	11	(5)
Agricultural commodities inventories	38	93
Net currency long position, less agricultural commodities inventories	150	45
Market risk	$ 15	$ 5

The change in our Brazilian and Argentine net currency positions as of December 31, 2002 from December 31, 2001 is primarily due to our continuing efforts to minimize our foreign currency exposures, and reflects the impact of our increase in our permanently invested intercompany loans. In addition, our Brazilian net currency position decreased due to the increase in agricultural commodities inventories.

In anticipation of acquiring euro-denominated debt in connection with the Cereol acquisition, we entered into a foreign currency forward contract with a notional value of €200 million. This contract represented an economic hedge against the purchase price for the Cereol acquisition. This contract was settled on October 11, 2002 for a gain of $4 million and was recognized as a component of non-operating income (loss) – net in 2002.

Interest rate risk The fair value of our long-term debt is estimated below using discounted future cash flows based on our current borrowing arrangements. Market risk is estimated as the potential change in fair value resulting from a hypothetical one percentage point change in interest rates.

(US$ in millions)	As of December 31, 2002	2001
Fair value of long-term debt, including current portion	$ 2,221	$ 1,015
Deficit of carrying value over fair value	(68)	(5)
Market risk	$ 129	$ 15

The increase in fair value of long-term debt in 2002 over 2001 was due to the acquisition of Cereol.

In addition, our long-term debt portfolio includes variable rate debt with a carrying value of $658 million at December 31, 2002. A potential change of one-percentage point in our variable rate debt would have a $7 million effect on our interest expense.

CONSOLIDATED STATEMENTS OF INCOME

(United States Dollars in Millions, except per share data)	2002	2001	2000
			Year Ended December 31,
Net sales	$14,074	$11,484	$ 9,667
Cost of goods sold (Notes 8 and 23)	12,743	10,521	8,984
Gross profit	1,331	963	683
Selling, general and administrative expenses	592	436	387
Income from operations	739	527	296
Non-operating income (expense) – net (Note 24)	(255)	(263)	(225)
Income from continuing operations before income tax and minority interest	484	264	71
Income tax expense	(104)	(68)	(12)
Income from continuing operations before minority interest	380	196	59
Minority interest	(102)	(72)	(37)
Income from continuing operations	278	124	22
Discontinued operations, net of tax of $0 (2001), $1 (2000) (Note 3)	–	3	(10)
Income before cumulative effect of change in accounting principles	278	127	12
Cumulative effect of change in accounting principles, net of tax of $6 (2002), $4 (2001) (Note 7)	(23)	7	–
Net income	$ 255	$ 134	$ 12
Earnings per common share (Note 20):			
Basic			
Income from continuing operations	$ 2.90	$ 1.73	$ .34
Discontinued operations	–	.04	(.15)
Cumulative effect of change in accounting principles	(.24)	.10	–
Net income per share	$ 2.66	$ 1.87	$ .19
Diluted			
Income from continuing operations	$ 2.88	$ 1.72	$ .34
Discontinued operations	–	.04	(.15)
Cumulative effect of change in accounting principles	(.24)	.10	–
Net income per share	$ 2.64	$ 1.86	$ .19

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

CONSOLIDATED BALANCE SHEETS

(United States Dollars in Millions, except share data)	**2002**	*December 31,* 2001
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 470**	$ 199
Trade accounts receivable (less allowance of $80 and $63) (Note 14)	**1,168**	881
Inventories (Note 4)	**2,407**	1,368
Recoverable taxes, net	**79**	75
Deferred income taxes	**87**	84
Other current assets (Note 5)	**1,238**	677
Total current assets	**5,449**	3,284
Property, plant and equipment, net (Note 6)	**2,056**	1,669
Goodwill (Notes 7 and 8)	**239**	163
Investments in affiliates	**52**	29
Deferred income taxes	**256**	100
Other non-current assets	**297**	198
Total assets	**$ 8,349**	$ 5,443
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term debt (Note 12)	**$ 1,250**	$ 803
Current portion of long-term debt (Note 13)	**249**	180
Trade accounts payable	**1,271**	775
Other current liabilities (Note 9)	**1,024**	588
Total current liabilities	**3,794**	2,346
Long-term debt (Note 13)	**1,904**	830
Deferred income taxes	**253**	126
Other non-current liabilities	**431**	272
Commitments and contingencies (Note 17)		
Minority interest in subsidiaries (Note 18)	**495**	493
Shareholders' equity:		
Common shares, par value $.01; authorized – 240,000,000 shares; issued and outstanding: 2002 – 99,332,233 shares, 2001 – 83,155,100 shares (Note 19)	**1**	1
Additional paid-in capital	**1,999**	1,706
Receivable from former shareholder (Note 16)	**(55)**	(76)
Retained earnings	**653**	435
Accumulated other comprehensive loss	**(1,126)**	(690)
Total shareholders' equity	**1,472**	1,376
Total liabilities and shareholders' equity	**$ 8,349**	$ 5,443

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(United States Dollars in Millions)	2002	2001	2000
		Year Ended December 31,	
OPERATING ACTIVITIES			
Net income	**$ 255**	$ 134	$ 12
Adjustment to reconcile net income to cash provided by (used for) operating activities:			
Unrealized foreign exchange loss (gain)	**126**	10	(16)
Bad debt expense	**37**	24	7
Provision for recoverable taxes	**44**	20	–
Depreciation, depletion and amortization	**171**	167	149
Deferred income taxes	**(4)**	(11)	(17)
Discontinued operations	**–**	(3)	10
Minority interest	**102**	72	37
Other – net	**18**	11	28
Changes in operating assets and liabilities, excluding the effects of acquisitions:			
Trade accounts receivable	**(114)**	(127)	(336)
Inventories	**(728)**	(303)	(311)
Recoverable taxes	**(106)**	134	(72)
Trade accounts payable	**469**	18	(6)
Other – net	**(140)**	63	(6)
Cash provided by (used for) operating activities	**130**	209	(521)
INVESTING ACTIVITIES			
Payments made for capital expenditures	**(242)**	(230)	(184)
Proceeds from disposal of property, plant and equipment	**9**	9	7
Business acquisitions, net of cash acquired	**(856)**	(13)	(78)
Investments in affiliate	**–**	(4)	(2)
Proceeds from sale of investment	**16**	–	–
Proceeds from sale of discontinued operations	**–**	59	–
Repayments of related party loans	**–**	–	166
Cash used for investing activities	**(1,073)**	(179)	(91)
FINANCING ACTIVITIES			
Net change in short-term debt	**(185)**	(316)	612
Proceeds from long-term debt	**1,937**	121	389
Repayment of long-term debt	**(706)**	(323)	(447)
Proceeds from sale of common shares	**293**	278	–
Net proceeds from issuance of redeemable preferred stock by subsidiary	**–**	–	163
Dividends paid to shareholders	**(37)**	(8)	–
Dividends paid to minority interest	**(28)**	(26)	(18)
Proceeds from receivable from former shareholder	**21**	50	–
Capital contributions from minority interest	**–**	–	10
Cash provided by (used for) financing activities	**1,295**	(224)	709
Effect of exchange rate changes on cash and cash equivalents	**(81)**	(30)	(37)
Net increase (decrease) in cash and cash equivalents	**271**	(224)	60
Cash and cash equivalents, beginning of period	**199**	423	363
Cash and cash equivalents, end of period	**$ 470**	$ 199	$ 423

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

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(United States Dollars in Millions, except per share data)	Common Shares Shares	Common Shares Amount	Additional Paid-in Capital	Receivable from Former Shareholder	Retained Earnings	Accumulated Other Comprehensive Income (Loss) (Note 19)	Total Shareholders' Equity	Comprehensive Income (Loss)
Balances, January 1, 2000	64,380,000	$ 1	$ 1,302	$ –	$ 297	$ (403)	$ 1,197	
Comprehensive income – 2000:								
Net income	–	–	–	–	12	–	12	$ 12
Other comprehensive income (loss):								
Foreign exchange translation adjustment	–	–	–	–	–	(70)	–	(70)
Total comprehensive income (loss)	–	–	–	–	–	(70)	(70)	$ (58)
Capital contribution	–	–	126	(126)	–	–	–	
Balances, December 31, 2000	64,380,000	1	1,428	(126)	309	(473)	1,139	
Comprehensive income – 2001:								
Net income	–	–	–	–	134	–	134	$ 134
Other comprehensive income (loss):								
Foreign exchange translation adjustment	–	–	–	–	–	(222)	–	(222)
Cumulative effect of a change in accounting principle, net of tax benefit of $2	–	–	–	–	–	(3)	–	(3)
Unrealized gain on commodity futures, net of tax of $7	–	–	–	–	–	12	–	12
Reclassification of realized gains to net income, net of tax of $3	–	–	–	–	–	(4)	–	(4)
Total comprehensive income (loss)	–	–	–	–	–	(217)	(217)	$ (83)
Collection of former shareholder receivable	–	–	–	50	–	–	50	
Dividend paid	–	–	–	–	(8)	–	(8)	
Issuance of common shares:								
– initial public offering (Note 19)	18,775,100	–	278	–	–	–	278	
Balances, December 31, 2001	83,155,100	1	1,706	(76)	435	(690)	1,376	
Comprehensive income – 2002:								
Net income	–	–	–	–	**255**	–	**255**	**$ 255**
Other comprehensive income (loss):								
Foreign exchange translation adjustment, net of tax $17	–	–	–	–	–	**(403)**	–	**(403)**
Unrealized gain on commodity futures, net of tax of $8	–	–	–	–	–	**13**	–	**13**
Loss on treasury rate lock contracts, net of tax of $0	–	–	–	–	–	**(22)**	–	**(22)**
Unrealized loss on investments, net of tax of $1	–	–	–	–	–	**(1)**	–	**(1)**
Reclassification of realized net (gains) to net income, net of tax of $8	–	–	–	–	–	**(12)**	–	**(12)**
Minimum pension liability, net of tax of $5	–	–	–	–	–	**(11)**	–	**(11)**
Total comprehensive income (loss)	–	–	–	–	–	**(436)**	**(436)**	**$ (181)**
Collection of former shareholder receivable	–	–	–	**21**	–	–	**21**	
Dividends paid	–	–	–	–	**(37)**	–	**(37)**	
Issuance of common shares:								
– public offering (Note 19)	**16,093,633**	–	**292**	–	–	–	**292**	
– under employee stock plan	**83,500**	–	**1**	–	–	–	**1**	
Balances, December 31, 2002	**99,332,233**	**$ 1**	**$ 1,999**	**$ (55)**	**$ 653**	**$(1,126)**	**$ 1,472**	

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

01
BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of business Bunge Limited is a Bermuda holding company incorporated in May 1995. Bunge Limited together with its consolidated subsidiaries through which Bunge's businesses are conducted (collectively, "Bunge") is an integrated, global agribusiness and food company. Bunge operates in eight business lines, which are aggregated into five reporting segments: agribusiness, fertilizer, edible oil products, wheat milling and bakery products and other. Bunge Limited's shares trade on the New York Stock Exchange under the ticker symbol "BG."

Agribusiness Bunge's agribusiness activities include grain origination, oilseed processing and international marketing. Bunge's agribusiness sales are worldwide. Bunge's primary grain origination and oilseed processing assets are located in the United States, Brazil, Argentina and Europe.

Fertilizer Bunge's fertilizer segment is involved in every stage of the fertilizer business, from mining of raw materials to sales of mixed fertilizer formulas. Bunge's fertilizer activities are primarily located in Brazil.

Edible oil products Bunge's edible oil products segment consists of producing and selling edible oil products, such as shortenings and oils, margarine, mayonnaise and other products derived from refined vegetable oil. Bunge's edible oil products activities are located in Europe, the United States and Brazil.

Wheat milling and bakery products Bunge's wheat milling and bakery products segment consists of producing and selling flours, bakery mixes and baked goods. Bunge's wheat milling and bakery products activities are located in the United States and Brazil.

Other Bunge's other segment includes the soy ingredients business and the corn products business. The soy ingredients business consists of producing and selling soy functional ingredients and nutraceuticals. The corn products business consists of producing and selling products derived from corn. The soy ingredients business is located in Brazil, Europe and the United States. The corn products business is located in the United States.

Basis of presentation and principles of consolidation The accompanying consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America and include the assets, liabilities, revenues and expenses of all majority owned subsidiaries over which Bunge exercises control and for which control is other than temporary. Intercompany transactions and balances are eliminated in consolidation. Bunge has no non-consolidated majority owned subsidiaries. Bunge has no interests in or relationships with any special purpose entities, which are not reflected in the consolidated financial statements.

Investments in 20% to 50% owned affiliates in which Bunge has the ability to exercise significant influence are accounted for by the equity method of accounting whereby the investment is carried at acquisition cost, plus Bunge's equity in undistributed earnings or losses since acquisition. Investments in less than 20% owned affiliates are accounted for by the cost method unless such investments are marketable securities. Marketable securities, which are classified as trading securities, are recorded at fair value based on quoted market prices and related gains or losses are recognized in non-operating income (expenses) – net in the consolidated statements of income.

