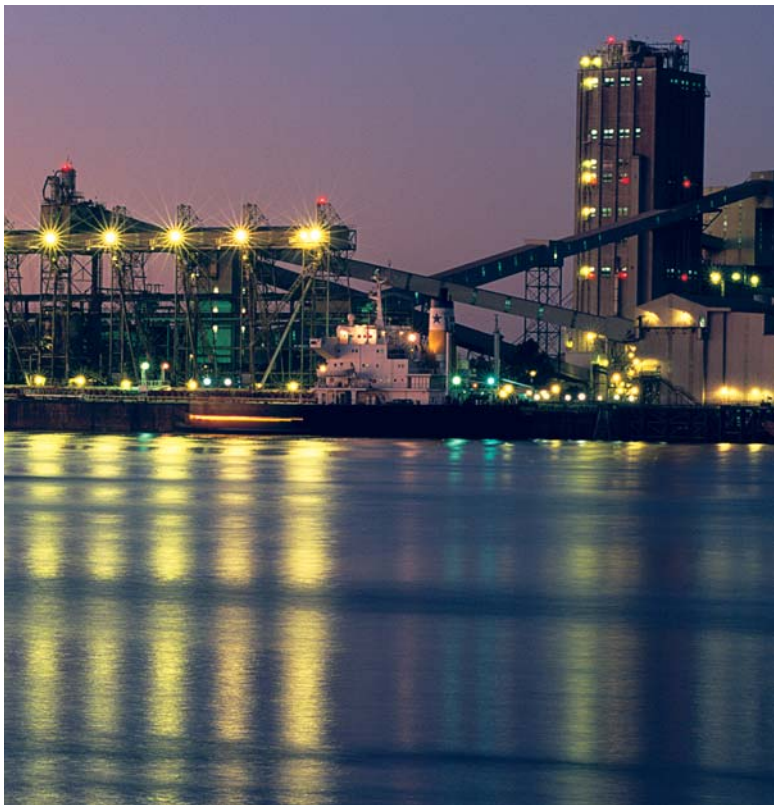
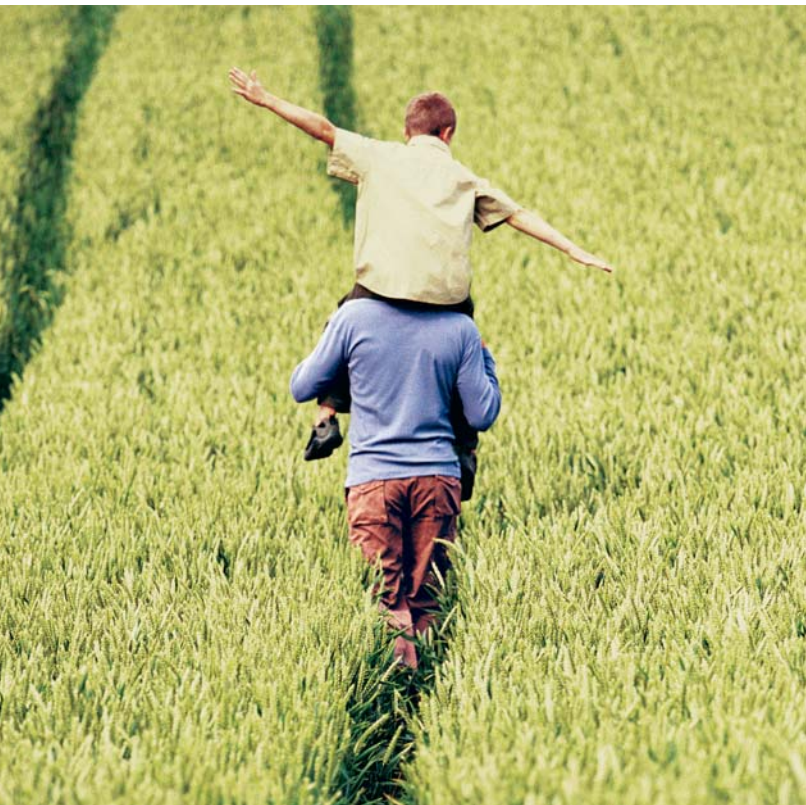




life grows
with us

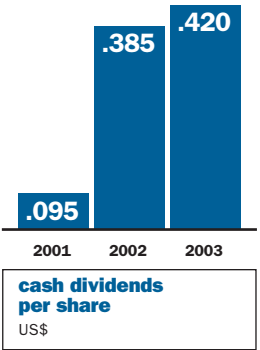
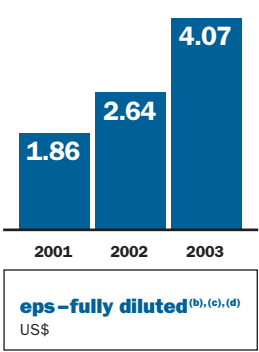
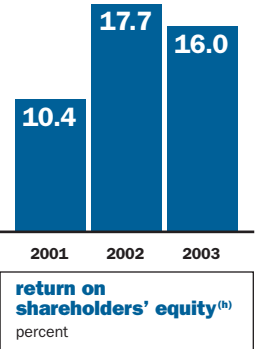
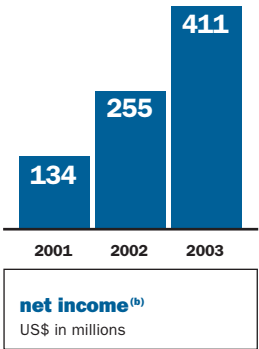
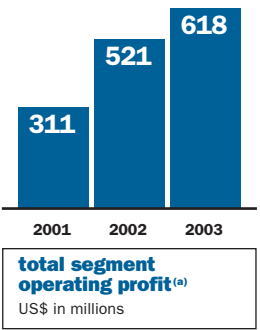
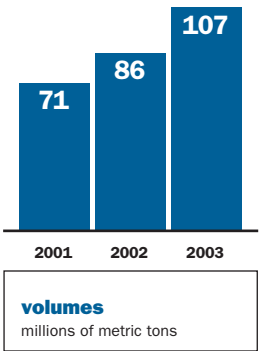
 BUNGE

Bunge connects farmers with customers,
improving health and enriching communities
worldwide. As we grow, life grows with us.



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financial highlights



	Year Ended December 31,		
(US\$ in millions, except share data and employees)	2003	2002	2001
Selected Consolidated Statements of Income Data			
Volumes (in millions of metric tons)	107	86	71
Net sales	\$ 22,165	\$ 13,882	\$ 11,302
Depreciation, depletion and amortization	184	168	163
Segment operating profit:			
Agribusiness	274	283	155
Fertilizer	242	192	137
Edible oil products	64	6	(4)
Milling products	30	18	7
Other (soy ingredients)	8	22	16
Food products total	102	46	19
Total segment operating profit ^(a)	618	521	311
Gain on sale of soy ingredients business	111	–	–
Income from continuing operations before income tax and minority interest	723	481	264
Net income ^{(b), (c)}	\$ 411	\$ 255	\$ 134
Earnings per share: ^{(b), (c), (d)}			
Basic	\$ 4.12	\$ 2.66	\$ 1.87
Diluted	\$ 4.07	\$ 2.64	\$ 1.86
Weighted average number of ordinary shares outstanding:			
Basic	99,745,825	95,895,338	71,844,895
Diluted	100,875,602	96,649,129	72,004,754
Selected Consolidated Balance Sheet Data			
Operating working capital ^(e)	\$ 1,128	\$ 1,155	\$ 952
Readily marketable inventories ^(f)	1,868	1,517	764
Property, plant and equipment, net	1,882	1,965	1,539
Total assets	9,884	8,349	5,443
Short-term and long-term debt, including current portion	3,394	3,403	1,813
Adjusted net financial debt ^(g)	1,024	1,404	844
Minority interest	554	495	493
Shareholders' equity	\$ 2,377	\$ 1,472	\$ 1,376
Other Information			
Closing market price per share	\$ 32.92	\$ 24.06	\$ 23.28
Market capitalization	\$ 3,289	\$ 2,390	\$ 1,936

(a) See page 45 for a reconciliation of total segment operating profit to income from continuing operations before income tax and minority interest, which is the U.S. GAAP financial measure most directly comparable to total segment operating profit.

(b) 2003 included an after tax gain on the sale of the Brazilian soy ingredients business of \$111 million, or \$1.10 per fully diluted earnings per share.

(c) 2003 included a loss on discontinued operations of \$.07 per share. 2002 included a gain on discontinued operations of \$.03 per share and a cumulative effect of change in accounting principles charge of \$.24 per share. 2001 included a gain on discontinued operations of \$.04 per share and cumulative effect of change in accounting principles gain of \$.10 per share.

(d) The calculation of diluted earnings per common share for each period presented does not include the common shares that would be issuable on conversion of our 3.75% convertible notes due 2022 (the "Notes"), because in accordance with their terms, these Notes were not convertible during such periods. The Notes are convertible at the option of the holder into our common shares, among other circumstances, during any calendar quarter in which the closing price of our common shares for at least 20 of the last 30 trading days of the immediately preceding calendar quarter is more than 120% of the conversion price of \$32.1402, or approximately \$38.57 per share. The total amount of shares issuable upon conversion of the Notes is approximately 7.78 million.

(e) 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).

(f) 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.

(g) The following is a reconciliation of adjusted net financial debt to total debt, which is the U.S. GAAP financial measure most directly comparable to adjusted net financial debt.