Prior to 2001, general corporate overhead costs incurred by Mutual Investment Limited (formerly Bunge International Limited), Bunge's former sole shareholder, were allocated to Bunge based on the actual expense incurred to support Bunge's operations. Beginning in 2001, Bunge began paying all of its general corporate overhead costs directly. The costs allocated to Bunge in 2000 were $22 million and are reported in selling, general and administrative expenses in its consolidated statements of income. The costs of these services allocated to Bunge are not necessarily indicative of the costs that would have been incurred if Bunge had performed these functions as a stand-alone entity. Bunge believes the allocation method was reasonable.

Use of estimates and certain concentrations of risk The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America and require management to make certain estimates and assumptions. These may affect the reported amounts of assets and liabilities at the date of the financial statements. They may also affect the reported amounts of revenues and expenses during the reporting period. Amounts affected include, but are not limited to, allowances for doubtful accounts, inventories, allowances for recoverable taxes, impairment and restructuring charges, useful lives of property, plant and equipment and intangible assets, contingent liabilities, income tax

valuation allowances and pension plan obligations. Actual amounts may vary from those estimates.

The availability and price of agricultural commodities used in Bunge's operations are subject to wide fluctuations due to unpredictable factors such as weather, plantings, government (domestic and foreign) farm programs and policies, changes in global demand created by population growth and higher standards of living, and global production of similar and competitive crops.

Bunge has a significant portion of its operations in the United States, Brazil and Europe, which represented 33%, 23% and 30%, respectively, of consolidated net sales in 2002.

Translation of foreign currency financial statements The functional currency of the majority of Bunge's foreign subsidiaries is the local currency and, as such, amounts included in the consolidated statements of income are translated at the weighted average exchange rates for the period. Assets and liabilities are translated at year-end exchange rates and resulting foreign exchange translation adjustments are recorded in the consolidated balance sheets as a component of accumulated other comprehensive income (loss).

Foreign currency transactions Monetary assets and liabilities denominated in currencies other than their functional currency are remeasured into their respective functional currencies at exchange rates in effect at the balance sheet date. The resulting exchange gains or losses are included in Bunge's consolidated statements of income.

Cash and cash equivalents Cash and cash equivalents include time deposits and readily marketable securities with original maturity dates of three months or less.

Inventories Inventories in the agribusiness segment, which consist of merchandisable agricultural commodities, are stated at market value (net realizable value). The merchandisable agricultural commodities are freely traded, have quoted market prices, may be sold without significant further processing and have predictable and insignificant disposal costs. Changes in the market values of merchandisable agricultural commodities inventories are recognized in earnings as a component of cost of goods sold.

Readily marketable inventories are agricultural commodities inventories that are readily convertible to cash because of their commodity characteristics, widely available markets and international pricing mechanisms. Bunge records interest expense attributable to readily marketable inventories based on the average interest rates incurred on the debt financing these inventories in non-operating income (expense) – net in its consolidated statements of income.

Inventories that are not included in the agribusiness segment are principally stated at the lower of cost or market. Cost is determined using the weighted average cost method.

Derivatives Bunge uses exchange-traded futures and options contracts to minimize the effects of changes in the prices of agricultural commodities on its agribusiness inventories and agricultural commodities forward cash purchase and sales contracts. Exchange-traded futures and options contracts are valued at the quoted market prices. Forward purchase contracts and forward sale contracts are valued at the quoted market prices, which are based on exchange quoted prices adjusted for differences in local markets as required under Statement of Financial Accounting Standards (SFAS) No. 133, *Accounting for Derivative Instruments and Hedging Activities.* Changes in the market value of forward purchase and sale contracts, and exchange-traded futures and options contracts, are recognized in earnings as a component of cost of goods sold. These contracts are predominately settled in cash.

In addition, Bunge hedges portions of its forecasted U.S. oilseed processing production requirements, including forecasted purchases of soybeans and sales of soy commodities products for a period that usually does not exceed three months. The instruments used are exchange-traded futures contracts, which are designated as cash flow hedges. The changes in the market value of such futures contracts have historically been, and are expected to continue to be, highly effective at offsetting changes in price movements of the hedged item. To the extent they provide effective offset, gains or losses arising from hedging transactions are deferred in other comprehensive income (loss), net of applicable taxes, and are reclassified to cost of goods sold in the consolidated statements of income when the products associated with the hedged item are sold. Bunge expects to reclassify approximately $5 million after tax net gains to cost of goods sold in the year ending December 31, 2003. If at any time during the hedging relationship, Bunge no longer expects the hedge to be highly effective, then the changes in the market value of such futures contracts would prospectively be recorded in the consolidated statements of income.

Bunge also enters into derivative financial instruments, such as foreign currency forward contracts and swaps, to limit exposures to changes in foreign currency exchange

rates with respect to its recorded foreign currency denominated assets and liabilities. These derivative instruments are marked-to-market, with changes in their fair value recognized as a component of foreign exchange in the consolidated statements of income. Bunge may also hedge other foreign currency exposures as deemed appropriate.

Bunge may also use derivative instruments, such as treasury rate locks, to reduce the risk of changes in interest rates on forecasted issuance of fixed-rate debt. These hedges are designated as cash flow hedges. To the extent they provide effective offset, gains and losses arising from these derivative instruments are deferred in other comprehensive income (loss) and recognized in the consolidated statements of income over the term of the underlying debt.

All derivative financial instruments are marked-to-market and any resulting unrealized gains and losses on such derivative contracts are recorded in other current assets or other current liabilities in Bunge's consolidated balance sheets. Bunge only enters into derivatives that are related to its inherent business and financial exposure as a multinational agricultural commodities company.

Recoverable taxes Recoverable taxes represent value added taxes paid on the acquisition of raw materials and other services which can be offset against similar future taxes due on sales. Recoverable taxes are offset by allowances for uncollectible amounts if it is determined that collection is doubtful.

Property, plant and equipment, net Property, plant and equipment, net is stated at cost less accumulated depreciation and depletion. Major renewals and improvements are capitalized, while maintenance and repairs are expensed as incurred. Costs related to legal obligations associated with the retirement of assets are capitalized and depreciated over the lives of the underlying assets. Depreciation is computed based on the straight-line method over the estimated useful lives of the assets. Included in property, plant and equipment are mining properties that are stated at cost less accumulated depletion. Depletion is computed using the unit-of-production method based on proven and probable reserves. Useful lives for property, plant and equipment are as follows:

	Years
Buildings	10 – 50
Machinery and equipment	7 – 20
Furniture, fixtures and other	3 – 20

Bunge capitalizes interest on borrowings during the construction period of major capital projects. The capitalized interest is recorded as part of the asset to which it relates, and is depreciated over the asset's estimated useful life.

Assets acquired under finance leases are capitalized at fair value at the inception of the lease and depreciated based on the straight-line method over the estimated useful life of the related asset. An obligation in the same amount is recorded as a liability.

Goodwill Goodwill relates to the excess of the purchase price over the fair value of tangible and identifiable intangible net assets acquired in a business acquisition. Prior to January 1, 2002, goodwill was amortized on a straight-line basis over its estimated useful life of 40 years. Effective January 1, 2002, Bunge adopted SFAS No. 142, *Goodwill and Other Intangible Assets* (SFAS No. 142), which requires that goodwill and certain other intangible assets having indefinite lives no longer be amortized, but rather be tested annually for impairment based upon the fair value of the reporting unit with which it resides. (See Notes 7 and 8.)

Other intangible assets Other intangible assets that have definite useful lives include brands and trademarks recorded at fair value at the date of acquisition. Other intangible assets are amortized on a straight-line basis over their estimated useful lives, ranging from 10 to 40 years. (See Note 8.)

Impairment of long-lived assets Bunge reviews for impairment its long-lived assets and identified intangibles whenever events or changes in circumstances indicate that carrying amounts of an asset may not be recoverable. In performing the review for recoverability, Bunge estimates the future cash flows expected to result from the use of the asset and from its eventual disposition. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss is recognized; otherwise, no impairment loss is recognized. The measurement of an impairment loss to be recognized for long-lived assets and identifiable intangibles that Bunge expects to hold and use is the excess of the carrying value over the fair value of the asset.

Long-lived assets and certain identifiable intangibles to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

Adoption of standard In August 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (SFAS No. 144), effective January 1, 2002. SFAS No. 144 supercedes existing accounting literature dealing with impairment and disposal of long-lived assets, including discontinued operations. It addresses financial accounting and reporting for the impairment of long-lived assets and for long-lived assets to be disposed of, and expands current reporting for discontinued operations to include disposals of a "component" of an entity that has been disposed of or is classified as held for sale. Upon its adoption on January 1, 2002, SFAS No. 144 had no affect on Bunge's consolidated financial statements.

Stock-based compensation Bunge has an employee equity incentive plan and a non-employee directors' equity incentive plan, which are described more fully in Note 21. In accordance with the provisions of SFAS No. 123, *Accounting for Stock-Based Compensation* (SFAS No. 123), Bunge has elected to continue to account for stock-based compensation using the intrinsic value method under Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees* (APB 25) and FASB Interpretation No. 28, *Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Plans* (FIN 28). Bunge has granted stock options, performance based restricted stock awards and regular restricted stock awards under its employee equity incentive plan and stock options under its non-employee directors' plan. In accordance with APB 25, Bunge accrues costs for its restricted stock awards granted over the vesting or performance period, and adjusts costs related to its performance-based restricted stock for subsequent changes in the fair market value of the awards. These compensation costs are recognized in the consolidated statements of income. There is no compensation cost recorded for stock options granted under either plan since the exercise price is equal to the market value of the underlying common shares on the date of grant. In accordance with SFAS No. 123, Bunge discloses the pro forma effect of accounting for stock-based awards under the fair value method.

Adoption of standard In December 2002, the FASB issued SFAS No. 148, *Accounting for Stock-Based Compensation – Transition and Disclosure* (SFAS No. 148), which provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. SFAS No. 148 also amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on the results of operations. The provisions of SFAS No. 148 are effective for fiscal years ending after December 15, 2002. Bunge has adopted the disclosure provisions of SFAS No. 148 for the year ended December 31, 2002 and will continue to account for its stock-based awards under APB 25.

The following table sets forth pro forma information as if Bunge had applied the fair value recognition provisions of SFAS No. 123 to stock options granted to determine its stock-based compensation cost. The assumptions used to determine fair value are disclosed in Note 21.

	Year Ended December 31,	
(US$ in millions, except per share data)	**2002**	2001
Net income, as reported	**$ 255**	$ 134
Deduct: Total stock-based employee compensation expense determined under fair value based method for stock options granted, net of related tax effects	**(6)**	(3)
Pro forma net income	**$ 249**	$ 131
Earnings per common share:		
Basic – as reported	**$ 2.66**	$ 1.87
Basic – pro forma	**$ 2.60**	$ 1.82
Diluted – as reported	**$ 2.64**	$ 1.86
Diluted – pro forma	**$ 2.58**	$ 1.82

Income taxes Income tax expenses are recognized based on the tax jurisdictions in which Bunge's subsidiaries operate. Under Bermuda law, Bunge is not required to pay taxes in Bermuda on either income or capital gains. The provision for income taxes includes income taxes currently payable and deferred income taxes arising as a result of temporary differences between financial and tax reporting. Deferred tax assets are reduced by valuation allowances if it is determined that realization is doubtful.

Revenue recognition Sales of agricultural commodities, fertilizers and all other products are recognized when title to the product and risk of loss transfer to the customer, which is dependent on the agreed upon sales terms with the customer. These sales terms provide for passage of title either at the time shipment is made or at the time

of the delivery of product. Net sales are gross sales less discounts related to promotional programs and sales taxes. Shipping and handling costs are included as a component of cost of goods sold.

Fertilizer delivered under secured advances to suppliers of agricultural commodities, which are repaid through the delivery of agricultural commodities, are accounted for as sales on the date fertilizer is delivered. The value of the sale is determined based upon the fair value of the fertilizer. Bunge recorded sales of fertilizer sold under secured advances to suppliers totaling $71 million and $78 million in 2001 and 2000, respectively, as a component of net sales. Bunge has no standing barter agreements. Had these advances been made in cash rather than fertilizer, consolidated operating cash flows would have been reduced by $34 million in 2001 and 2000. Bunge did not enter into such transactions in 2002.

Research and development Research and development costs are expensed as incurred. Research and development expenses were $8 million, $6 million and $5 million in 2002, 2001 and 2000, respectively.

New accounting pronouncements In January 2003, the FASB issued FASB Interpretation No. 46, *Consolidation of Variable Interest Entities* (FIN 46) an interpretation of Accounting Research Bulletin No. 51, *Consolidated Financial Statements* (ARB 51). FIN 46 addresses consolidation by business enterprises of variable interest entities, entities that are subject to consolidation according to the provisions of this Interpretation. For interests acquired on or after February 1, 2003, FIN 46 applies immediately. For existing interests as of January 31, 2003, FIN 46 is effective on July 1, 2003. Bunge does not believe the adoption of FIN 46 will impact the accounting for its accounts receivable securitization described in Note 14.

In June 2002, the FASB issued SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* (SFAS No. 146). This statement requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. In addition, this statement supercedes Emerging Issues Task Force (EITF) Issue No. 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring),* under which a liability is recognized at the date an entity commits to an exit plan. SFAS No. 146 also establishes that the liability should initially be measured and recorded at fair value. The provisions are applicable on a prospective basis and are effective for any exit and disposal activities initiated after December 31, 2002.

In November 2002, the FASB issued FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* (FIN 45). FIN 45 requires additional disclosures by guarantors about obligations under guarantees that it has issued. This statement also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of obligations undertaken in issuing guarantees. The disclosure requirements for FIN 45 are effective for financial statements of interim and annual periods ending after December 15, 2002. The initial recognition and initial measurement requirements are applicable on a prospective basis for guarantees issued or modified after December 31, 2002.

Reclassifications Certain reclassifications were made to the prior year's consolidated financial statements to conform to the current presentation.

02
BUSINESS COMBINATIONS AND ALLIANCES

Acquisition of Cereol S.A. In the fourth quarter of 2002, Bunge acquired 97.38% of the outstanding shares in Cereol S.A. for $741 million in cash (net of cash acquired of $90 million). Cereol is engaged in the processing of oilseeds and the production of edible oils and soy ingredients in Europe and North America. Cereol's results of operations have been included in the consolidated financial statements of Bunge since October 1, 2002. Bunge financed the Cereol acquisition with available cash and debt borrowings.

The acquisition of Cereol will generate significant synergies and has expanded Bunge's geographic presence and product lines.

The cost to acquire Cereol has been preliminarily allocated to the assets acquired and liabilities assumed, according to estimated fair values. This allocation is subject to adjustment as Bunge is in the process of obtaining third party valuations of property, plant and equipment, intangible assets and investments as well as completing the integration of this acquisition. This acquisition is being accounted for using the purchase method under SFAS No. 141, *Business Combinations.* The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition.

(US$ in millions)	
Calculation of purchase price:	
Cash paid	$ 831
Current liabilities assumed	895
Other non-current liabilities assumed	543
Additional consideration	37
Total	$ 2,306
Allocation of purchase price:	
Current assets	$ 1,237
Property, plant and equipment	666
Other non-current assets	366
Unallocated purchase price	89
Minority interest	(52)
Total	$ 2,306

The unallocated purchase price of $89 million is classified as goodwill in the consolidated balance sheet at December 31, 2002.

Bunge's subsidiary Cereol is currently in arbitration relating to the sale of Ducros to the McCormick Group. If the Ducros dispute is finally resolved on or before October 15, 2005 for an amount less than €77 million, Bunge will pay to all former Cereol shareholders an additional purchase price of up to €3 per share or €77 million. If the Ducros dispute is finally resolved on or before October 15, 2005 for an amount equal to or greater than €77 million, shareholders will not receive any additional purchase price. If the Ducros dispute is resolved after October 15, 2005, all former Cereol shareholders other than Edison S.p.A. will receive an additional purchase price of €3 per share, and Edison will receive up to €3 per share, or a total of €42 million, depending on the outcome. Regardless of the outcome or its timing, Bunge is entitled to be indemnified by Edison for any amount that exceeds €77 million.

Argentine acquisition In March 2002, Bunge completed its acquisition of La Plata Cereal S.A., an Argentine agribusiness company. The purchase price was $3 million in cash. This acquisition is being accounted for using the purchase method under SFAS No. 141, *Business Combinations.* Upon finalizing the allocation of the purchase price, Bunge did not recognize goodwill as a result of this acquisition.

Brazilian restructuring In February 2002, Bunge restructured its major Brazilian subsidiaries. The restructuring involved the exchange of all of the shares of Bunge Fertilizantes S.A., Bunge's fertilizer operations, and Bunge Alimentos S.A., Bunge's agribusiness and food products operations, for shares of Serrana S.A., which was renamed Bunge Brasil S.A. Pursuant to Brazilian securities laws, the three restructured subsidiaries offered withdrawal rights to their minority shareholders. These withdrawal rights required Bunge's subsidiaries to buy back and cancel shares from minority shareholders. Bunge has accounted for the restructuring as an acquisition of minority interest. The fair value of the consideration given, including the cash paid on the exercise of the withdrawal rights of $105 million, was $275 million. As a result of the restructuring, Bunge increased its indirect interest in Bunge Alimentos and Bunge Fertilizantes to 83%.

As a result of the share exchange described above, Bunge has increased its basis in minority interest by $103 million. Bunge allocated $108 million of the excess of the fair value over the historical book value to mining rights in the amount of $28 million assigned to the fertilizer segment, to property, plant and equipment in the amount of $5 million and $2 million assigned to wheat milling and bakery products and edible oil products segment, respectively; trademarks in the amount of $4 million and $11 million assigned to wheat milling and bakery products and edible oil products segment, respectively; licenses/technology in the amount of $2 million, $1 million and $2 million assigned to agribusiness, edible oil products and other segment, respectively. In addition, as a result of this restructuring Bunge recognized $53 million in goodwill, which was assigned to the agribusiness segment.

The following unaudited pro forma summary financial information sets forth Bunge's results of operations as if the above listed acquisitions had been consummated as of January 1, 2001. The pro forma results include interest expense on debt incurred to finance the Cereol acquisition.

	Year Ended December 31,	
(US$ in millions, except per share data)	2002	2001
Net sales	$ 17,238	$ 15,750
Income before cumulative effect of change in accounting principles	$ 319	$ 109
Cumulative effect of change in accounting principles, net of tax	(23)	7
Net income	$ 296	$ 116
Earnings per common share – basic:		
Income before cumulative effect of change in accounting principles per share	$ 3.33	$ 1.52
Cumulative effect of change in accounting principles	(.24)	.10
Net income	$ 3.09	$ 1.62

Saipol joint venture In November 2002, Bunge announced that it had entered into an agreement to sell a majority stake in Lesieur, a French maker of branded bottled vegetable oils, to Saipol for net proceeds of €181 million. Lesieur was acquired by Bunge through its acquisition of Cereol. Saipol is an oilseed processing joint venture between Cereol and Sofiproteol. Sofiproteol manages a financial fund that invests in French companies involved in oilseed processing and protein production primarily for animal nutrition and production of seed. Cereol has a 33.34% interest in Saipol, which it accounts for under the equity method, and Sofiproteol controls the remaining 66.66%. As a result of this transaction, Cereol will retain its 33.34% interest in Saipol subsequent to Saipol's purchase of Lesieur from Cereol. The transaction is expected to close in the third quarter of 2003. Bunge does not anticipate any gain or loss on this transaction. At December 31, 2002, this transaction has been approved by the European merger antitrust task force.

Bunge has recorded the assets and liabilities of Lesieur in the amount of $367 million and $207 million, respectively, as an investment held for sale. These assets and liabilities are included in other current assets and other current liabilities in the consolidated balance sheet at December 31, 2002. For the year ended December 31, 2002, Lesieur was consolidated and included in income from continuing operations in the consolidated statement of income. Bunge will retain an interest in this entity and have continued involvement through the joint venture operations.

DuPont alliance In January 2003, Bunge announced the formation of Solae LLC, a joint venture with E.I. duPont de Nemours and Company to expand its agribusiness and soy ingredients businesses with a focus on soy protein and lecithin. Bunge will contribute its soy ingredients business to Solae in exchange for a 28% interest in the joint venture plus an estimated $260 million in cash to be funded by joint venture debt. Bunge has the right to increase its interest in the joint venture to 40% according to an agreed upon formula. The joint venture is expected to begin operations in April 2003. Bunge intends to account for this investment under the equity method.

03 DISCONTINUED OPERATIONS

In March 2001, Bunge committed to a divestiture plan and sold its Brazilian baked goods division, Plus Vita S.A. to a third party. The proceeds from the sale were $59 million, net of expenses. The divestiture resulted in a gain to Bunge of $3 million. Accordingly, the operating results for the disposed division have been reported as discontinued operations for all periods presented.

The following table summarizes the financial information related to the baked goods division discontinued operations:

(US$ in millions)	Year Ended December 31, 2002	2001	2000
Net sales	$ –	$ 11	$ 68
Net loss	$ –	$ –	$ (10)

04 INVENTORIES

Inventories consist of the following:

(US$ in millions)	December 31, 2002	2001
Agribusiness – readily marketable inventories at market value	$ 1,517	$ 764
Fertilizer	214	318
Edible oils	346	58
Wheat milling and bakery	63	49
Other	267	179
Total	$ 2,407	$ 1,368

05 OTHER CURRENT ASSETS

Other current assets consist of the following:

(US$ in millions)	December 31, 2002	2001
Prepaid commodity purchase contracts	$ 173	$ 139
Secured advances to suppliers	205	164
Unrealized gain on derivative contracts	162	96
Assets of investment held for sale (Note 2)	367	–
Marketable securities	12	6
Other	319	272
Total	$ 1,238	$ 677

Prepaid commodity purchase contracts Prepaid commodity purchase contracts represent payments to producers in advance of delivery of the underlying commodities. Prepaid commodity purchase contracts are recorded at market.

Secured advances to suppliers Bunge provides cash advances or fertilizer to suppliers of soybeans to finance a portion of the suppliers' production cost. The advances are generally collateralized by physical assets of the supplier, carry a market interest rate and are repaid through the delivery of soybeans. Secured advances to suppliers are stated at the original value of the advance plus accrued interest, less allowances for uncollectible advances, which were $18 million and $9 million at December 31, 2002 and 2001.

06 PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment consist of the following:

(US$ in millions)	December 31, 2002	2001
Land	$ 86	$ 75
Mining properties	96	145
Buildings	819	741
Machinery and equipment	1,992	1,689
Furniture, fixtures and other	114	121
	3,107	2,771
Less accumulated depreciation and depletion	(1,237)	(1,312)
Plus construction in process	186	210
Total	$ 2,056	$ 1,669

Bunge capitalized interest on construction in progress in the amount of $6 million, $15 million and $5 million in 2002, 2001 and 2000, respectively. Depreciation and depletion expense was $169 million, $160 million and $141 million in 2002, 2001 and 2000, respectively.

07 CHANGE IN ACCOUNTING PRINCIPLES

In August 2001, the FASB issued SFAS No. 143, *Accounting for Asset Retirement Obligations* (SFAS No. 143), which addresses the financial accounting and reporting for legal obligations associated with the retirement of tangible assets and the associated asset retirement costs. SFAS No. 143 provisions apply to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or the normal operation of a long-lived asset, except for certain obligations of lessees. SFAS No. 143 requires the recording of a liability for an asset retirement obligation in the period in which the liability is incurred. The initial measurement is based upon the present value of estimated third party costs and a related long-lived asset retirement cost capitalized as part of the asset's carrying value and allocated to expense over the asset's useful life. Bunge has adopted the provisions of SFAS No. 143 effective January 1, 2002. As a result of the early adoption of SFAS No. 143, Bunge recorded a $9 million charge, net of tax of $5 million, as a cumulative effect of a change in accounting principle relating to its mining assets assigned to the fertilizer segment and certain of its edible oil refining facilities assigned to the edible oil segment. The carrying amount of the asset retirement obligation was $24 million at December 31, 2002. There were no significant changes in the components of the liability between the adoption date and December 31, 2002.

Effective January 1, 2002, Bunge adopted SFAS No. 142, *Goodwill and Other Intangible Assets* (SFAS No. 142). SFAS No. 142 supercedes APB Opinion No. 17, *Intangible Assets,* and changes the accounting for goodwill and other intangible assets with indefinite lives acquired individually or with a group of other assets, and those acquired in a business combination, by eliminating prospectively the amortization of all existing and newly acquired goodwill and other intangible assets with indefinite lives. SFAS No. 142 requires goodwill and other intangible assets to be tested at least annually for impairment. Separable other intangible assets that are not deemed to have an indefinite life will continue to be amortized over their useful lives. The amortization provisions of SFAS No. 142 apply immediately to goodwill and intangible assets acquired after June 30, 2001. SFAS No. 142 also requires that companies complete a transitional goodwill impairment test within six months from the date of adoption.

In accordance with the transitional guidance and the adoption of SFAS No. 142, Bunge completed a transitional impairment test computed based on a discounted cash flow and recorded a charge of $14 million, net of tax of $1 million as of January 1, 2002 for goodwill impairment losses. This impairment was related mainly to goodwill in the bakery mixes business line of its wheat milling and bakery products segment. The goodwill impairment losses are recorded as a cumulative effect of a change in accounting principle in Bunge's consolidated statement of income for the year ended December 31, 2002. Bunge's other intangible assets were not affected by the adoption of SFAS No. 142.