	At December 31,		
(US\$ in millions)	2003	2002	2001
Short-term debt	\$ 889	\$ 1,250	\$ 803
Long-term debt, including current portion	2,505	2,153	1,010
Total debt	3,394	3,403	1,813
Less –			
Cash and cash equivalents	489	470	199
Marketable securities	13	12	6
Readily marketable inventories	1,868	1,517	764
Adjusted net financial debt	\$ 1,024	\$ 1,404	\$ 844

(h) The calculation of shareholders' equity excludes gains and losses from discontinued operations and 2003 excludes the \$111 million gain on the sale of the Brazilian soy ingredients business.

a letter to our shareholders

Dear Shareholders,

2003 was an exceptional year for Bunge. We posted record volumes and earnings despite headwinds from appreciating currencies in South America and volatility from the second consecutive short soybean crop in the United States. We successfully completed the integration of Cereol, the largest acquisition in our history. We solidified our leadership positions and embarked on new paths of growth. We strengthened our business portfolio and improved our efficiency and profitability.

Our 2003 results demonstrate that our business model is resilient and sustainable. Our geographic and product balance, our relentless focus on efficiency and the integration of the businesses in our focused portfolio enabled us to react to changing market conditions rapidly and effectively, and to capture value wherever it presented itself along the food chain. South American agribusiness offset weakness in North America; fertilizer provided a lift as farmers in South America expanded their acreage in response to higher soybean prices; and food products, using low-cost materials sourced primarily through our own origination network, supplied strong earnings by meeting the needs of downstream customers and consumers.

The integration of Cereol proceeded smoothly, and Bunge emerged a stronger, more balanced company with an expanded geographic footprint and enhanced product capability. We took

additional measures to optimize our business portfolio in 2003, completing acquisitions that position us for growth and divesting businesses that no longer fit within our strategic focus. We purchased assets in Asia and Eastern Europe to increase our presence in higher-growth markets, and we sold our bakery business in the United States. In Brazil, we traded our position in consumer wheat milling for J. Macêdo’s foodservice and bakery products business.

Our industry enjoys attractive long-term growth rates, and we position ourselves in the top growth markets around the world. There are six billion potential customers for our products, and every day people are eating better. China’s massive appetite for soybeans highlights the rise of Asia as a driving force in our industry. Once a net exporter, China imported more than 20 million metric tons of soybeans last year – an 83% increase over 2002. Throughout Asia, population expansion and economic development are fueling increased consumption of meats and value-added foods, which, in turn, is driving demand for soybeans. As the leading supplier of soy complex products to Asia, we capitalized on these trends in 2003. We also made three acquisitions in India, thereby positioning us to start replicating the integrated crushing and edible oils business model that we have deployed successfully in Brazil and Eastern Europe.

We continue to improve the efficiency of our operations around the world. We have implemented five major global business initiatives – Productivity, Quality, Safety and Environment; Logistics; Information Technology; Training and Development; and Innovation. As a team, we are working across all of our divisions on these initiatives to lower costs, improve product and service quality and increase shareholder returns, while developing our employees and ensuring the well-being of the communities in which we operate.

When I look back on our accomplishments in 2003, I attribute our success to the strength of our organization and the quality and dedication of our people. We have clear, central goals, but an entrepreneurial management style that encourages and rewards personal responsibility and individual initiative. The structure works because it is governed by a set of shared values that come from within. As a result, we work together as a team, and we move quickly to meet the needs of customers and respond to opportunities and challenges in fast-moving markets.

Bunge has a great team, and in 2003 we made some important changes to its leadership. First, we owe thanks to John Klein, who stepped down as President and CEO of Bunge North America at the end of the year. John served Bunge with distinction for 28 years, and his leadership and commitment to excellence helped transform the company into what it is today. John has a strong successor in Carl Hausmann, who served most recently as CEO of Bunge Europe and was formerly the chairman and CEO of Cereol. At Cereol, Carl led operations in Canada and the United States, so the transition to Bunge North America is a natural one. Jean-Louis Gourbin succeeds Carl as CEO of Bunge Europe. Jean-Louis joined Bunge from Groupe Danone, where he served as president of the company’s biscuits and cereals division. He brings a valuable food products perspective to an important consumer market.



We thank you for your confidence in us. We are optimistic about the future. We will remain true to our operating model and keep an unblinking eye on areas of growth and opportunity. As we move forward, we will seek to build on our successes and create value for you, our shareholders.

Sincerely,

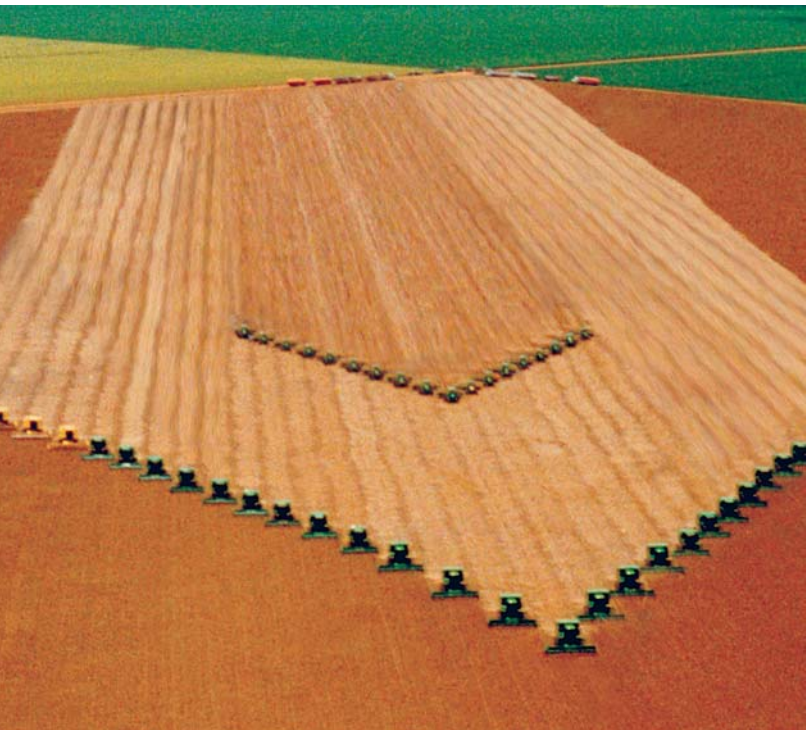
Alberto Weisser
Bunge Limited
Chairman & Chief Executive Officer

April 9, 2004

solid strategy is fertile soil for growth

Our goal at Bunge is clear: to be the world’s best integrated agribusiness and food company. The strategies that will lead us there are equally clear.

1 growth



Position for Growth We will continue to build our leading positions in the world’s most attractive markets for our products.

2 efficiency



Focus on Efficiency We will increase efficiency and reduce costs. Cost is paramount in our business and a continuous focus on efficiency is critical.

3 service & quality



Deliver Superior Service and Product Quality We will provide premium customer service and product quality so that farmers and our other customers will turn to us first to meet their needs.

4 operating model



Leverage Our Unique Operating Model We will excel because of our shared values, integrated operations and entrepreneurial spirit.

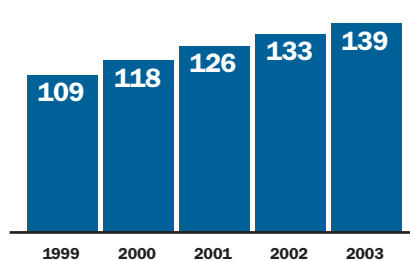
1 position for growth

Bunge operates in an attractive industry with healthy organic growth rates driven by favorable, long-term macroeconomic trends.



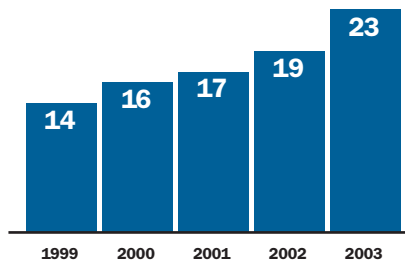
Harvesting Soybeans and Planting a Second Crop of Corn, Mato Grosso, Brazil

measuring global demand



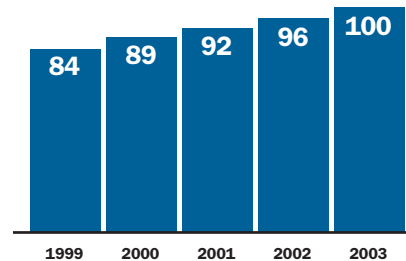
global demand for soybean meal
millions of metric tons

Source: USDA



brazilian fertilizer demand (NPK)
millions of metric tons

Source: ANDA



global demand for vegetable oil
millions of metric tons

Source: USDA

grow leadership at origin and destination

Bunge operates in an attractive industry with healthy organic growth rates driven by favorable, long-term macroeconomic trends.

Our business benefits from increases in global population and incomes. More people with more money and a desire for healthier diets provide sustained, predictable long-term growth in demand for our products. Economic growth in the developing world is projected to exceed 5%, compared with 3% globally. World population is six billion and growing, and we view this as our total potential market. To take advantage of this opportunity, we will maintain our leading positions in the fastest-growing production areas of South America and Eastern Europe, and increase our presence in the areas of growing consumption in Asia.

Agribusiness Global soybean meal consumption grew at an average annual rate of 4.6% over the past 15 years. This impressive growth shows no sign of slowing, and we are capitalizing on it by focusing on areas of exceptional potential.

On the supply side, South America and Eastern Europe are two fast-growing agricultural production regions. In 2003, South

America became the world's largest soybean producer, and with 90 million hectares of arable grassland available for agriculture in Brazil alone, the region is set to extend its leadership. By 2010, South America is projected to supply well over 60% of the world's soy exports. Eastern Europe is a resurgent center of production. Grain production in the region is expected to increase nearly 70 million tons by 2010, with a significant portion of this volume entering the export market.

Bunge is the premier originator and processor of soybeans in South America and the largest edible oil player in Eastern Europe. In 2003, we took significant steps to capture a greater share of the growth in these regions. In Brazil, we built 12 silos and a large-scale crushing and refining plant in the northeast. In Eastern Europe, we purchased elevators in the Ukraine, acquired integrated sunflower meal and oil businesses in Romania and Bulgaria, and increased our import and export capacity through a joint venture at a port in Latvia.