Set forth below is Bunge's adjusted net income and earnings per share had Bunge excluded goodwill amortization in accordance with SFAS No. 142 and included asset retirement charges in accordance with SFAS No. 143 for the years ended December 31, 2001 and 2000. No goodwill amortization was recorded for the year ended December 31, 2002.

		Year Ended December 31,	
(US$ in millions, except per share data)	**2002**	2001	2000
Reported income before cumulative effect of change in accounting principles	**$ 278**	$ 127	$ 12
Add back goodwill amortization	–	6	6
Less asset retirement adjustment	–	(2)	(2)
Adjusted income before cumulative effect of change in accounting principles	**$ 278**	$ 131	$ 16
Reported net income	**$ 255**	$ 134	$ 12
Add back goodwill amortization	–	6	6
Less asset retirement adjustment	–	(2)	(2)
Adjusted net income	**$ 255**	$ 138	$ 16
Earning per common share – basic:			
Income before cumulative effect of change in accounting principles	**$ 2.90**	$ 1.77	$ .19
Add back goodwill amortization	–	.08	.09
Less asset retirement adjustment	–	(.03)	(.03)
Adjusted income before cumulative effect of change in accounting principles	**$ 2.90**	$ 1.82	$ .25
Reported net income	**$ 2.66**	$ 1.87	$ .19
Add back goodwill amortization	–	.08	.09
Less asset retirement adjustment	–	(.03)	(.03)
Adjusted net income	**$ 2.66**	$ 1.92	$ .25
Earning per common share – diluted:			
Income before cumulative effect of change in accounting principles	**$ 2.88**	$ 1.76	$ .19
Add back goodwill amortization	–	.08	.09
Less asset retirement adjustment	–	(.03)	(.03)
Adjusted income before cumulative effect of change in accounting principles	**$ 2.88**	$ 1.81	$ .25
Reported net income	**$ 2.64**	$ 1.86	$ .19
Add back goodwill amortization	–	.08	.09
Less asset retirement adjustment	–	(.03)	(.03)
Adjusted net income	**$ 2.64**	$ 1.91	$ .25

Had the provisions of SFAS No. 143 been applied for all periods presented, the asset retirement obligation at January 1, 2000, December 31, 2000 and 2001 would have been $18 million, $20 million and $22 million, respectively.

08

GOODWILL AND OTHER INTANGIBLE ASSETS

Subsequent to the SFAS No. 142 adoption, in the fourth quarter of 2002, Bunge recorded an additional goodwill impairment charge of $4 million in cost of goods sold in the consolidated statements of income. The impairment charge was based on the discounted cash flow and related reduction in value, which resulted from the loss of a customer in the bakery mixes business line of its wheat milling and bakery products segment.

Bunge's other intangible assets consist of trademarks, licenses, software technology and unamortized prior service costs relating to Bunge's employee defined benefit plans (see Note 15) and are classified in other non-current assets in the consolidated balance sheets. The aggregate carrying amount of these other intangibles assets at December 31, 2002 and 2001 was $17 million and $4 million, respectively, and the related aggregate accumulated amortization was $3 million and $1 million at December 31, 2002 and 2001, respectively. The aggregate amortization expense for other intangible assets was $2 million for the year ended December 31, 2002. The annual estimated amortization expense for 2003 to 2007 is approximately $3 million per year. At December 31, 2001, accumulated amortization for goodwill was $34 million.

The changes in the carrying amount of goodwill by segment at December 31, 2002 and 2001 are as follows.

(US$ in millions)	Agribusiness	Wheat Milling and Bakery Products	Unallocated	Total
Balance, January 1, 2001	$ 152	$ 41	$ –	$ 193
Amoritization	(5)	(1)	–	(6)
Foreign exchange translation	(24)	–	–	(24)
Balance, December 31, 2001	$ 123	$ 40	$ –	$ 163
Goodwill acquired during the year (Note 2)	**53**	**–**	**–**	**53**
Foreign exchange translation	**(47)**	**–**	**–**	**(47)**
Impairment losses	**–**	**(4)**	**–**	**(4)**
Acquisition purchase price	**–**	**–**	**89**	**89**
Cumulative effect of a change in accounting principle	**–**	**(15)**	**–**	**(15)**
Balance, December 31, 2002	**$ 129**	**$ 21**	**$ 89**	**$ 239**

09
OTHER CURRENT LIABILITIES

Other current liabilities consist of the following:

(US$ in millions)	December 31, 2002	2001
Accrued liabilities	$ 456	$ 301
Unrealized loss on derivative contracts	138	102
Advances on sales	89	115
Liabilities of investment held for sale (Note 2)	207	–
Other	134	70
Total	$ 1,024	$ 588

10
INCOME TAXES

Bunge has elected to use the U.S. income tax rates to reconcile the actual provision for income taxes with the income tax provision computed by applying the U.S. statutory rates.

The components of the income tax (expense) benefit are:

(US$ in millions)	Year Ended December 31, 2002	2001	2000
Current:			
United States	$ 13	$ (18)	$ 7
Non-United States	(121)	(61)	(36)
	(108)	(79)	(29)
Deferred:			
United States	1	6	(2)
Non-United States	3	5	19
	4	11	17
Total	$ (104)	$ (68)	$ (12)

Reconciliation of the income tax expense at the U.S. statutory rate to the effective rate is as follows:

(US$ in millions)	Year Ended December 31, 2002	2001	2000
Income from continuing operations before income tax and minority interests	$ 484	$ 264	$ 71
Income tax rate	35%	35%	35%
Income tax expense at the statutory rate	(169)	(92)	(25)
Adjustments to derive effective rate:			
Miscellaneous nondeductible items	1	(14)	1
Other items:			
Change in valuation allowance	(33)	17	(9)
Adjustment resulting from the finalization of prior year tax returns	20	(3)	4
Foreign exchange benefit	86	15	–
Earnings of subsidiaries taxed at different statutory rates	(6)	8	11
Other	(3)	1	6
Income tax expense	$ (104)	$ (68)	$ (12)

During 2002, a U.S.-based wholly owned subsidiary of Bunge recognized a $20 million tax credit relating to a re-determination of foreign sales corporation benefits for prior years. The amount is included above in adjustments from the finalization of prior years' tax returns.

Certain Bunge subsidiaries had undistributed earnings amounting to approximately $474 million and $432 million at December 31, 2002 and 2001. These are considered to be permanently reinvested and, accordingly, no provision for income taxes has been made. It is not practicable to determine the deferred tax liability for temporary differences related to these undistributed earnings.

The primary components of the deferred tax assets and liabilities and the related valuation allowance are as follows:

(US$ in millions)	December 31, 2002	2001
Deferred income tax assets:		
Net operating loss carry-forwards	$ 310	$ 175
Excess of tax basis over financial statement basis of property, plant and equipment	14	4
Accrued retirement costs (pension and post-retirement cost) and other accrued employee compensation	39	34
Other accruals and reserves not currently deductible for tax purposes	122	114
Other	12	3
Total deferred tax assets	497	330
Less valuation allowance	(91)	(64)
Net deferred tax assets	406	266
Deferred tax liabilities:		
Excess of financial statement basis over tax basis of property, plant and equipment	189	212
Undistributed earnings of affiliates	129	–
Other	49	5
Total deferred tax liabilities	367	217
Net deferred tax assets	$ 39	$ 49

Such deferred tax assets and liabilities are reflected on Bunge's consolidated balance sheets, as follows:

(US$ in millions)	December 31, 2002	2001
Current deferred income tax assets	$ 87	$ 84
Non-current deferred tax assets	256	100
Other current liabilities	(51)	(9)
Non-current deferred tax liabilities	(253)	(126)
Net deferred tax assets	$ 39	$ 49

At December 31, 2002, Bunge's gross tax loss carry-forwards totaled $804 million, of which $283 million have no expiration. However, applicable income tax regulations limit some of these tax losses available for offset of future taxable income to 30% of annual pre-tax income. The remaining tax loss carry-forwards expire at various periods beginning in 2003 through the year 2021.

Bunge continually reviews the adequacy of its valuation allowance and recognizes tax benefits only as reassessment indicates that it is more likely than not that the benefits will be realized. Bunge's valuation allowance relates to net operating loss carry-forwards in Bunge's Brazilian and Argentine subsidiaries. The tax laws of Brazil and Argentina do not provide for the filing of a consolidated tax return. Therefore, taxable income at one legal entity within Brazil or Argentina cannot be offset with tax losses at another. As such, Bunge records a valuation allowance for the net operating loss carry-forwards generated at legal entities in Brazil and Argentina for which management believes that it is more likely than not that an asset will not be realized. In 2002, Bunge increased its valuation allowance by $40 million due to the net operating loss carry-forwards generated at these entities. In addition, the increase in Bunge's valuation allowance was partially offset by the effects of the Brazilian *real* devaluation.

In 2002, 2001 and 2000, Bunge paid income taxes, net of refunds, of $14 million, $16 million and $20 million, respectively.

11
FINANCIAL INSTRUMENTS

Bunge uses various financial instruments in its operations, including certain components of working capital such as cash and cash equivalents, accounts receivable and accounts payable. Additionally, Bunge uses short-term and long-term debt to fund operating requirements and derivative financial instruments to manage its foreign exchange and commodity price risk exposures. The counter-parties to these financial instruments are primarily major financial institutions and Banco Nacional de Desenvolvimento Econômico e Social ("BNDES") of the Brazilian government, or in the case of commodity futures and options, a commodity exchange. Bunge continually evaluates the creditworthiness of its counter-parties and has not experienced, nor does it anticipate, nonperformance by any of these institutions. Bunge had no significant concentration of credit risk at December 31, 2002, except for the Argentine recoverable taxes discussed in Note 25.

Fair value of financial instruments The carrying amounts and fair values of financial instruments were as follows:

(US$ in millions)	2002 Carrying Value	2002 Fair Value	2001 Carrying Value	2001 Fair Value
			December 31,	
Cash and cash equivalents	**$ 470**	**$ 470**	$ 199	$ 199
Marketable securities	**12**	**12**	6	6
Short-term debt	**1,250**	**1,250**	803	803
Long-term debt, including current portion	**$2,153**	**$2,221**	$1,010	$1,015

Cash and cash equivalents The carrying value approximates the fair value. All investment instruments with a maturity of three months or less are considered cash equivalents.

Marketable securities The fair value was determined based on quoted market prices.

Short-term debt The carrying value approximates the fair value because of the short-term maturity of those instruments.

Long-term debt The fair value of long-term loans was calculated based on interest rates currently available to Bunge for similar borrowings.

In August 2002, Bunge entered into a foreign currency forward contract with a notional value of €200 million and a maturity of January 15, 2003. This contract represented an economic hedge against the purchase price for the Cereol acquisition (see Note 2). This contract was settled on October 11, 2002 for a gain of $4 million and was recognized as a component of non-operating income (loss) – net in the consolidated statement of income for the year ended December 31, 2002.

In the second and third quarters of 2002, Bunge entered into treasury rate lock contracts with notional values of $200 million at a 10-year forward treasury yield of 4.99%, $60 million at a 5-year forward treasury yield of 3.13%, $40 million at a 10-year forward treasury yield of 4.07% and $300 million at a 10-year forward treasury yield of 4.14%, to hedge some of the interest rate variability risk associated with changes in the U.S. Treasury rate. Bunge accounted for these derivative contracts as cash flow hedges of forecasted issuances of debt that were completed in 2002 (see Note 13). These hedges were terminated upon issuance of the related debt. At December 31, 2002, Bunge recorded a loss of approximately $22 million relating to these derivative contracts, in other comprehensive income (loss), which will be reclassified to income over the term of the debt incurred. In addition, Bunge reclassified approximately $5 million relating to these derivative contracts, from other comprehensive income (loss) to non-operating income (expense) – net in the consolidated statement of income for the year ended December 31, 2002. Since Bunge did not issue as much debt as was originally forecast, a portion of the loss on the treasury locks was immediately reclassified from other comprehensive income (loss) to income. The amounts remaining in other comprehensive income is commensurate with the actual debt issued.

12
SHORT-TERM DEBT AND CREDIT FACILITIES

Short-term borrowings consist of the following:

(US$ in millions)	2002	2001
		December 31,
Commercial paper with an average interest rate of 1.87% at December 31, 2002	**$ 555**	$ 435
Lines of credit:		
Unsecured variable interest rates from 2.02% to 9.50%	**684**	190
Other	**11**	178
Total short-term debt	**$ 1,250**	$ 803

Bunge's short-term borrowings, predominately held with commercial banks, are primarily used to fund readily marketable inventories and other working capital requirements. The weighted average interest rate on short-term borrowings at December 31, 2002 and 2001 was 2.46% and 4.9%, respectively.

At December 31, 2002, Bunge had a $600 million commercial paper program facility to fund working capital requirements. In addition, at December 31, 2002, Bunge had approximately $683 million of unused and available borrowing capacity under short-term lines of credit with a number of lending institutions.