Soybean Pods

fertilizing growth

Plants need large amounts of three essential nutrients – nitrogen, phosphorus and potassium (NPK) – to ensure healthy development. In Brazil, the use of NPK fertilizers has enabled farmers to dramatically increase the quantity and quality of their crops, helping fuel the country's agricultural boom. Brazil is now the world's top exporter of beef, coffee, orange juice, soybeans and sugar and a major producer of corn, cotton and chicken. Brazil is the world's fourth largest consumer of NPK fertilizer and its fastest-growing one, and Bunge is Brazil's biggest supplier. As agricultural growth in Brazil continues, fertilizer consumption growth will keep pace, providing nutrients essential to agricultural development.

Fertilizer Application in Brazil



long-term trends of population and income growth drive demand for our products

Inland elevators coupled with robust port operations will enable us to capitalize on the revitalized and growing Eastern European agribusiness industry.

Agricultural commodity consumption is growing fastest in Asia. China accounts for 63% of the global growth in soybean imports, and soybean meal imports into Southeast Asia are expected to grow 23% by 2012. Bunge is the largest exporter of soy complex commodities to Asia, and we continue to build on our presence in the region.

Fertilizer While global fertilizer demand remains flat, Brazilian fertilizer consumption, fueled by the country's rapid and broad-based agricultural expansion, has grown at 8.6% on average over the past 13 years. It is estimated that the market will grow from 21.8 million tons to 27.7 million tons by 2008.

Through a combination of strategic acquisitions and strong organic growth, we have achieved an enviable position in the Brazilian market, and we are now the largest producer and supplier of fertilizer to farmers in South America. Bunge is also Brazil's only vertically integrated manufacturer, producing 71% of its phosphate and supplying 30% of the fertilizer sold to farmers. We operate five of the country's six phosphate mines. Located close to primary soybean-growing regions, these

mines allow us to realize logistics savings of \$40 – \$60 per ton compared to competitors who must import heavy phosphate rock from North America, Africa and the Middle East. To capitalize on this advantage and profitably displace imports, we are investing \$400 million over five years, which will double capacity at three mines and increase production of phosphate rock, phosphoric acid and other raw materials. These investments will maintain our share of growth in this exciting market and are critical for Brazil to achieve its full potential as a leading agricultural producer.

Food Products Global vegetable oil consumption has grown at 4.8% per year on average over the past 15 years, and we are employing a disciplined growth strategy in the world's most attractive markets.

In India in 2003, we purchased Hindustan Lever's bottled oil business, including one of the country's most trusted oil products brands, and an additional integrated crushing and refining facility, giving us a solid platform for growth in this enormous market. In Brazil, we exchanged our wheat-based consumer products business for J. Macêdo's foodservice and bakery products businesses, strengthening our position in the higher-return segments of the wheat milling market.



Bunge Serves China's Growing Consumption, Ningbo, China

2

focus on efficiency

Cost is king in the agribusiness and food industry. The prices of many of our products are set in global commodity markets, so profit stems from lower production and handling costs.





Port Terminal 6, Santa Fe, Argentina

online logistics network

We have developed a proprietary online system that provides a live, dynamic picture of our global commodity flows and logistics network. Bunge employees around the world use this tool to efficiently manage ocean freight and the complex international logistics of our global business. Full and instant visibility of the entire network, from worldwide commodity sales to availability of port stocks to vessel line-ups in ports, strongly enhances collaboration and decision-making, thus generating both substantial savings and new business opportunities.

Bunge Staff Manage Ocean Freight



a culture of continuously improving efficiency

Cost is king in the agribusiness and food industry. The prices of many of our products are set in global commodity markets, so profit stems from lower production and handling costs.

Improving efficiency holds tremendous potential for reward. Last year, Bunge handled, manufactured or transported over 107 million tons of grains, oilseeds, fertilizer and food products. Lowering, by even a few cents per ton, the cost of mining phosphate, shipping oilseeds or manufacturing edible oil can mean material benefits for our shareholders. Because of this, we focus relentlessly on operational excellence.

The Right Assets in the Right Places In all of our businesses, having the right assets – in terms of scale and function – in the right locations – close to customers and transport networks – is essential. Running a single larger elevator instead of two smaller ones favorably affects unit costs. Similarly, an elevator close to local farmers and logistics systems originates crops efficiently, since even small decreases in transportation costs are important.

Argentina is a perfect example of how the right location and scale can create enormous benefits. Over 90% – nearly 32 million tons – of Argentina's soy production is exported. The nation's primary export terminals are located in compact areas on the Río de la Plata and the Paraná River northwest of Buenos Aires, with the most productive growing areas just inland. As a result, soybeans can be shipped from the farm to storage or processing facilities and then onto export vessels with minimal handling, saving time and money. This enables Argentine growers and agribusinesses to sell products to every market in the world at competitive rates.

In the last decade, Bunge became the largest oilseed processor in Argentina, the world's low-cost soybean producer.



logistics is the heart of our competitive advantage

We accomplished this feat through a series of strategic acquisitions and investments at very attractive prices, coupled with strong organic growth. Our experienced management team acted quickly to take advantage of opportunities, and our investments have produced superior returns, despite economic volatility in the country.

Moving Products Efficiently A snapshot of Bunge's ocean freight operations shows immediately the importance of logistics in our business. On any particular day, we might have as many as 150 contracted ships on the oceans. With 2003 ocean freight rates as high as \$50,000 per ship per day, it is clear that the smooth management of transportation is essential to our livelihood, and efficient logistics management is a critical competitive advantage.

Managing shipments on a real-time basis and handling cargo at our own ports ensure greater efficiency and better margins. As such, Bunge invests significant capital to improve logistics systems. Our online ocean freight management application enables our marketing, sales and logistics staffs to plan and monitor shipments to reduce transit time and avoid delays at crowded public ports. Investments in physical infrastructure occur in key geographic areas. One such investment is the port of Derince, located on the Black Sea in Turkey. This port, which encompasses 10,000 square meters, provides a cost-effective, wholly-owned import terminal through which we supply the Turkish markets with soybean meal and corn. The facility has led to significant savings, and its strategic location provides a future gateway for the growing agribusiness exports of Eastern Europe.

In 2003, Bunge managed the efficient handling, manufacturing and distribution of more than 107 million tons of agricultural commodities, fertilizer and food products, sourced through our global origination and processing network and transported across roads, rails and waterways to customers and consumers in more than 60 countries around the world.

A Culture of Efficiency Improving efficiency is a bedrock principle. It is part of our culture, not just our business plan. We have institutionalized efficiency as a performance metric for the company, our businesses, our executives and employees. Through our Productivity, Quality, Safety and Environment initiative, launched globally in 2003, we promote a culture of operational excellence and success. To ensure it, we measure results in a variety of ways, focused on asset and operational efficiency.

In the end, investing in efficiency is about improving performance and shareholder returns. We have made great strides. Volumes have increased an average of 22% per year over the last three years, while net income has grown an average of 76% a year over the same period. This shows both the effect of our efficiency programs and the positive operating leverage generated by increasing volumes in our business.

3

superior service & product quality

Bunge's commitment to provide superior customer service and product quality, renewed daily by our employees, builds loyal relationships with our partners and differentiates us from our competitors.



Test Bakery, Jaguaré, São Paulo, Brazil

alliance with DuPont



In 2003, Bunge and DuPont formed a three-part strategic alliance. The production agriculture partnership provides South American farmers with premium crop nutrients, herbicides and pesticides. The biotechnology alliance gives us access to DuPont's world-class science in an exciting industry growth area. The Solae Company, launched in April, is a leader in the rapidly-growing consumer market for soy products. The Solae® brand is building strong equity among consumers as a preferred soy additive in packaged foods. Bunge owns a 28% interest in The Solae Company.

Smoothie Drinks Enriched with Soy Protein



customer and farmer focus at every level

Bunge's focus on customer service and product quality starts with the farmer. It is a core value of our organization, and it is one of the key reasons for our success.

Farmer-Customer Focus Farming is a capital-intensive, technologically advanced and price-sensitive enterprise that demands a widening array of skills and assets to succeed. Bunge helps farmers produce larger crops at lower cost by alleviating cash flow pressures, providing state-of-the-art agronomics and serving as a link to the global marketplace.

Through a production agriculture partnership with DuPont, Bunge provides growers in South America with a single source for seeds, nutrients, herbicides and pesticides that maximize crop quality and yields. Through our Precision Agriculture program, our agronomists tailor specialized fertilizer management

programs for farmers by using scientific soil analysis and advanced satellite-mapping techniques. Our crop-financing program enables farmers to finance their fertilizer purchases with future crop production, improving their cash flow and lowering our credit risk.

Bunge employees around the world deliver highly personalized and responsive service to farmers. We also offer electronic account management tools – through the Web and call centers – that provide farmers with convenient 24-hour access to real-time commodity and product pricing, market news and other critical information.



Bunge Agronomist Consults with Farmer, Mormaço City, Rio Grande do Sul, Brazil



Oil Center of Excellence, Bradley, Illinois, United States



Bunge Financial Risk Management

As an integrated, global agribusiness and food company with nearly 200 years of experience, Bunge is uniquely positioned to help its customers manage price risk. The financial risk management team helps commodity buyers efficiently allocate and manage the uncertainties inherent in their business. Through this value-added service, Bunge identifies and quantifies risks based on a range of market scenarios, and structures customer-focused solutions that leverage the Bunge supply chain and protect customers' cash flows, margins and, ultimately, their bottom line.

Trading Floor of the Chicago Board of Trade

Bunge stands for quality products

Retail and Food Industry Customer Focus Bunge's products play an integral role in food production and preparation. Our sales, marketing and technical teams provide service, support and training to food processor and foodservice customers in the field, while scientists at our global research and development centers in North America and Europe pursue product and process innovations in the laboratory.