Bunge, and one of its subsidiaries, has issued a guarantee for the repayment of borrowings under a €500 million bank facility entered into by its subsidiary Cereol, which was increased to €600 million on December 17, 2002. This debt has a carrying value of $412 million at December 31, 2002 and is included in the consolidated balance sheet.

13
LONG-TERM DEBT

Long-term obligations are summarized below:

(US$ in millions)	December 31, 2002	2001
Payable in U.S. dollars:		
Senior notes, fixed interest rates of 6.31% to 7.80%, maturing 2007 through 2012	$ 686	$ –
Convertible notes, fixed interest rate of 3.75%, maturing 2022	250	–
Senior notes, fixed interest rates from 7.23% to 7.94%, maturing through 2021	158	165
Trust certificates, fixed interest rates from 8.51% to 8.61%, payable 2003 to 2005	125	125
Note collateralized by future export commodity contracts, fixed interest rate 8.09%, payable through 2006	72	56
Other notes payable, fixed interest rates from 3.55% to 7.62%, payable through 2003	21	344
Long-term debt, variable interest rates indexed to LIBOR[1] plus 2.50% to 2.80%, payable through 2009	353	58
Other	139	3
Payable in Brazilian *reais:*		
BNDES[2] loans, variable interest rate indexed to IGPM[3] plus 6.5%, payable through 2008	142	192
Long-term variable interest rate indexed to TJLP[4] plus 2.20% to 7%, payable through 2007	5	40
Other	19	27
Payable in Euros and other currencies:		
Senior notes, fixed interest rate of 8.70%, maturing 2005	171	–
Other	12	–
	2,153	1,010
Less: Installments due within one year	249	180
Total long-term debt	$ 1,904	$ 830

[1] LIBOR as of December 31, 2002 and 2001 was 1.38% and 1.9%, respectively.

[2] BNDES loans are Brazilian government industrial development loans.

[3] IGPM is a Brazilian inflation index published by Fundação Getulio Vargas. The annualized rate for the years ended December 31, 2002 and 2001 was 25.31% and 10.37%, respectively.

[4] TJLP is a long-term interest rate reset by the Brazilian government on a quarterly basis. The annualized rate for the years ended December 31, 2002 and 2001 was 9.88% and 9.5%, respectively.

In November 2002, Bunge completed an offering of $250 million aggregate principal amount of unsecured convertible notes bearing interest at a rate of 3.75% per year that mature in November 2022. The notes were issued by our wholly owned subsidiary Bunge Limited Finance Corp. and guaranteed by Bunge. Interest is payable semi-annually in arrears in May and November of each year, commencing in May 2003. Bunge used the net proceeds of $245 million to reduce indebtedness under its commercial paper program and revolving bank credit facilities.

The convertible notes are convertible into common shares of Bunge under certain circumstances at an initial conversion rate of 31.1137 common shares per $1000 principal amount of notes, subject to certain adjustments. Bunge may redeem for cash all or a portion of these notes at any time on or after November 22, 2005 at specified redemption prices, plus accrued and unpaid interest up to the redemption date. The holders of the convertible notes have the right to require Bunge to purchase all or a portion of the notes on November 15, 2007, November 15, 2012 and November 15, 2017 at a price equal to 100% of the principal amount of the notes to be purchased, plus accrued and unpaid interest up to the purchase date. Bunge has the option to pay the purchase price in cash, common shares or a combination of both. In addition, the holders of the convertible notes will have the option to require Bunge to purchase for cash all or a portion of the notes not previously redeemed upon a specified change of control on or before November 15, 2007 at a price equal to 100% of the principal amount of the notes to be purchased, plus accrued interest. The convertible notes are not subject to any sinking fund requirements.

In October 2002, Bunge completed an offering of $200 million aggregate principal amount of unsecured senior notes bearing interest at a rate of 7.80% per year that mature in October 2012. The notes were issued by Bunge's wholly owned subsidiary Bunge Limited Finance Corp. and guaranteed by Bunge. Interest is payable semi-annually in arrears in April and October of each year, commencing in April 2003. Bunge used the net proceeds of $197 million to reduce indebtedness under its commercial paper program and for payments made in connection with the Cereol acquisition.

In September 2002, Bunge completed a private placement of $486 million aggregate principal amount of unsecured senior guaranteed notes, which were issued by its wholly owned subsidiary, Bunge Limited Finance Corp., and guaranteed by Bunge. The notes were issued in three series comprised of $82 million of notes bearing interest at 6.31% that mature September 2007, $53 million of notes bearing interest at 6.78% that mature September 2009 and $351 million of notes bearing interest at 7.44% that mature September 2012. Interest is payable semi-annually in arrears in March and September of each year, commencing in March 2003. Bunge used the net proceeds of $483 million to reduce indebtedness under its commercial paper program and for payments made in connection with the Cereol acquisition.

Bunge has issued parent level guarantees for the repayment of certain of its U.S senior debt with a carrying amount of $1,401 million at December 31, 2002. All debt related to these guarantees is included in the consolidated balance sheet at December 31, 2002.

Certain land, property, plant and equipment, investments in consolidated subsidiaries and export commodity contracts, having a net carrying value of approximately $519 million at December 31, 2002 have been mortgaged or otherwise collateralized against long-term debt of $310 million at December 31, 2002.

Principal maturities of long-term debt at December 31, 2002 are as follows:

(US$ in millions)	
2003	**$ 249**
2004	**209**
2005	**498**
2006	**150**
2007	**126**
Later years	**921**
Total	**$ 2,153**

Bunge's indentures, credit facilities other long-term debt agreements and commercial paper program contain various restrictive covenants which require the satisfaction of certain financial covenants related to minimum net worth and working capital and a maximum long-term debt to net worth ratio. Bunge was in compliance with these covenants at December 31, 2002.

14 ACCOUNTS RECEIVABLE SECURITIZATION

During 2002, Bunge established, through its wholly owned U.S. operating subsidiary, a receivables securitization facility. In addition, through the acquisition of Cereol, Bunge assumed a second receivables securitization facility. Through agreements with certain financial institutions, Bunge may sell, on a revolving basis, undivided percentage ownership interests ("undivided interests") in designated pools of accounts receivable without recourse up to a maximum amount of $138 million. Collections reduce accounts receivable included in the pools, and are used to purchase new receivables, which become part of the pools. The facilities expire in 2005 and 2007 and the effective yield rates approximate the 30-day commercial paper rate plus annual commitment fees ranging from 29 to 40 basis points.

For the year ended December 31, 2002, the outstanding undivided interests averaged $123 million. Bunge retains collection and administrative responsibilities for the receivables in the pools. Bunge recognized $1 million in related expenses for the year ended December 31, 2002, which are included in selling, general and administrative expenses in Bunge's consolidated statement of income.

In addition, Bunge retains interests in the pools of receivables not sold. Due to the short-term nature of the receivables, Bunge's retained interests in the pools are valued at historical cost, which approximate fair value. The full amount of the allowance for doubtful accounts has been retained in Bunge's consolidated balance sheets since collections of all pooled receivables are first utilized to reduce the outstanding undivided interests. Accounts receivable at December 31, 2002, were net of $138 million, representing the outstanding undivided interests in pooled receivables.

15 EMPLOYEE BENEFIT PLANS

Employee defined benefit plan Certain U.S., Canadian and European based subsidiaries of Bunge sponsor non-contributory defined benefit pension plans covering substantially all employees of the subsidiaries. The plans provide benefits based primarily on participants' salary and length of service.

The funding policy for the defined benefit pension plans is determined in accordance with statutory funding requirements. The U.S. funding policy requires at least those amounts required by the Employee Retirement Income Security Act of 1974 and no more than those amounts permitted by the Internal Revenue Code. These plans' assets are primarily held in fixed income and equity investments.

Postretirement healthcare benefit plan Certain U.S., Canadian and European based subsidiaries of Bunge have benefit plans to provide certain healthcare benefits to eligible retired employees of those subsidiaries and certain other U.S.-based subsidiaries of Bunge. The plans require minimum employee contributions and define the maximum amount the subsidiary will be obligated to pay under the plan.

The following table sets forth in aggregate a reconciliation of the changes in the plans' benefit obligation, assets and funded status at December 31, 2002 and 2001 for plans with assets in excess of benefit obligations and plans with benefit obligations in excess of plan assets.

	Pension Benefits		Postretirement Benefits	
	December 31,		December 31,	
(US$ in millions)	**2002**	2001	**2002**	2001
Change in benefit obligations:				
Benefit obligation as of beginning of year	**$ 118**	$ 102	**$ 20**	$ 25
Service cost	**5**	4	**–**	–
Interest cost	**11**	8	**3**	2
Actuarial losses (gains), net	**10**	4	**1**	(3)
Plan amendments	**1**	5	**–**	(3)
Acquisition	**136**	–	**20**	–
Benefits paid	**(7)**	(5)	**(1)**	(1)
Impact of exchange rate	**(5)**	–	**(1)**	–
Benefit obligation as of end of year[1]	**$ 269**	$ 118	**$ 42**	$ 20
Change in plan assets:				
Fair value of plan assets as of beginning of year	**$ 98**	$ 120	**$ –**	$ –
Actual return on plan assets	**(3)**	(18)	**–**	–
Acquisition	**94**	–	**–**	–
Employer contributions	**4**	1	**1**	1
Benefits paid	**(7)**	(5)	**(1)**	(1)
Impact of exchange rate	**(3)**	–	**–**	–
Fair value of plan assets as of end of year[1]	**$ 183**	$ 98	**$ –**	$ –
Funded status and net amounts recognized:				
Plan assets less than benefit obligation	**$ (86)**	$ (20)	**$ (42)**	$ (20)
Unrecognized prior service cost	**5**	5	**(3)**	(3)
Unrecognized net actuarial losses (gains)	**34**	9	**(1)**	(3)
Unrecognized net transition asset	**(2)**	(2)	**–**	–
Net liability recognized in the balance sheet	**$ (49)**	$ (8)	**$ (46)**	$ (26)
Amounts recognized in the balance sheet consist of:				
Prepaid benefit costs	**$ 1**	$ 6	**$ –**	$ –
Accrued benefit cost	**(51)**	(14)	**(47)**	(26)
Additional minimum pension liability[2]	**(19)**	–	**–**	–
Intangible asset	**3**	–	**–**	–
Impact of exchange rate	**1**	–	**1**	–
Accumulated other comprehensive income[2]	**16**	–	**–**	–
Net liability recognized in other non-current liabilities	**$ (49)**	$ (8)	**$ (46)**	$ (26)

(1) At December 31, 2002, the $269 million projected benefit obligation includes plans with projected benefit obligation of $255 million, which was in excess of the fair value of the related plan assets of $167 million and accumulated benefit obligation of $159 million, which was in excess of the fair value of the plan assets of $102 million.

(2) Bunge has recorded a minimum pension liability adjustment for the actuarial present value of accumulated benefits that exceeded plan assets and the accrued pension liabilities that were exceeded by the unfunded accumulated benefit obligation. At December 31, 2002, Bunge recorded an $11 million charge, net of tax of $5 million in other comprehensive income related to its minimum pension liability.

The components of net periodic costs are as follows:

(US$ in millions)	Pension Benefits Year Ended December 31, 2002	2001	2000	Postretirement Benefits Year Ended December 31, 2002	2001	2000
Service cost	**$ 5**	$ 4	$ 3	**$ –**	$ –	$ 1
Interest cost	**11**	8	7	**1**	2	1
Expected return on plan assets	**(11)**	(9)	(8)	**–**	–	–
Amortization of unrecognized prior service cost	**1**	1	–	**–**	–	–
Amortization of transition obligation	**(1)**	(1)	(1)	**–**	–	–
Net periodic benefit costs	**$ 5**	$ 3	$ 1	**$ 1**	$ 2	$ 2

The weighted average assumptions used in determining the actuarial present value of the projected benefit obligations under the defined benefit plans at December 31, 2002, 2001 and 2000 are as follows:

	2002	2001	2000
Discount rate	**6.8%**	7.5%	7.5%
Increase in future compensation levels	**4.5%**	5.0%	5.0%
Expected long-term rate of return on assets	**8.4%**	9.0%	9.0%

During 2001, certain of the defined benefit pension plans were amended to increase certain early retirement benefits and prospective benefits for certain active participants. In addition, the postretirement healthcare benefits plan was amended to reduce Bunge's liability related to future retirees.

For measurement purposes, an 8% annual rate of increase in the per capita cost of covered healthcare benefits was assumed for 2003. The rate was assumed to decrease to 6% for 2004 and remains at that level thereafter.

A one-percentage point change in assumed health care cost trend rates would have the following effects at December 31, 2002:

(US$ in millions)	One-percentage point increase	One-percentage point decrease
Effect on total service and interest cost components	$ –	$ –
Effect on postretirement benefit obligation	$ 3	$ 3

Employee defined contribution plans Bunge also makes contributions to qualified defined contribution plans for eligible employees. Contributions amounted to $4 million, $2 million and $4 million in 2002, 2001 and 2000, respectively.