Bunge's scientists and technicians worldwide provide a wide range of customized solutions to meet the needs of our customers. For example, during a routine inspection of a U.S. food processor client's facility, our technical staff recommended a customized filtering system that improved the quality of the manufacturer's breaded products. We also provide our foodservice customers with educational materials that instruct kitchen staff on how to extend the life of shortenings and improve the quality of fried foods. In Brazil, we teach our 25,000 bakery customers how to use pre-mixes, oils and shortenings to create delicious new products.

Bunge also conducts research to develop product innovations that can be brought quickly to market and practically applied by customers. For example, we have developed solutions for U.S. food processors that eliminate or reduce trans fatty acids with-

out compromising functionality or taste, thereby enabling our customers to improve the nutritional profile of their products while maintaining product quality.

Commodity Buyer Focus Speed, reliability and customization have become critical to the global trade of agricultural commodities. Bunge's year-round global sourcing capability, integration, logistics and – most importantly – people ensure that our customers receive the right products, in the right quantity, at the right time and at the right price. In essence, we decommoditize commodities by providing customers with a host of services and product options that enable greater customization, quality and efficiency. For example, when customers in Western Europe and Japan required soy products free of genetically modified organisms, we developed identity preservation systems to meet their requirements, and receive a premium for this increased service.

Bunge's international marketing group conducts agricultural trade in every major market and manages the efficient sale and distribution of commodities to customers in more than 60 countries. Every day, our marketers build upon a strong reputation for collaboration, service, trust, consistency and reliability that serves both Bunge and our customers. The proof is in our international marketing group's customer retention rate – 100%.

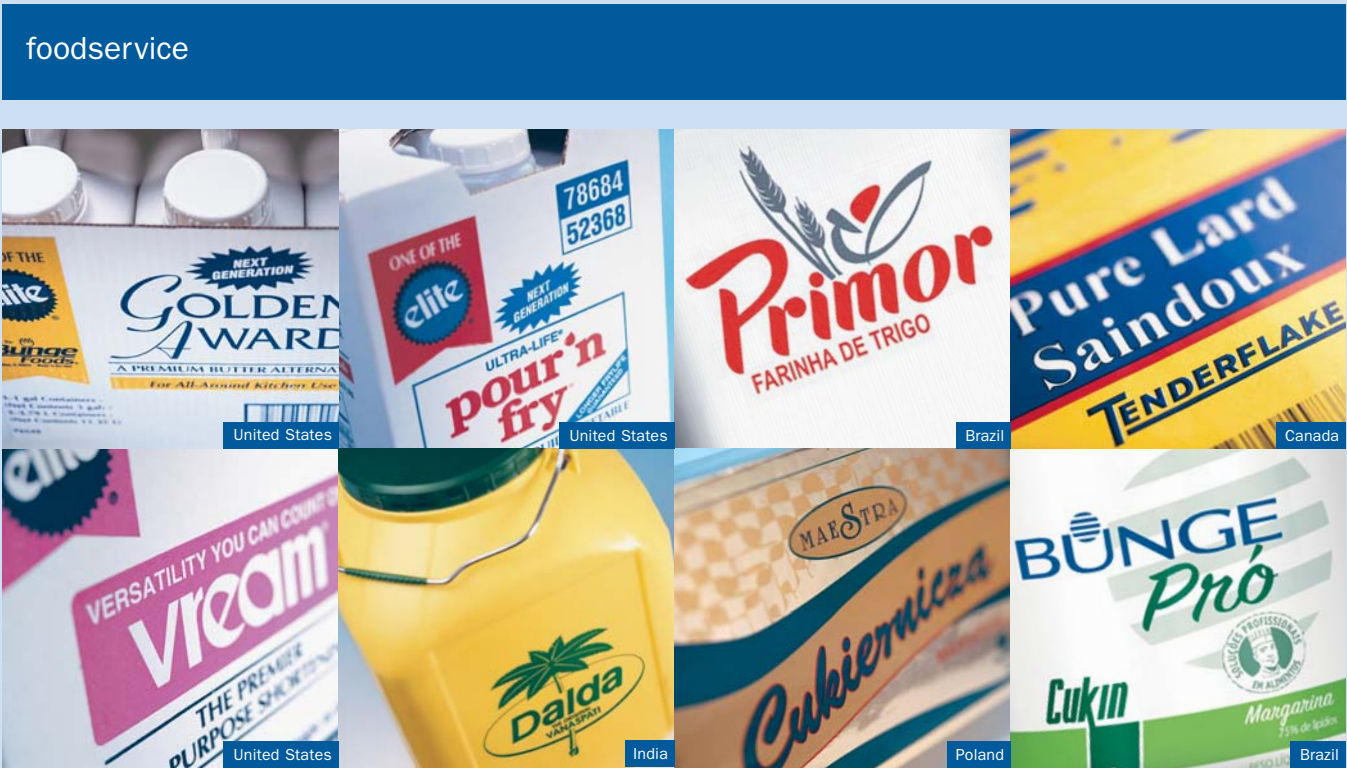
serving customers and farmers worldwide

consumer Bunge markets cooking products to people around the globe through popular consumer and private label brands. We are the leading seller of bottled vegetable oil worldwide and the leading seller of margarine and edible oil in Brazil.

foodservice Bunge sells edible oils and shortenings to foodservice operators in North and South America and Europe. We are the leading seller of oils and shortenings to the U.S. foodservice industry.

food processing Bunge sells oils, shortenings, flours and other ingredients used in the manufacture of packaged foods and baked goods in Europe and North and South America. We are the world's largest corn dry miller and the leading wheat miller in Brazil.

farm nutrients Bunge sells grains and meals used in the production of animal feeds worldwide and NPK fertilizers and feed phosphate in South America. We are the leading seller of soybean meal in Europe and Southeast Asia and the leading fertilizer manufacturer in South America.



4

unique operating model

Bunge's operating model consists of integration and the Bunge style. Shared values, an integrated approach and our entrepreneurial spirit drive value for our customers and success for Bunge.





Bunge Staff, White Plains, New York, United States

Bunge's core values

All Bunge staff share a common set of values. Our core values are: **Integrity** – Honesty and fairness guide our every action. **Openness and Trust** – We value and reward transparency and encourage free and open discussion without judgment. **Teamwork** – We value individual excellence and work as a team across business boundaries and geographies for the benefit of Bunge and our customers and partners. **Commitment** – We are dedicated, passionate and personally responsible. **Entrepreneurial** – We show high initiative to deliver results and encourage risk-taking that has been carefully considered. **Farmer/Customer Focus** – We are dedicated to providing the customer and farmer with the highest level of quality and service in order to promote positive, trusting relationships.

Commitment, a Core Value of Bunge



flexible and agile with common goals and values

Bunge's operating model consists of integration and the Bunge style. Shared values, an integrated approach and our entrepreneurial spirit drive value for our customers and success for Bunge.

Integration Unlocks Value Bunge's businesses interlock to form logistic and product synergies that save money and improve productivity, quality and customer service. We supply raw material inputs to growers; we originate grains and oilseeds from farms in the Americas and Europe; we mill, crush and refine these commodities; and we market and deliver high-quality food products to customers – capturing value at each and every stage.

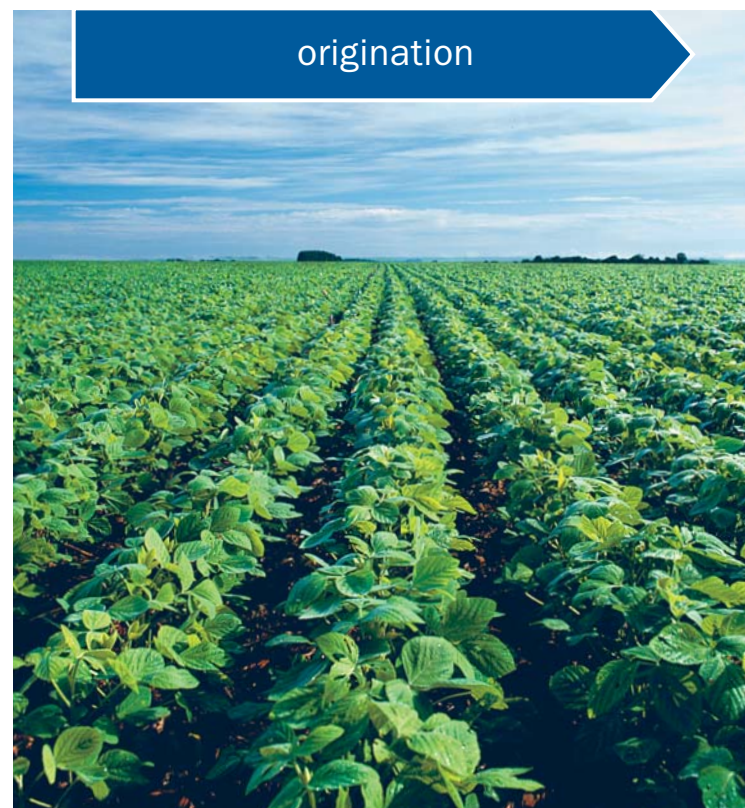
This close integration of our business increases quality control, ensures continuous availability of supplies and strengthens our profit margins, while allowing us to efficiently meet ever-growing demand and deliver greater value to farmers, customers and

shareholders. Our large-scale crushing and refining plants around the world, adjacent to major roadways, railroad lines and deep-water ports, are the physical points of integration where the pieces of our business come together to form a seamless whole.

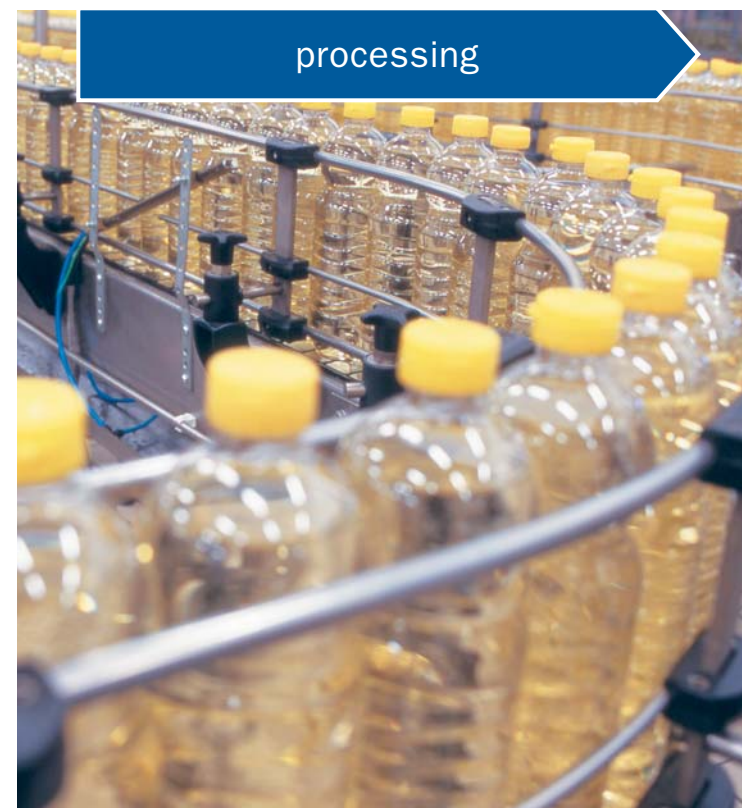
Our Brazilian operations offer several examples of how integration benefits our business. Our agribusiness division provides secured cash advances to farmers to finance a portion of their production costs, including the purchase of fertilizers from our fertilizer division. The cash advances are then repaid through the delivery of soybeans. These transactions lower our credit risk and help farmers to better manage their cash flow.



raw materials



origination



processing

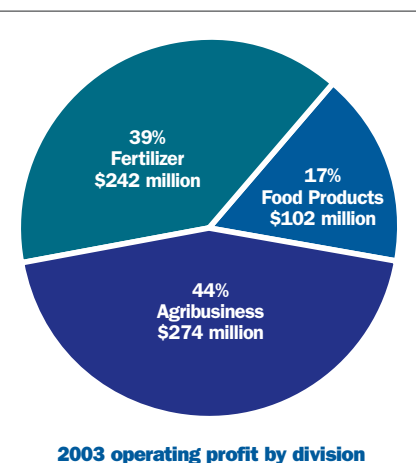


food products

Integration across the food production chain allows us to take advantage of synergies among our divisions. By linking our businesses into a cohesive unit, we become an efficient, low-cost operator.

value through integration

balanced results



Additional coordination between our fertilizer and agribusiness units created close to \$5 million in savings in 2003 through improved management of ocean and land freight. Lastly, the ability of our agribusiness unit to supply low-cost inputs for our retail food products business has enabled us to grow our share of the Brazilian margarine market substantially over the past 15 years. Integrating our operations helped us to beat the established market leader on value, and we eventually became the leading player with more than a one-third share of the market.

Entrepreneurial Spirit Bunge's management style is results-oriented. Operating within a common framework of strong financial controls, our empowered unit managers identify local opportunities and react quickly to market conditions.

The structure also allows customers to speak directly to decision-makers. This improves service and results. We are convinced that the cumulative effect of thousands of such interactions has a tremendous impact on customer service and overall performance.

Motivated Employees Share Values and a Common Culture

A mindset marked by personal responsibility, commitment, teamwork and initiative defines Bunge's corporate culture at all levels. Talented local leadership, self-sufficient business units and strong individual decision-making, based on market and customer knowledge, give Bunge the organizational agility to meet challenges and opportunities in fast-moving markets. Bunge's 23,000 employees around the world share a set of core values and a sense of purpose, and work together in a spirit of openness and trust.

Our Unique Operating Model Helps Us Manage Risk Bunge captures value and profit in nearly every market condition through global, integrated operations that stretch from the farm to the consumer. A portfolio balanced by geography and products provides a natural hedge against cyclical and weakness in any one market. For example, despite supply shortages in the United States resulting from two consecutive small soybean crops, we were able to continue to supply our customers and generate profits because of our leading origination position in South America. In addition, higher soybean prices caused by the shortage induced South American farmers to increase their soybean acreage, leading them to buy more of our fertilizer.

our executive committee

Moving Bunge in the right direction

from left to right Alberto Weisser, Chief Executive Officer; Raul Padilla, Bunge Argentina; Bill Wells, Chief Financial Officer; Flávio Sá Carvalho, Chief Personnel Officer; Sérgio Waldrich, Bunge Alimentos; Carl Hausmann, Bunge North America; Drew Burke, Soy Ingredients and New Business Development; Jean-Louis Gourbin, Bunge Europe; Fernando Kfour, Food Products; Archie Gwathmey, Bunge Global Markets; Mario Barbosa, Bunge Fertilizantes



corporate citizenship

We nurture growth in the communities where we operate.

Bunge is committed to furthering the well-being of our stakeholders and the communities where we operate. We demonstrate our commitment to communities by investing our resources, expertise and energy in activities that help them grow culturally, economically and socially. The following are examples of what we do.

In Brazil, the Fundação Bunge has actively supported the community for almost 50 years. Through Comunidade Educativa, the foundation's most recent initiative, nearly 10% of our employees work at local schools on company time. Comunidade Educativa already has made a difference in thousands of young lives. In 2004, it will double in size, bringing together more than 800 employees, 400 teachers and 8,000 students, all with the common goal of improving children's education.

Bunge is also taking a leadership role in protecting Brazil's ecologically rich Cerrado (grassland) region. We have partnered with Conservation International to help farmers set aside mandated reserves and to create incentives that encourage farmers to adopt environmental best practices.

In Argentina, the Fundación Bunge y Born promotes education, arts and culture, and healthcare through awards, grants and scholarships. The foundation also provides disaster relief in collaboration with other partners. In North America, Bunge actively supports the Coalition for Plant and Life Sciences in its mission to transform St. Louis into a world-class science center.

In Europe, Bunge focuses its efforts on developing countries. In the Ukraine, Bunge helps maintain a local orphanage,



Our employees in Brazil take an active role in improving education by working with teachers and children at their local schools.

sponsors educational programs for gifted children, funds health-care for the needy and provides food assistance for the disabled. In Poland, Bunge provides funds and donates food to various local community groups.

Wherever Bunge operates, we are committed to giving back to the local community and acting as a positive force for human development.

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Independent Auditors’ Report

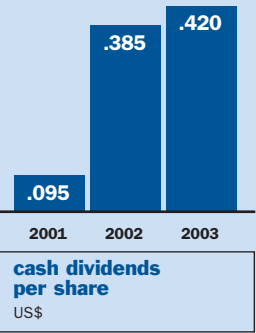
common share market and dividends

Bunge’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 2003 – Quarter Ended			
March 31	\$27.30	\$23.90	\$.100
June 30	\$30.35	\$24.73	\$.100
September 30	\$30.95	\$27.37	\$.110
December 31	\$33.00	\$26.29	\$.110
Fiscal 2002 – Quarter Ended			
March 31	\$24.00	\$18.60	\$.095
June 30	\$23.88	\$19.65	\$.095
September 30	\$24.20	\$17.79	\$.095
December 31	\$26.00	\$21.77	\$.100
Fiscal 2001 – Quarter Ended			
September 30			
(from August 2, 2001)	\$18.25	\$15.85	\$ –
December 31	\$24.15	\$15.95	\$.095

The number of shareholders of Bunge’s common shares at December 31, 2003 was 15,496. 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.



five-year summary of selected financial data

(US\$ in millions, except share data and employees)	Year Ending December 31,				
	2003	2002	2001	2000	1999
Consolidated Summary of Operations					
Volumes (In millions of metric tons)	107	86	71	60	41
Net sales	\$ 22,165	\$ 13,882	\$ 11,302	\$ 9,500	\$ 7,950
Gross profit	1,305	1,338	971	688	618
Total segment operating profit (loss) ^(a)	618	521	311	84	(24)
Interest, net	(85)	(74)	(94)	(86)	(32)
Interest on readily marketable inventories	(28)	(31)	(38)	(52)	(40)
Gain on sale of soy ingredients business	111	–	–	–	–
Income (loss) from continuing operations before income tax and minority interest	723	481	264	66	(21)
Income tax (expense) benefit	(201)	(104)	(68)	(12)	27
Minority interest	(104)	(102)	(72)	(37)	4
Income from continuing operations	418	275	124	17	10
Discontinued operations, net of tax	(7)	3	3	(5)	(15)
Cumulative effect of change in accounting principles, net of tax	–	(23)	7	–	–
Net income (loss)	\$ 411	\$ 255	\$ 134	\$ 12	\$ (5)
Earnings per common share – basic:					
Income from continuing operations	\$ 4.19	\$ 2.87	\$ 1.73	\$.26	\$.16
Discontinued operations	(.07)	.03	.04	(.07)	(.24)
Cumulative effect of change in accounting principles	–	(.24)	.10	–	–
Net income (loss) per share – basic	\$ 4.12	\$ 2.66	\$ 1.87	\$.19	\$ (.08)
Earnings per common share – diluted:					
Income from continuing operations	\$ 4.14	\$ 2.85	\$ 1.72	\$.26	\$.16
Discontinued operations	(.07)	.03	.04	(.07)	(.24)
Cumulative effect of change in accounting principles	–	(.24)	.10	–	–
Net income (loss) per share – diluted	\$ 4.07	\$ 2.64	\$ 1.86	\$.19	\$ (.08)
Year End Financial Position					
Cash and cash equivalents and marketable securities	\$ 502	\$ 482	\$ 205	\$ 484	\$ 363
Operating working capital ^(b)	1,128	1,155	952	920	326
Readily marketable inventories ^(c)	1,868	1,517	764	799	642
Property, plant and equipment, net	1,882	1,965	1,539	1,678	1,268
Total assets	9,884	8,349	5,443	5,854	4,611
Short-term debt	889	1,250	803	1,268	708
Long-term debt, including current portion	2,505	2,153	1,010	1,257	1,121
Minority interest in subsidiaries	554	495	493	543	183
Shareholders' equity	\$ 2,377	\$ 1,472	\$ 1,376	\$ 1,139	\$ 1,197
Other Data					
Weighted average number of shares outstanding:					
Basic	99,745,825	95,895,338	71,844,895	64,380,000	64,380,000
Diluted	100,875,602	96,649,129	72,004,754	64,380,000	64,380,000
Return on shareholders' equity ^(d)	16.0%	17.7%	10.4%	1.5%	.7%
Depreciation, depletion and amortization	\$ 184	\$ 168	\$ 163	\$ 143	\$ 94
Capital expenditures, excluding acquisitions	\$ (304)	\$ (240)	\$ (226)	\$ (176)	\$ (140)

(a) See page 45 for a reconciliation of total segment operating profit (loss) to income (loss) from continuing operations before income tax and minority interest, which is the U.S. GAAP financial measure most directly comparable to total segment operating profit (loss).