16
RELATED PARTY TRANSACTIONS

Shareholders' equity includes a long-term note receivable in the amount of $55 million and $76 million at December 31, 2002 and 2001, respectively, from the former sole shareholder of Bunge, Mutual Investment, relating to a capital contribution made in 2000. In 2002 and 2001, Bunge received $21 million and $50 million, respectively, in cash from Mutual Investment for payment of the note. Bunge recorded interest income of $3 million, $6 million and $9 million in 2002, 2001 and 2000, respectively, pertaining to the related party receivable.

In 2001, Bunge entered into an administrative services agreement with Mutual Investment under which Bunge provides corporate and other administrative services to Mutual Investment. Total administrative service fees charged to Mutual Investment in 2002 and 2001 were $1 million and $341 thousand.

Bunge sells soybean meal and fertilizer products to Seara Alimentos S.A., a subsidiary of Mutual Investment, engaged in the business of meat and poultry production. These sales were $4 million, $12 million and $20 million for the years ended December 31, 2002, 2001 and 2000, respectively.

17
COMMITMENTS AND CONTINGENCIES

Bunge is party to a large number of claims and lawsuits, primarily tax and labor claims in Brazil, arising in the normal course of business. After taking into account the liabilities recorded for the foregoing matters, management believes that the ultimate resolution of such matters will not have a material adverse effect on Bunge's financial condition, results of operations or liquidity. Included in

other non-current liabilities at December 31, 2002 and 2001 are the following accrued liabilities:

(US$ in millions)	December 31, 2002	2001
Tax claims	$ 77	$ 113
Labor claims	54	76
Civil and other	83	26
Total	$ 214	$ 215

Tax claims The tax claims relate principally to claims against Bunge's Brazilian subsidiaries, including income tax claims, value added tax claims (ICMS and IPI) and sales tax claims (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 as well as changes in tax laws introduced by the *Plano Real* in 1994 and the current Brazilian constitution established in 1988.

Labor claims The labor claims relate principally to claims against Bunge's Brazilian subsidiaries. Court rulings under Brazilian labor laws have historically been in favor of the employee-plaintiff. 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 suppliers and customers.

Bunge's subsidiary Cereol is currently in arbitration relating to the sale of Ducros. If the Ducros dispute is finally resolved on or before October 15, 2005 for an amount less than €77 million, Bunge will pay to all former Cereol shareholders an additional purchase price of up to €3 per share or a total of €77 million. If the Ducros dispute is finally resolved on or before October 15, 2005 for an amount equal to or greater than €77 million, shareholders will not receive any additional purchase price. If the Ducros dispute is resolved after October 15, 2005, all former Cereol shareholders other than Edison S.p.A. will receive an additional purchase price of €3 per share and Edison will receive up to €3 per share, or a total of €42 million, depending on the outcome. Regardless of the outcome or its timing, Bunge is entitled to be indemnified by Edison for any amount that exceeds €77 million.

In April 2000, Bunge acquired a 21% interest in, representing 57% of the voting stock and thus control of, Manah S.A. ("Manah"), a Brazilian fertilizer company, for $47 million in cash, net of cash acquired of $36 million. Prior to the acquisition, both Bunge and Manah had an equity investment in Fertifós Administração e Participação S.A. and subsidiaries ("Fosfertil"). As a result of the acquisition of Manah, Bunge obtained a controlling interest in Fosfertil, a Brazilian phosphate mining company and producer of intermediary fertilizer products. Bunge has consolidated the results of operations of Manah and Fosfertil since April 2000. In August 2000, Bunge affected a merger, through a share exchange, between two of its subsidiaries, resulting in the acquisition of Fertilizantes Serrana S.A. by Manah, which resulted in Bunge having a 72% interest in the combined entity, which was renamed Bunge Fertilizantes S.A.

Bunge has not yet received approval from the Brazilian antitrust commission for its acquisition of Manah. In April 2001, an office of the Brazilian Ministry of Finance issued a non-binding advisory opinion recommending approval of the Manah acquisition subject to the divestiture of one of Bunge's existing phosphate facilities or Manah's equity interest in Fertifós. In October 2002, an office of the Brazilian Ministry of Justice issued a non-binding advisory opinion recommending to the Brazilian antitrust commission that Manah divest of its interest in Fertifós. Both opinions were based upon a finding of potential anticompetitive effects in the central region of Brazil. In addition to the opinions of the offices of the Ministries of Finance and Justice, Brazilian law provides for the issuance of a non-binding opinion from the Attorney General of the Brazilian antitrust commission before the commission issues its final decision. The timing of the process is uncertain.

Guarantees In addition to the guarantees of its senior credit facilities and its senior notes (see Notes 12 and 13), Bunge has issued or was a party to the following guarantees at December 31, 2002:

(US$ in millions)	Maximum Potential Future Payments
Operating lease residual values	$ 70
Unconsolidated affiliates financing	22
Customers financing	22
Total	$ 114

Bunge has entered into synthetic lease agreements for barges and railcars originally owned by Bunge and subsequently sold to third parties. The leases are classified as operating leases in accordance with SFAS No. 13, *Accounting for Leases.* Any gains on the sales have been deferred and are being recognized ratably over the related lease terms. Bunge has the option under each lease to purchase the barges or railcars at fixed amounts based on estimated fair values or to sell the assets. If Bunge elects to sell, it will receive proceeds up to fixed amounts specified in the agreements. If the proceeds of such sales are less than the specified fixed amounts, Bunge would be obligated under a guarantee to pay supplemental rent for the deficiency in proceeds. The operating leases expire through 2007. There are no recourse provisions or collateral that would enable Bunge to recover any amounts paid under this guarantee. Bunge has not recorded any liability related to this guarantee at December 31, 2002.

Bunge has issued a guarantee to a financial institution related to debt of its joint ventures in Argentina, its unconsolidated affiliates. The term of the guarantee is equal to the term of the related financing, which matures in seven years. There are no recourse provisions or collateral that would enable Bunge to recover any amounts paid under this guarantee. Bunge has recorded a liability of $6 million related to this guarantee at December 31, 2002.

Bunge has issued guarantees to a financial institution in Brazil related to amounts owed the institution by certain of its customers. The terms of the guarantees are equal to the terms of the related financing arrangements, which can be as short as 120 days or as long as 360 days. There are no recourse provisions or collateral that would enable Bunge to recover any amounts paid under these guarantees. Bunge has not recorded any liability related to these guarantees at December 31, 2002.

18 REDEEMABLE PREFERRED STOCK

In December 2000, Bunge First Capital Limited ("First Capital"), a consolidated subsidiary of Bunge, issued 170,000 $.01 cent par value shares of cumulative variable rate redeemable preferred shares to private investors for $170 million. First Capital used the net proceeds of $163 million to make loans to subsidiaries of Bunge for their working capital requirements. The results of First Capital are included in Bunge's consolidated financial statements and all intercompany transactions are eliminated. The holders of the preferred shares are entitled to receive cumulative variable rate cash dividends paid quarterly, which is calculated based on three-month LIBOR plus a variable spread. If more than one quarterly dividend is unpaid, and on the occurrence of certain other events, the preferred shareholders may require First Capital to arrange for the sale of the preferred stock to third parties on behalf of the preferred shareholders based on the issue price plus accrued and unpaid dividends, or take certain other actions to protect the interests of the preferred shareholders.

First Capital has the right to redeem the preferred stock, in whole or in part, for the issue price plus accrued and unpaid dividends.

First Capital is a separate legal entity from Bunge and has separate assets and liabilities. The carrying value of these shares at both December 31, 2002 and 2001 was $171 million and is reflected in minority interest in the consolidated balance sheets.

19
SHAREHOLDERS' EQUITY

Between July 5, 2001 and July 12, 2001, Bunge's Board of Directors approved: (i) the exchange with Mutual Investment of 12,000 common shares, par value $1.00 per share, of Bunge Limited, for 1.2 million common shares, par value $.01 per share, of Bunge Limited, (ii) the declaration and payment of a 52.65-for-1 share dividend, (iii) an increase in Bunge's authorized share capital to 240 million common shares, par value $.01 per share, (iv) the authorization of 9,760,000 of undesignated preference shares and (v) the authorization of 240,000 of Series A Preference Shares.

The common shares data presented herein have been restated for all periods to reflect the effects of the share exchange and share dividend above.

On August 6, 2001, Mutual Investment effected a series of transactions that resulted in the pro rata distribution of the common shares of Bunge to the shareholders of Mutual Investment. Prior to August 6, 2001, all of the common shares of Bunge were owned by Mutual Investment, a privately held company incorporated in Bermuda.

On August 7, 2001, Bunge sold 17,600,000 of its common shares, par value $.01, at an offering price of $16 per share in an initial public offering. On September 6, 2001, Bunge sold 1,175,100 of its common shares, par value $.01, at an offering price of $16 per share upon the exercise of the underwriters' over-allotment option. Proceeds from the offering and the exercise of the underwriters' over-allotment option less underwriting discounts, commissions and expenses were $278 million. The net proceeds of the initial public offering were used to reduce indebtedness under Bunge's commercial paper program.

In March 2002, Bunge sold 16,093,633 common shares in a public offering. Proceeds from this offering and the underwriters' exercise of the over-allotment option, less underwriting discounts, commissions and expenses, were $292 million. The net proceeds were used to buy back shares held by minority shareholders in connection with Bunge's corporate restructuring of its Brazilian subsidiaries (see Note 2) with the remainder used to reduce indebtedness under Bunge's commercial paper program.

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

(US$ in millions)	Foreign Exchange Translation Adjustment	Deferred Gain (Loss) on Hedging Activities	Treasure Rate Lock Contracts	Minimum Pension Liability	Deferred Gain (Loss) on Investments	Accumulated Other Comprehensive Income (Loss)
Balance, January 1, 2000	$ (403)	$ –	$ –	$ –	$ –	$ (403)
Other comprehensive income (loss)	(70)	–	–	–	–	(70)
Balance, December 31, 2000	(473)	–	–	–	–	(473)
Other comprehensive income (loss)	(222)	5	–	–	–	(217)
Balance, December 31, 2001	(695)	5	–	–	–	(690)
Other comprehensive income (loss)	**(403)**	**–**	**(21)**	**(11)**	**(1)**	**(436)**
Balance, December 31, 2002	**$ (1,098)**	**$ 5**	**$ (21)**	**$ (11)**	**$ (1)**	**$ (1,126)**

20
EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income by the weighted average number of common shares, excluding any dilutive effects of options and performance-based restricted stock during the reporting period. Diluted earnings per share are computed similar to basic earnings per share, except that the weighted average number of common shares outstanding is increased to include additional shares from the assumed exercise of stock options and performance-based restricted stock, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting period. The following table sets forth the computation of basic and diluted earnings per share for the years ended December 31, 2002, 2001 and 2000.

	Year Ended December 31,		
(US$ in millions, except for share data)	**2002**	2001	2000
Income from continuing operations – basic and diluted	**$ 278**	$ 124	$ 22
Weighted average number of common shares outstanding:			
Basic	**95,895,338**	71,844,895	64,380,000
Effect of dilutive shares	**753,791**	159,859	–
Diluted	**96,649,129**	72,004,754	64,380,000
Income from continuing operations per share:			
Basic	**$ 2.90**	$ 1.73	$ .34
Diluted	**$ 2.88**	$ 1.72	$ .34

21 STOCK-BASED COMPENSATION

Equity Incentive Plan In 2001, Bunge established its Equity Incentive Plan (the "Employee Plan"), which is a shareholder approved plan. Under the plan, the Compensation Committee of the Board may award equity-based compensation to officers and other employees. Awards under the plan may be in the form of stock options, restricted stock or other awards. These awards may be granted to selected officers and employees of Bunge subject to the provisions of the plan and as determined by the Compensation Committee of the Board of Directors.

Stock option awards Generally, stock options are granted to purchase shares of Bunge Limited common shares at not less than fair value at dates of grant. Options vest on a pro-rata basis over a three-year period on the anniversary date of the grant.

Restricted stock Performance-based and regular restricted shares are granted to a limited number of key executives. The performance-based restricted shares are awarded at the beginning of a three-year performance period and vest as they are earned. The performance-based restricted stock vesting is dependent on Bunge obtaining certain targeted cumulative earnings per share ("EPS") growth during the three-year performance period. The targeted cumulative EPS under the plan is based on income per share from continuing operations adjusted for non-recurring charges and other one-time events at the discretion of the Compensation Committee. Vesting may be accelerated in certain situations such as a change in control of Bunge. The actual award is calculated based on a sliding scale whereby 50% of the granted performance-based restricted stock award vests if the minimum target is achieved. No vesting occurs if cumulative EPS is less than the minimum target. The award is capped at 150% of the grant for cumulative EPS performance in excess of the maximum target. Performance-based restricted shares are held by Bunge until the terms and conditions specified are satisfied and include the right to receive dividends during the restricted period.