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

(c) 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.

(d) The calculation of return on shareholders' equity excludes gains and losses from discontinued operations and 2003 excludes the \$111 million gain on the sale of the Brazilian soy ingredients business (see Note 2 to the notes to the consolidated financial statements).

management’s discussion and analysis of financial condition and results of operations

Organization of Information

Management’s Discussion and Analysis provides a narrative explanation of the Company’s financial results and condition that should be read in conjunction with the accompanying financial statements. It includes the following sections:

- Introduction
- Results of Operations
- Liquidity and Capital Resources
- Guarantees, Contractual Obligations and Off-Balance Sheet Arrangements
- Accounting Policies and Estimates
- Other Information
- Quantitative and Qualitative Disclosures About Market Risk
- Forward-Looking Statements

Introduction

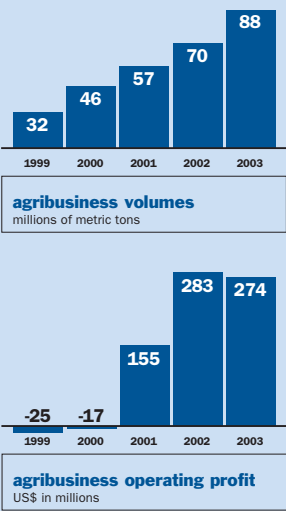
We are an integrated agribusiness and food company. We conduct our operations in three divisions: agribusiness, fertilizer and food products. In each of our business divisions, our results of operations are affected by the following key factors:

Agribusiness In the agribusiness division, we purchase, store, process, transport, sell and finance agricultural commodities, principally soy commodity products. In this division, profitability is principally affected by the relative prices of soy commodity products and the volatility of the prices for these products. Profitability is also affected by energy costs, as we use a substantial amount of energy in the operation of our facilities, and by the availability and cost of transportation and logistic services, including truck, barge and rail services. Prices, in turn, are affected by the perceived and actual supply 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. Global soybean meal consumption grew by approximately 5% per year on average over the last 15 years. We expect that population growth and rising standards of living will continue to have a positive impact on global demand for our agribusiness products.

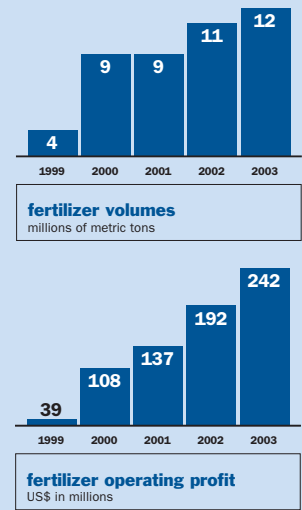
From time to time, there may be imbalances between industry-wide levels of oilseed processing capacity and demand for soy commodity products. Prices for soy commodity products are affected by these imbalances, which in turn affects demand for them and our decisions regarding whether and when to purchase, store, process, transport or sell these commodities, including whether to reduce our own oilseed processing capacity. For instance, in March 2004, we announced that we will temporarily idle production at our soybean processing facility in Destrehan, Louisiana due to increased U.S. exports of soybean meal and a smaller than anticipated 2003 U.S. soybean crop due to adverse weather conditions.

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

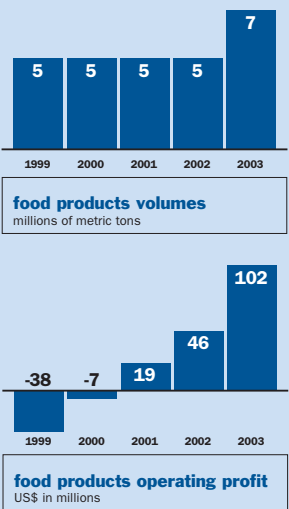


management’s discussion and analysis of financial condition and results of operations

number of acres planted and weather-related issues affecting the success of the harvest. For the past ten years the Brazilian fertilizer industry has grown on average at a rate of over 8% per year. The continued growth of the Brazilian agricultural sector has had, and we expect will continue to have, a positive impact on demand for our fertilizer products. In addition, our selling prices are influenced by international selling prices for imported fertilizers and raw materials, such as phosphate, ammonia and urea, as our products are priced to import parity.



Food Products In the food products division, which consists of the edible oil products, milling products and other (soy ingredients) segments, our operations are affected by competition, changes in eating habits and changes in general economic conditions in Europe, the United States and Brazil, the principal markets for our food products division. Competition in this industry has intensified in the past several years due to consolidation in the supermarket industry and attempts by our competitors to increase market share. Profitability in this division is also affected by the mix of products that we sell.



Foreign Currency Exchange Rates
Translation of Foreign Currency Financial Statements. 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 approximates 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).

Included in other comprehensive income for the year ended December 31, 2003 were foreign exchange net translation gains of \$489 million representing the net gains from the translation of our foreign subsidiaries’ assets and liabilities. Included in other comprehensive loss for the year ended December 31, 2002 and 2001 were foreign exchange net translation losses of \$403 million and \$222 million, respectively, representing the net loss from the translation of our foreign subsidiaries’ assets and liabilities.

Foreign Currency Transactions. Certain of our foreign subsidiaries, most significantly in Brazil and Argentina, have monetary assets and liabilities that are denominated in U.S. dollars. These U.S. dollar monetary items are remeasured into their respective functional currencies at exchange rates in effect at the balance sheet date. The resulting gains or losses are included in our consolidated statements of income as foreign exchange gains or losses.

Due to the global nature of our operations, our operating results are vulnerable to foreign exchange rate changes. However, our agricultural commodities inventories, because of their international pricing in U.S. dollars, provide a natural hedge to our exposure to fluctuations in currency exchange rates. Historically, our fertilizer and food product divisions also have been able to link sales prices to those of U.S. dollar-linked imported raw material costs, thereby minimizing the effect of exchange rate fluctuations in those segments.

Argentina and Brazil. The volatility of the Argentine *peso* and Brazilian *real* has affected our 2003 and 2002 financial performance. Devaluations of these currencies against the U.S. dollar generally have a positive effect on our results when local currency costs are translated to U.S. dollars at weaker *real* or *peso* to dollar exchange rates. In addition, commodity inventories in our agribusiness segment are stated at market value, which is generally linked to U.S. dollar-based international prices. As a result, devaluations cause gains based on the changes in the local currency value of the agribusiness inventories. Conversely, devaluations generate offsetting net foreign exchange losses

on the net U.S. dollar monetary position of our Brazilian and Argentine subsidiaries, which are reflected in foreign exchange losses in our consolidated statements of income. Our effective tax rate is also favorably affected by the devaluation of the Brazilian *real* as we recognize tax benefits related to foreign exchange losses on certain long-term intercompany loans.

Appreciations generally have a corresponding negative effect on our results when local currency costs are translated to U.S. dollars at stronger *real* or *peso* to U.S. dollar exchange rates and losses are generated based on changes in the local currency value of our agribusiness segment commodity inventories. Conversely, the appreciation generates offsetting net foreign exchange gains on the net U.S. dollar monetary position of our Brazilian and Argentine subsidiaries, which are reflected in foreign exchange gains in our consolidated statements of income. Our effective tax rate is unfavorably affected by the appreciation of the Brazilian *real* as we incur income taxes related to foreign exchange gains on certain intercompany loans.

The *real* and *peso* appreciated 22% and 15%, respectively, against the U.S. dollar in the year ended December 31, 2003, compared to a devaluation of 34% and 51%, respectively, in the same period in 2002. Our 2003 results included exchange gains of \$75 million and net exchange losses of \$186 million in 2002 relating to our Brazilian and Argentine subsidiaries.

We use long-term intercompany loans to reduce our exposure to foreign currency fluctuations in Brazil, particularly their effects on our results of operations. These loans do not require cash payment of principal and are treated as analogous to equity for accounting purposes. As a result, 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 and short-term intercompany debt, which are recorded in foreign exchange gains (losses) in our consolidated statements of income.

European Operations. We operate in the EU and several countries that are not members of the EU. Our risk management policy is to fully hedge our monetary exposures in those countries to minimize the financial effects of fluctuations in the *euro* and other European currencies.

Acquisitions, Dispositions and Alliances
Acquisition of Cereol. In 2002, we acquired 97.38% of the shares of Cereol S.A. and in April 2003, we acquired the remaining 2.62% of the shares of Cereol, resulting in 100% ownership of Cereol for \$810 million in cash (net of cash acquired of \$90 million). Cereol’s results of operations have been included in our consolidated financial statements since October 1, 2002. We accounted for the acquisition under the purchase method.