Regular restricted shares are limited to a vesting period of three years, whereby the shares vest pro-ratably over the three year period from the date of grant. Restricted shares are held by Bunge until the vesting terms are satisfied. Participants are entitled to receive share dividends during the restriction period.

Compensation expense related to these restricted stock awards is based on the quoted market price of Bunge's common shares and is recorded in the consolidated statements of income based on the vesting terms. In accordance with APB No. 25, Bunge recorded compensation expense of $7 million, $3 million and $1 million for the years ended December 31, 2002, 2001 and 2000, respectively, for grants of restricted stock awards.

In 2002, 2001 and 2000, there were 211,500, 123,522 and 199,202 restricted shares granted at a weighted average fair value per share of $21.92, $11.85, $15.37, respectively. At December 31, 2002 and 2001, there were 534,224, and 322,724, respectively of non-vested restricted shares unissued.

Non-Employee Directors Equity Incentive Plan In 2001, Bunge established its Non-Employee Directors Equity Incentive Plan (the "Directors Plan"). The Directors Plan is a non-shareholder approved plan. The Directors Plan provides for awards of stock options to non-employee directors. The options vest and are exercisable on the January 1st following the date of grant, assuming the director continued service as a member of the Board of Directors until such date. Vesting may be accelerated in certain situations such as a change in control of Bunge.

Bunge has reserved 4,966,612 and 496,661 shares of common stock for grants of stock options and other restricted stock awards under Bunge's Employee Plan and Directors Plan, respectively. At December 31, 2002, 1,748,290 common shares were available for grant under the Employee Plan and Directors Plan. Bunge's Employee Plan and Directors Plan provide that up to 5.0% and 0.5%, respectively, of Bunge's total outstanding common shares may be reserved for issuance pursuant to awards under the plans. Therefore, the number of shares reserved under the plans will increase as the number of Bunge's total issued common shares outstanding increases.

A summary of Bunge's stock option activity for the Employee Plan and the Directors Plan and related information was as follows:

	Number of Shares	Weighted Average Exercise Price per Share
Options outstanding at January 1, 2001	–	$ –
Granted	2,137,372	16.74
Exercised	–	–
Forfeited	–	–
Expired	–	–
Options outstanding at December 31, 2001	2,137,372	$ 16.74
Granted	**1,164,100**	**21.61**
Exercised	**(83,500)**	**16.91**
Forfeited	**(37,213)**	**15.95**
Expired	**–**	**–**
Options outstanding at December 31, 2002	**3,180,759**	**$ 18.53**
Exercisable options:		
December 31, 2001	189,687	$ 18.87
December 31, 2002	**973,378**	**$ 17.09**

Information regarding stock options outstanding and exercisable at December 31, 2002, was as follows:

	Range of Exercise Prices	
	$15.87 - $16.00	$18.88 - $21.61
Options outstanding:		
Number	**1,474,160**	**1,706,599**
Weighted average exercise price	**$ 15.97**	**$ 20.74**
Weighted average remaining contractual life in years	**8.1**	**8.5**
Options exercisable:		
Number	**600,399**	**372,979**
Weighted average exercise price	**$ 15.97**	**$ 18.88**

Pro forma effect of stock compensation plans

In accordance with the provisions of SFAS No. 123, *Accounting for Stock-Based Compensation,* Bunge has elected to continue to account for stock-based compensation using the intrinsic value method under APB Opinion No. 25, *Accounting for Stock Issued to Employees* and FIN 28, *Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Plans.* Accordingly, Bunge does not recognize compensation costs for options issued at the market price at date of grant. If Bunge recognized compensation cost based on the fair value of the options granted on the date of grant, as prescribed by SFAS No. 123, Bunge's net income and earnings per common share would have been reduced to the pro forma amounts as follows:

(US$ in millions, except per share data)	Year Ended December 31, 2002	2001
Net income:		
As reported	**$ 255**	$ 134
Pro forma	**$ 249**	$ 131
Earnings per common share:		
Basic – as reported	**$ 2.66**	$ 1.87
Basic – pro forma	**$ 2.60**	$ 1.82
Diluted – as reported	**$ 2.64**	$ 1.86
Diluted – pro forma	**$ 2.58**	$ 1.82

The estimated fair value of Bunge's options on the date of grant was calculated using the Black-Scholes option-pricing model. The weighted average fair value of stock options granted during 2002 and 2001 was $8.77 and $8.64, respectively. The following assumptions were used for the years ending December 31, 2002 and 2001:

	2002	2001
Assumptions:		
Expected option life (in years)	**9.60**	9.96
Expected dividend yield	**1.6%**	.5%
Expected volatility of market price	**35%**	28%
Risk-free interest rate	**3.8%**	5.2%

22 LEASE COMMITMENTS

Bunge routinely leases storage facilities, transportation equipment and office facilities under operating leases.

Minimum lease payments under capital and non-cancelable operating leases and the present value of net minimum payments at December 31, 2002 were as follows:

(US$ in millions)	Capital Leases	Operating Leases
2003	$ 3	$ 46
2004	3	29
2005	3	19
2006	2	15
2007	1	12
Thereafter	3	36
Total	$ 15	$ 157
Less imputed interest	4	
Total present value of minimum capitalized payments	11	
Less current portion of capital lease obligations	2	
Long-term capital lease obligations	$ 9	

Rent expense under non-cancelable operating leases was $52 million, $43 million and $32 million for 2002, 2001 and 2000, respectively. The current portion of the capital lease obligations is included in other current liabilities and the long-term portion is included in non-current liabilities in the consolidated balance sheets.

23 IMPAIRMENT AND RESTRUCTURING CHARGES

In 2001, Bunge recorded impairment charges of $14 million relating to non-cash write-downs of property, plant and equipment attributable to the planned closing of older, less efficient plants in the edible oil segment. In 2000, Bunge recorded $49 million of impairment and restructuring charges, principally related to the write-downs of certain long-lived assets, including four oilseed processing facilities. The write-downs were taken in response to a downturn in the agribusiness industry and the advancement in technology in certain product lines within the edible oil products segment and the corn products segment. The 2001 charges included $44 million of non-cash write-downs of property, plant and equipment and employee termination costs paid of $5 million. The carrying value of these assets was written down to their estimated fair value. Bunge has recorded these impairment charges in cost of goods sold in the consolidated statements of income for the years ended December 31, 2001 and 2000.

24 NON-OPERATING INCOME (EXPENSE) – NET

Non-operating income (expenses) – net consists of income and (expense) items as follows:

(US$ in millions)	Year Ended December 31, 2002	2001	2000
Interest income	$ 95	$ 114	$ 138
Interest expense	(148)	(187)	(202)
Interest expense on debt financing readily marketable inventories	(29)	(38)	(52)
Foreign exchange expenses	(179)	(148)	(116)
Other income (expense)	6	(4)	7
Total non-operating income (expense) – net	$ (255)	$ (263)	$ (225)

In 2002, 2001 and 2000, Bunge paid interest, net of interest capitalized, of $134 million, $228 million and $244 million, respectively.

25 ARGENTINA

The functional currency of Bunge's Argentine subsidiaries is the *peso.* In January 2002, the Argentine government abandoned the fixed *peso*-dollar exchange rate. The resulting devaluation of the *peso* during 2002 was 51%. Bunge's Argentine subsidiaries' assets and liabilities are translated into U.S. dollars from local currency at month-end exchange rates, and the resulting foreign exchange translation adjustments are recorded in the consolidated balance sheets as a component of accumulated other comprehensive income (loss). Included in other comprehensive income (loss) for years ended December 31, 2002 and 2001 were foreign exchange translation losses of $68 million and $71 million, respectively, representing the loss from the translation of Bunge's Argentine assets and liabilities.

On March 4, 2002, the Argentine government announced the imposition of export tariffs, including a 10% increase to the existing 3.5% export tariff on raw grains and a new 5% export tariff on manufactured agricultural and industrial goods, including soy meal and oil. On April 9, 2002, the Argentine government increased these tariffs an additional 10% on raw grains and an additional 15% on manufactured agricultural and industrial goods. As a result of these increases, the export tariffs are 23.5% on raw grains and 20% on manufactured agricultural and industrial goods. The current tariffs are shared between the growers and the exporters on a transaction-by-transaction basis, which effects on the cost of raw materials. Bunge has accounted for these export tariffs in cost of goods sold in its consolidated statements of income in the year ended December 31, 2002.

In addition, in the years ended December 31, 2002 and 2001, Bunge recorded a $44 million and a $20 million provision, respectively, against recoverable taxes related to payments owed by the Argentine government. At December 31, 2002 and 2001, the allowance for uncollectible recoverable taxes was $64 million and $20 million, respectively. Bunge did not record any deferred tax benefits on these provisions.

In accordance with SFAS No. 52, *Foreign Currency Translation,* a highly inflationary economy is one whose cumulative inflation over a three-year period is 100% or more. Based on recent inflationary trends, it is possible Argentina's three-year cumulative inflation rate could exceed 100%. Upon classification as a highly inflationary economy, the functional currency of Bunge's Argentine subsidiaries will change to the U.S. dollar from the *peso,* as required by SFAS No. 52. The impact of this change would be reflected in Bunge's financial statements on a prospective basis only, and such impact cannot be determined at this time.

26 BRAZIL

The functional currency of Bunge's Brazilian subsidiaries is the *real.* In 2002, the devaluation of the *real* to the U.S. dollar was 34%. Bunge's Brazilian subsidiaries' assets and liabilities are translated into U.S. dollars from local currency at month-end exchange rates, and the resulting foreign exchange translation adjustments are recorded in the consolidated balance sheets as a component of accumulated other comprehensive income (loss). Accordingly, included in other comprehensive income (loss) for the years ended December 31, 2002 and 2001, were foreign exchange translation losses of $376 million and $144 million, respectively, representing the loss from the translation of Bunge's Brazilian assets and liabilities.

27 OPERATING SEGMENTS AND GEOGRAPHIC AREAS

Bunge has five reporting segments, 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 activities of the fertilizer segment include raw material mining, mixing fertilizer components and marketing products. The edible oil products segment involves the manufacturing and marketing of products derived from vegetable oils. The wheat milling and bakery products segment involves the manufacturing and marketing of products derived primarily from wheat. The other segment consists of the soy ingredients and corn products businesses.

The "Unallocated" column in the following table contains the reconciliation between the totals for reportable segments and Bunge consolidated totals, which consists primarily of corporate items not allocated to the operating segments and intersegment eliminations. Transfers between the segments are generally valued at market. The revenues generated from these transfers are shown in the following table as "Intersegment revenues."

Operating segment information

(US$ in millions)	Agribusiness	Fertilizer	Edible Oil Products [1]	Wheat Milling and Bakery Products [1]	Other	Unallocated	Total
2002							
Net sales to external customers	**$10,291**	**$ 1,384**	**$ 1,471**	**$ 591**	**$ 337**	**$ –**	**$14,074**
Intersegment revenues	**511**	**–**	**–**	**–**	**–**	**(511)**	**–**
Gross profit	**749**	**293**	**161**	**73**	**55**	**–**	**1,331**
Income from operations	**496**	**197**	**34**	**19**	**36**	**(43)**	**739**
Depreciation, depletion and amortization	**72**	**56**	**21**	**12**	**10**	**–**	**171**
Investments in affiliates	**1**	**6**	**–**	**9**	**–**	**36**	**52**
Total assets [2]	**4,883**	**1,259**	**1,409**	**276**	**320**	**202**	**8,349**
Capital expenditures	**$ 139**	**$ 58**	**$ 16**	**$ 12**	**$ 17**	**$ –**	**$ 242**
2001							
Net sales to external customers	$ 8,412	$ 1,316	$ 872	$ 580	$ 304	$ –	$11,484
Intersegment revenues	317	–	–	–	18	(335)	–
Gross profit	487	280	85	65	46	–	963
Income from operations	311	187	10	9	29	(19)	527
Depreciation, depletion and amortization	60	60	19	14	12	2	167
Investments in affiliates	15	14	–	–	–	–	29
Total assets	2,745	1,654	354	338	194	158	5,443
Capital expenditures	$ 69	$ 114	$ 27	$ 13	$ 7	$ –	$ 230
2000							
Net sales to external customers	$ 6,327	$ 1,466	$ 983	$ 563	$ 328	$ –	$ 9,667
Intersegment revenues	213	–	–	–	–	(213)	–
Gross profit	223	238	137	57	28	–	683
Income from operations	91	153	34	10	8	–	296
Depreciation, depletion and amortization	53	52	14	17	11	2	149
Investments in affiliates	24	22	–	8	–	–	54
Total assets	2,938	1,731	450	316	190	229	5,854
Capital expenditures	$ 56	$ 90	$ 16	$ 18	$ 4	$ –	$ 184

[1] In the third quarter of 2002, Bunge reclassified certain consumer product lines from the edible oil products segment to the wheat milling and bakery products segment. This change is reflected for 2002 and all prior year amounts have been reclassified to conform to the 2002 presentation.

[2] Allocation of total assets is subject to adjustment upon finalization of the Cereol acquisition unallocated purchase price.

Net sales by product group to external customers were as follows:

(US$ in millions)	2002	2001	2000
		Year Ended December 31,	
Agricultural commodities products	**$10,291**	$ 8,412	$ 6,327
Fertilizer products	**1,384**	1,316	1,466
Edible oil products	**1,471**	872	983
Wheat milling and bakery products	**591**	580	563
Soy ingredient products	**108**	81	71
Corn products	**229**	223	257
Total	**$14,074**	$11,484	$ 9,667

Geographic area information for net sales to external customers, determined based on the country of origin, and long-lived assets follows:

(US$ in millions)	2002	2001	2000
		Year Ended December 31,	
Net sales to external customers:			
United States	**$ 4,703**	$ 4,565	$ 5,027
Brazil	**3,253**	3,268	3,894
Argentina	**452**	446	542
Europe	**4,183**	1,094	–
Singapore	**1,229**	1,007	–
Rest of world	**254**	1,104	204
Total	**$14,074**	$11,484	$ 9,667
Long-lived assets[a]:			
United States	**$ 726**	$ 485	$ 489
Brazil	**1,002**	1,318	1,503
Argentina	**53**	57	98
Europe	**394**	–	–
Rest of world	**98**	4	23
Unallocated[b]	**89**	–	–
Total	**$ 2,362**	$ 1,864	$ 2,113

[a] Long-lived assets include property, plant and equipment, net, goodwill and other intangible assets, net and investments in affiliates.

[b] Unallocated purchase price relating to the Cereol acquisition. (See Note 2.)

28
QUARTERLY FINANCIAL INFORMATION

(US$ in millions, except per share data)	Quarter First	Second	Third	Fourth	Year End
		(Unaudited)			
2002					
Volumes (in millions of metric tons)	**14.6**	**23.6**	**21.4**	**30.7**	**90.3**
Net sales	**$ 2,684**	**$ 3,103**	**$ 3,603**	**$ 4,684**	**$14,074**
Gross profit	**184**	**320**	**496**	**331**	**1,331**
Income from operations [1]	**68**	**197**	**364**	**110**	**739**
Income from continuing operations [2]	**36**	**50**	**95**	**97**	**278**
Cumulative effect of change in accounting principles [3]	**(23)**	**–**	**–**	**–**	**(23)**
Net income [3]	**$ 13**	**$ 50**	**$ 95**	**$ 97**	**$ 255**
Earnings per common – basic					
Income from continuing operations	**$ .42**	**$ .50**	**$ .96**	**$ .98**	**$ 2.90**
Cumulative effect of change in accounting principles [3]	**(.27)**	**–**	**–**	**–**	**(.24)**
Net income per share [4]	**$ .15**	**$ .50**	**$ .96**	**$ .98**	**$ 2.66**
Weighted average number of shares outstanding – basic	**85,580,221**	**99,249,886**	**99,250,814**	**99,312,651**	**95,895,338**
Market price:					
High	**$ 24.00**	**$ 23.88**	**$ 24.20**	**$ 26.00**	
Low	**$ 18.60**	**$ 19.65**	**$ 17.79**	**$ 21.77**	
2001					
Volumes (in millions of metric tons)	13.7	17.5	21.7	18.6	71.5
Net sales	$ 2,472	$ 2,689	$ 3,151	$ 3,172	$11,484
Gross profit	156	210	333	264	963
Income from operations [1]	74	98	207	148	527
Income (loss) from continuing operations	(4)	23	57	48	124
Discontinued operations [5]	3	–	–	–	3
Cumulative effect of change in accounting principle [6]	7	–	–	–	7
Net income [7]	$ 6	$ 23	$ 57	$ 48	$ 134
Earnings per common – basic					
Income (loss) from continuing operations	$ (.06)	$ .36	$ .76	$ .58	$ 1.73
Discontinued operations	.04	–	–	–	.04
Cumulative effect of change in accounting principle	.11	–	–	–	.10
Net income per share [4]	$ .09	$ .36	$ .76	$ .58	$ 1.87
Weighted average number of shares outstanding – basic	64,380,000	64,380,000	75,221,060	83,155,100	71,844,895
Market price [8]:					
High	$ –	$ –	$ 18.25	$ 24.15	
Low	$ –	$ –	$ 15.85	$ 15.95	

[1] Income from operations for the first, second, third and fourth quarters of 2002 include $9 million, $19 million, $4 million and $12 million, respectively, relating to provisions for Argentine recoverable taxes. The fourth quarter and year ended December 31, 2001 includes a $20 million provision against recoverable taxes from the Argentine government. (See Note 25.)

[2] Income from continuing operations for the third quarter of 2002 includes a loss of approximately $5 million, relating to the settlement of treasury interest rate lock contracts. Income from continuing operations for the fourth quarter of 2002 includes a gain of approximately $4 million, relating to a settlement of a foreign currency forward contract. (See Note 11.)

[3] Effective January 1, 2002, Bunge adopted SFAS No. 142, *Goodwill and Other Intangible Assets.* As a result of this adoption, Bunge recorded a charge of $14 million, net of $1 million tax for goodwill impairment, related mainly to goodwill in the bakery mixes business line of its wheat milling and bakery products segment. Effective January 1, 2002, Bunge adopted SFAS No. 143, *Accounting for Asset Retirement Obligations.* As a result of this adoption, Bunge recorded a charge of $9 million, net of $5 million tax relating to its mining assets and certain of its edible oil refining facilities. (See Note 7.) The results of the first quarter of 2002 have been restated to reflect the impact of the SFAS No. 143 adoption. Cumulative effect of a change in accounting principle, net income, cumulative effect of a change in accounting principle per share – basic and net income per share – basic as previously reported were $(14) million, $22 million, $(.16) and $.26, respectively.

[4] Net income per share is computed independently for each period presented. As a result, the sum of net income per share for the years ended December 31, 2002 and 2001 does not equal the total computed for the year.

[5] In the first quarter of 2001, Bunge recorded a $3 million gain, net of tax of $0 million, on the disposal of discontinued operations. (See Note 3.)

[6] Effective January 1, 2001, Bunge adopted SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities.* As a result of this adoption, Bunge recorded income of $7 million, net of $4 million tax, for the fair value of previously unrecognized derivative instruments.

[7] Net income for the fourth quarter and the year ended December 31, 2001 includes a charge of $14 million, $7 million after tax and minority interest, of impairment and restructuring charges principally related to the write-down of certain long-lived assets. (See Note 23.)

[8] Prior to its August 2, 2001 initial public offering, Bunge's common shares were not publicly traded. Bunge's common shares are listed on the New York Stock Exchange under the symbol "BG."

29
SUBSEQUENT EVENTS

On February 28, 2003, Bunge paid a regular quarterly cash dividend of $.10 per share to shareholders of record on February 14, 2003. On March 17, 2003, Bunge announced that it will pay a regular dividend of $.10 per share on May 30, 2003 to shareholders of record on May 15, 2003.

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF BUNGE LIMITED AND SUBSIDIARIES

We have audited the accompanying consolidated balance sheets of Bunge Limited and Subsidiaries (the "Company") as of December 31, 2002 and 2001, and the related consolidated statements of income, cash flows, and shareholders' equity for each of the three years in the period ended December 31, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Bunge Limited and its subsidiaries at December 31, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 7 to the financial statements, effective January 1, 2002 the Company changed its method of accounting for goodwill and certain intangible assets to conform to Statement of Financial Accounting Standards No. 142 and changed its method of accounting for asset retirement obligations to conform to Statement of Financial Accounting Standards No. 143.

Deloitte & Touche LLP

New York, New York
February 21, 2003
(except Note 29, dated March 17, 2003)

FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

(US$ in millions, except volumes, share data and employees)	2002	2001	2000	1999	1998
					Year Ending December 31,
CONSOLIDATED SUMMARY OF OPERATIONS					
Volumes (in millions of metric tons)	**90.3**	71.6	60.0	40.8	36.8
Net sales	**$14,074**	$11,484	$ 9,667	$ 8,075	$ 9,103
Gross profit	**1,331**	963	683	612	670
Income from operations	**739**	527	296	280	296
Income from operations as a % of net sales	**5.3%**	4.6%	3.1%	3.5%	3.3%
Interest, net	**(53)**	(73)	(64)	(10)	124
Interest on readily marketable inventories	**(29)**	(38)	(52)	(40)	(36)
Foreign exchange expense	**(179)**	(148)	(116)	(255)	(236)
Other income (expense)	**6**	(4)	7	9	28
Income (loss) from continuing operations before income tax and minority interest	**484**	264	71	(16)	176
Income tax (expense) benefit	**(104)**	(68)	(12)	27	(43)
Income from continuing operations before minority interest	**380**	196	59	11	133
Minority interest	**(102)**	(72)	(37)	4	(33)
Income from continuing operations	**278**	124	22	15	100
Discontinued operations	**–**	3	(10)	(20)	(8)
Cumulative effect of change in accounting principle	**(23)**	7	–	–	–
Net income (loss)	**$ 255**	$ 134	$ 12	$ (5)	$ 92
Earning per common share – basic:					
Income from continuing operations	**$ 2.90**	$ 1.73	$ .34	$ .23	$ 1.55
Discontinued operations	**–**	.04	(.15)	(.31)	(.12)
Cumulative effect of change in accounting principle	**(.24)**	.10	–	–	–
Net income (loss) per share	**$ 2.66**	$ 1.87	$ .19	$ (.08)	$ 1.43
YEAR END FINANCIAL POSITION					
Cash and cash equivalents and marketable securities	**$ 482**	$ 205	$ 484	$ 363	$ 864
Operating working capital [1]	**1,155**	952	920	326	417
Readily marketable inventories [2]	**1,517**	764	799	642	692
Property, plant and equipment, net	**2,056**	1,669	1,859	1,268	1,584
Total assets	**8,349**	5,443	5,854	4,611	5,814
Short-term debt	**1,250**	803	1,268	708	1,203
Long-term debt, including current portion	**2,153**	1,010	1,257	1,121	1,210
Minority interest in subsidiaries	**495**	493	543	183	346
Shareholders' equity	**$ 1,472**	$ 1,376	$ 1,139	$ 1,197	$ 1,495
OTHER FINANCIAL DATA					
Weighted average shares outstanding – basic	**95,895,338**	71,844,895	64,380,000	64,380,000	64,380,000
Return on shareholders' equity [3]	**17.9%**	10.4%	1.9%	1.1%	6.8%
Current ratio	**1.4**	1.4	1.2	1.1	1.2
Depreciation, depletion and amortization	**$ 171**	$ 167	$ 149	$ 101	$ 144
Capital expenditures, excluding acquisitions	**$ 242**	$ 230	$ 184	$ 140	$ 279
Number of employees	**24,207**	17,360	18,098	14,860	15,406

[1] Operating working capital equals current assets (excluding cash and cash equivalents, marketable securities and readily marketable inventories) less current liabilities (excluding short-term debt and current maturities of long-term debt).

[2] Readily marketable inventories are agricultural commodities inventories that are readily convertible to cash because of their commodity characteristics, widely available markets and inventory pricing mechanisms.

[3] The calculation of return on shareholders' equity excludes gains and losses from discontinued operations.

COMMON SHARE MARKET PRICES AND DIVIDENDS

The Company's common shares are traded on the New York Stock Exchange, under the symbol BG, and commenced trading on August 2, 2001.

The following table presents, for the periods indicated, the high and low market prices of the common shares and common share cash dividends.

	Market Price		Cash Dividends
	High	Low	Per Share
Fiscal 2002 – Quarter ended			
December 31	**$ 26.00**	**$ 21.77**	**$ .100**
September 30	**$ 24.20**	**$ 17.79**	**$ .095**
June 30	**$ 23.88**	**$ 19.65**	**$ .095**
March 31	**$ 24.00**	**$ 18.60**	**$ .095**
Fiscal 2001 – Quarter ended			
December 31	$ 24.15	$ 15.95	$ .095
September 30 (from August 2, 2001)	$ 18.25	$ 15.85	$ –

The number of shareholders of the Company's common shares at December 31, 2002 was 8,298. The Company expects to pay regular cash dividends, although there is no assurance as to future dividends because they are dependent on future earnings, capital requirements and financial condition.

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Board of Directors
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Chairman of the Board

Jorge Born Jr.
Deputy Chairman

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BG LISTED NYSE

Stock Listing
New York Stock Exchange
Ticker Symbol: BG

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Investor Information
Copies of the company's annual report, filed with the Securities and Exchange Commission (SEC) on Form 20-F, and other SEC filings can be obtained free of charge on our Web site at www.bunge.com or by contacting our Investor Relations Department at Bunge Limited, 50 Main Street, 6th floor, White Plains, New York, 10606 United States.

Annual Meeting
The annual meeting will be held on May 30, 2003 at 10 a.m. at the Sofitel, 45 West 44th Street, New York, New York, United States. See the proxy statement for additional information.

Independent Auditors
Deloitte & Touche, New York, New York, United States

Web Site
www.bunge.com

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