Alliance with DuPont. In April 2003, we entered into an alliance with DuPont and together formed Solae by contributing DuPont’s Protein Technologies business and our North American and European soy ingredients operations. Solae is a soy ingredients joint venture and a key component in our broader strategic alliance with DuPont. We have a 28% interest in Solae. In May 2003, we sold our Brazilian soy ingredients operations to Solae for \$251 million in cash, net of sale-related expenses of approximately \$5 million. We recognized a tax-free gain on sale of \$111 million in the second quarter of 2003 relating to this sale. We used the proceeds from the sale to reduce indebtedness. As a result of these transactions, our consolidated balance sheet at December 31, 2003 reflects a long-term investment in Solae, which is accounted for under the equity method.

Saipol Joint Venture. In July 2003, we sold Lesieur, a French producer of branded bottled vegetable oils, to Saipol, an oilseed processing joint venture between Bunge and Sofiproteol. We received approximately \$240 million in cash, which included the repayment of Lesieur’s intercompany debt owed to us of \$72 million, and a note receivable from Saipol of \$31 million. We own 33% of Saipol, which we account for under the equity method. We did not recognize a gain or loss on the sale. The proceeds from the sale were used to reduce outstanding indebtedness. The \$31 million note receivable is due July 2009 with interest payable annually at a rate of 5.55%.

Sale of U.S. Bakery Business. In December 2003, we sold our U.S. bakery business to Dawn Food Products, Inc. The total cash proceeds from the transaction were approximately \$82 million, including an adjustment for working capital. We recognized a gain on the sale of \$2 million net of tax in the fourth quarter of 2003 that is included in discontinued operations in the consolidated statements of income. We used the net proceeds from the sale to reduce outstanding indebtedness.

Results of Operations

Statements of Income and Segment Presentation Changes

For the year ended December 31, 2003, we have made the following changes in the presentation of our consolidated statements of income and segment information:

- interest income on advances to suppliers, which primarily include farmers, that was previously recorded as interest income and included in our consolidated statements of income, has been reclassified as a component of gross profit to reflect the operational nature of this income;
- interest income, interest expense, foreign exchange gains and losses and other income and expense, which were previously disclosed in the notes to the consolidated financial statements, are now individually disclosed on the face of the statements of income; and
- the presentation of segment information has been changed to include the financial costs of carrying operating working capital, including foreign exchange gains and losses, interest expense on debt financing working capital and interest income earned on working capital items, which is consistent with how management views the results for operational purposes.

Prior year amounts have been reclassified to reflect these changes.

Reclassifications In 2003, we changed the name of our “wheat milling and bakery products” segment to “milling products” in connection with the sale of our U.S. bakery business and reclassification of our corn milling products business line from the “other” segment to the “milling products” segment. As a result, our “other” segment now reflects only the historical results of our soy ingredients business line, which we sold to Solae in May 2003. Therefore, we now have four reporting segments: agribusiness, fertilizer, edible oil products and milling products. The operating results of our U.S. bakery business that we sold in 2003 have been reported as discontinued operations. The amounts presented herein have been changed to reflect all of these reclassifications.

Certain agribusiness activities of our Canadian operations, that were previously included in our edible oil products segment in 2002, were retroactively reclassified to the agribusiness segment to conform to the 2003 presentation.

2003 Overview Fiscal year 2003 was the first full year of combined operations with Cereol, which we acquired in October 2002. We increased sales volumes and net sales primarily due to the Cereol acquisition and through organic growth.

Our agribusiness division results through the third quarter of 2003 lagged behind the prior year because of weaknesses in North American and Western European oilseed processing margins and a return to more normalized margins in South America. In the United States, a poor harvest in 2002/2003 was followed by a 12% smaller harvest in 2003/2004, the smallest in seven years. These reduced harvests put pressure on our North American and Western European agribusiness segment soybean processing operations. To address imbalances in U.S. supply and demand, we temporarily idled two of our U.S. oilseed processing facilities in the first half of 2003. In addition, we recorded \$56 million of pretax impairment charges on our long-lived assets in Europe.

As a result of changing harvest expectations and heightened concerns regarding “mad cow” infected livestock in the United States, the commodity markets during the third and fourth quarters of 2003 were also very volatile. Chicago Board of Trade (CBOT) soybean product prices were near seven-year highs, which caused a wave of farmer selling in North and South America late in the third and during the fourth quarters. In the fourth quarter, customer demand was very strong, and margins improved. In addition, our efficient global logistics system and competitive freight pricing helped offset record increases in freight rates in 2003. As a result, our fourth quarter agribusiness results significantly offset the weaker results experienced in the first three quarters of 2003.

Our fertilizer business was strong throughout the year, driven by higher international prices for imported raw materials, increases in planted acreage and well-capitalized farmers in South America.

Our edible oils business benefited from the acquisition of Cereol and from efficiency programs in Brazil and North America.

The geographic diversity of our operations mitigates risk to our business by lowering our exposure to any one market, region or product. Our 2003 results illustrate this diversification. Our 2003 net sales to external customers by geographic area were 33% in North America, 19% in South America, 32% in Europe and 16% in Asia.

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

(US\$ in millions, except volumes and percentages)	Year Ended December 31,			Year Ended December 31,	
	2003	2002	Change	2001	Change
Volumes (in thousands of metric tons):					
Agribusiness	88,395	69,606	27%	57,503	21%
Fertilizer	11,538	10,708	8%	8,955	20%
Edible oil products	3,447	1,946	77%	1,610	21%
Milling products	3,468	3,303	5%	3,293	–
Other (soy ingredients)	140	226	(38)%	109	107%
Total	106,988	85,789	25%	71,470	20%
Net sales:					
Agribusiness	\$ 17,345	\$ 10,483	65%	\$ 8,412	25%
Fertilizer	1,954	1,384	41%	1,316	5%
Edible oil products	2,063	1,279	61%	872	47%
Milling products	751	628	20%	621	1%
Other (soy ingredients)	52	108	(52)%	81	33%
Total	\$ 22,165	\$ 13,882	60%	\$ 11,302	23%
Cost of goods sold:					
Agribusiness	\$ (16,758)	\$ (9,700)	73%	\$ (7,902)	23%
Fertilizer	(1,581)	(1,091)	45%	(1,036)	5%
Edible oil products	(1,817)	(1,128)	61%	(787)	43%
Milling products	(670)	(551)	22%	(553)	–
Other (soy ingredients)	(34)	(74)	(54)%	(53)	40%
Total	\$ (20,860)	\$ (12,544)	66%	\$ (10,331)	21%
Gross profit:					
Agribusiness	\$ 587	\$ 783	(25)%	\$ 510	54%
Fertilizer	373	293	27%	280	5%
Edible oil products	246	151	63%	85	78%
Milling products	81	77	5%	68	13%
Other (soy ingredients)	18	34	(47)%	28	21%
Total	\$ 1,305	\$ 1,338	(2)%	\$ 971	38%
Selling, general and administrative expenses:					
Agribusiness	\$ (348)	\$ (284)	23%	\$ (189)	50%
Fertilizer	(129)	(100)	29%	(95)	5%
Edible oil products	(164)	(134)	22%	(77)	74%
Milling products	(43)	(51)	(16)%	(54)	(6)%
Other (soy ingredients)	(7)	(10)	(30)%	(8)	25%
Total	\$ (691)	\$ (579)	19%	\$ (423)	37%
Foreign exchange gain (loss):					
Agribusiness	\$ 89	\$ (171)	(152)%	\$ (77)	122%
Fertilizer	(20)	9	(322)%	(21)	(143)%
Edible oil products	–	3	(100)%	(6)	(150)%
Milling products	–	–	–	(1)	(100)%
Other (soy ingredients)	(1)	3	(133)%	(1)	(400)%
Total	\$ 68	\$ (156)	(144)%	\$ (106)	47%

management’s discussion and analysis of financial condition and results of operations

(US\$ in millions, except volumes and percentages)	Year Ended December 31,			Year Ended December 31,		
	2003	2002	Change	2001	Change	
Interest income:						
Agribusiness	\$ 32	\$ 22	45%	\$ 37	(41)%	
Fertilizer	53	36	47%	32	13%	
Edible oil products	6	1	500%	2	(50)%	
Milling products	–	2	(100)%	5	(60)%	
Other (soy ingredients)	–	–	–	–	–	
Total	\$ 91	\$ 61	49%	\$ 76	(20)%	
Interest expense:						
Agribusiness	\$ (86)	\$ (67)	28%	\$ (126)	(47)%	
Fertilizer	(35)	(46)	(24)%	(59)	(22)%	
Edible oil products	(24)	(15)	60%	(8)	88%	
Milling products	(8)	(10)	(20)%	(11)	(9)%	
Other (soy ingredients)	(2)	(5)	(60)%	(3)	67%	
Total	\$ (155)	\$ (143)	8%	\$ (207)	(31)%	
Segment operating profit:						
Agribusiness	\$ 274	\$ 283	(3)%	\$ 155	83%	
Fertilizer	242	192	26%	137	40%	
Edible oil products	64	6	967%	(4)	250%	
Milling products	30	18	67%	7	157%	
Other (soy ingredients)	8	22	(64)%	16	38%	
Total	\$ 618	\$ 521	19%	\$ 311	68%	
Depreciation, depletion and amortization:						
Agribusiness	\$ 91	\$ 75	21%	\$ 62	21%	
Fertilizer	57	56	2%	60	(7)%	
Edible oil products	23	18	28%	19	(5)%	
Milling products	13	9	44%	17	(47)%	
Other (soy ingredients)	–	10	(100)%	5	100%	
Total	\$ 184	\$ 168	10%	\$ 163	3%	
Net Income	\$ 411	\$ 255	61%	\$ 134	90%	

We evaluate the performance of our operating segments based on segment operating profit and management uses total segment operating profit as a measure of the performance of the operating businesses. We believe that the total segment operating profit assists investors by allowing them to evaluate changes in the operating results of our portfolio of businesses before non-oper-

ating factors that affect net income. Total segment operating profit is not a measure of consolidated operating results under U.S. Generally Accepted Accounting Principles (U.S. GAAP) and should not be considered as an alternative to income from continuing operations before income taxes and minority interest or any other measure of consolidated operating results under U.S. GAAP.

The following table reconciles total segment operating profit (loss) to income from continuing operations before income taxes and minority interest:

(US\$ in millions)	Year Ended December 31,				
	2003	2002	2001	2000	1999
Agribusiness	\$ 274	\$ 283	\$ 155	\$ (17)	\$ (25)
Fertilizer	242	192	137	108	39
Edible oil products	64	6	(4)	10	(34)
Milling products	30	18	7	(26)	(19)
Other (soy ingredients)	8	22	16	9	15
Total segment operating profit (loss)	618	521	311	84	(24)
Gain on sale of soy ingredients business	111	–	–	–	–
Unallocated expenses – net ⁽¹⁾	(6)	(40)	(47)	(18)	3
Income (loss) from continuing operations before income tax and minority interest	\$ 723	\$ 481	\$ 264	\$ 66	\$ (21)

(1) Unallocated expenses – net includes interest income, interest expense, foreign exchange gains and losses and other income and expense not directly attributable to our operating segments.

2003 Compared to 2002

Agribusiness Segment. Agribusiness segment net sales increased 65% due to a 27% increase in volumes and higher average selling prices for soy commodity products. Volumes increased 10% due to organic growth and 17% due to the acquisition of Cereol. Soy commodity product prices increased sharply during the third and fourth quarters driven by the reduced U.S. soy-bean crop. Heightened concerns relating to mad cow disease late in the fourth quarter also contributed to price increases.

Cost of goods sold increased 73% in 2003 from last year due to the increased volumes, increased raw material costs due to the tight 2002/2003 United States old crop carryover, higher energy costs due to increases in gas prices and the October 2002 acquisition of Cereol. Cost of goods sold in 2003 reflected commodity inventory mark-to-market losses in our Brazilian and Argentine subsidiaries that resulted from the appreciation of the *real* and *peso* of 22% and 15%, respectively, versus a devaluation of 34% and 51%, respectively, in 2002 which resulted in mark-to-market gains. Included in cost of goods sold in 2003 were \$56 million of non-cash impairment charges on long-lived assets in our European oilseed processing operations, a \$39 million decline in our allowances for recoverable taxes as a result of either cash received by us or compensation against taxes owed by us to the Argentine government and a curtailment gain of \$15 million relating to the reduction of pension and postretirement healthcare benefits of certain U.S. employees. Cost of goods sold in 2002 included a \$44 million charge relating to reserves for recoverable taxes from the Argentine government.

Gross profit decreased 25% due to the increase in cost of goods sold. Agribusiness gross profit through the third quarter of 2003 lagged behind the prior year primarily because of weaknesses in North American and European oilseed processing margins and a return to more normal margins in South America. These results were offset in part by improved margins in the fourth quarter of 2003 relating to effective risk management strategies, including ocean freight results. The decline in gross profit was more than offset by changes in the foreign exchange results from a loss of \$171 million in 2002 to a gain of \$89 million in 2003 on the net monetary U.S. dollar liability positions of our Brazilian and Argentine subsidiaries.

Selling, general and administrative expenses (SG&A) increased 23% primarily due to our acquisition of Cereol and higher costs associated with the increase in sales volumes. Also included in SG&A in 2003 was a non-cash curtailment gain of \$5 million, relating to the reduction of pension and postretirement health-care benefit liabilities for employees transferred to Solae and the reduction of pension and postretirement healthcare benefits of certain U.S. employees.

Segment operating profit declined 3% primarily due to the decrease in gross profit and increase in SG&A partially offset by foreign exchange gains.

Fertilizer Segment. Fertilizer segment net sales increased 41% due to higher average selling prices and an 8% increase in volumes. Selling prices benefited from higher international

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selling prices for imported fertilizers and raw materials, such as phosphate, ammonia and urea, which helped boost local prices as products are priced to import parity. International selling prices of phosphate, ammonia and urea increased 23%, 47% and 58%, respectively, during 2003. Our sales of retail fertilizer products were robust, as South American farmers increased their plantings of soybeans in reaction to higher soybean prices. Our nutrient sales volumes increased 20% due to the increased demand for fertilizer raw materials.

Cost of goods sold increased 45% due to higher sales volumes and imported raw material costs. However, the higher costs of imported raw materials were mitigated by our subsidiary, Fosfertil’s, lower raw material costs since Fosfertil produces urea from raw materials not linked to international natural gas prices. Gross profit increased 27% as a result of higher fertilizer selling prices and volumes offset partially by increases in imported raw material costs and the sale of lower margin products.

SG&A increased 29% due to certain labor contingencies, increases in information technology and institutional advertising expenses, appreciation in the value of the Brazilian *real* and increases in transactional taxes.

Segment operating profit increased 26% primarily due to the increase in gross profit. 2002 included an extra month of segment operating profit of \$5 million from Fosfertil, which had been reporting its results one month in arrears.

Edible Oil Products Segment. Edible oil products segment net sales increased 61% primarily due to a 77% increase in volumes as a result of the Cereol acquisition and 4% organic growth in our South American operations.

Cost of goods sold increased 61% in 2003 from 2002 primarily due to the Cereol acquisition and higher raw material costs, principally crude soybean oil. Included in cost of goods sold in 2003 was a non-cash curtailment gain of \$1 million relating to the reduction of pension and postretirement healthcare benefits of certain U.S. employees. Included in 2002 was a \$5 million non-cash impairment charge on U.S. long-lived operating assets attributable to the planned disposal of a bottling facility. Gross

profit increased 63% primarily due to the Cereol acquisition and a recovery of margins in our North and South American operations, principally in margarines and mayonnaise, attributable to new branding and packaging strategies as well as portfolio rationalization measures.

SG&A increased 22% due to the Cereol acquisition, partially offset by our cost reduction efforts in our South American operations. In addition, in 2003, SG&A included a non-cash curtailment gain of \$1 million, relating to the reduction of pension and postretirement healthcare benefits of certain U.S. employees.

Segment operating profit increased 967% primarily due to the Cereol acquisition and efficiency/cost reduction programs in North America and Brazil.

Milling Products Segment. Milling products segment net sales increased 20% due to higher average selling prices for wheat and corn milling products and a 5% increase in volumes. The increase in average selling prices was primarily due to higher raw material costs.

Cost of goods sold increased 22% due to higher wheat costs. Included in cost of goods sold in 2003 was a non-cash curtailment gain of \$1 million, relating to the reduction of pension and postretirement healthcare benefits of certain U.S. employees. Gross profit increased 5% as a result of the higher average selling prices and volumes.

SG&A decreased 16% due to cost savings programs. In addition, in 2003, SG&A included a non-cash curtailment gain of \$1 million relating to the reduction of pension and postretirement healthcare benefits of certain U.S. employees.

Segment operating profit increased 67% as a result of the improvement in gross profit, lower SG&A and the October 2003 acquisition of a corn mill in the United States.

Other Segment (Soy Ingredients). Our soy ingredients business was contributed to Solae, our joint venture with DuPont, in the second quarter of 2003. Therefore, historical results are presented herein for comparative purposes.

Financial Costs. A summary of consolidated financial costs for the periods indicated follows.

(US\$ in millions, except percentages)	Year Ended December 31,		Change
	2003	2002	
Interest income	\$ 102	\$ 71	44%
Interest expense	\$ (215)	\$ (176)	22%
Foreign exchange gain (loss)	\$ 92	\$ (179)	(151)%

Interest income increased 44% due to interest income on higher invested cash in Brazil where interest rates are higher. 2002 also included \$6 million of interest income resulting from the completion of a tax examination relating to tax benefits associated with U.S. export sales. Interest expense increased 22% primarily due to higher average debt levels resulting from debt incurred to acquire Cereol and our assumption of Cereol’s debt, partially offset by a reduction in interest expense due to more efficient use of working capital. Also, in the latter half of 2002 and in May 2003 and December 2003, we issued long-term debt at relatively higher interest rates to reduce our reliance on short-term debt and finance the repayment of a portion of long-term debt coming due.

Foreign exchange gains were \$92 million in 2003 compared to losses of \$179 million last year due primarily to the 22% appreciation in the value of the Brazilian *real* in 2003 against the U.S. dollar. In contrast, in 2002 the value of the Brazilian *real* declined by 34% resulting in foreign exchange losses.

Other. Other income and expense increased \$13 million to \$19 million in 2003 from \$6 million of income in 2002 primarily due to higher earnings from our joint ventures in Argentina and the Saipol joint venture acquired in the acquisition of Cereol.

Income Tax Expense. Income tax expense increased \$97 million to \$201 million in 2003 from \$104 million in 2002 primarily due to the increase in pretax income. Our effective tax rate for 2003 increased to 28% compared to 22% in 2002. Excluding the tax-free gain on sale of Bunge’s Brazilian soy ingredients business to Solae, the 2003 effective tax rate was 33%. Our effective tax rate is affected by the geographic locations in which we do business, movements in foreign exchange rates and U.S. tax incentives on export sales. The primary causes of the increased effective tax rate in 2003 were the effect of a stronger Brazilian *real*, and increased net tax expense of \$23 million due to new tax laws in South America and reduced tax benefits on U.S.

export sales. In 2002, our income tax expense was reduced by a \$20 million tax credit relating to the refund of prior years’ tax benefits on U.S. export sales.

Net Income. Net income increased \$156 million to \$411 million in 2003 from \$255 million in 2002. Net income for 2003 includes the \$111 million gain on the sale of our Brazilian soy ingredients business to Solae. Net income for 2003 also included an after tax gain of \$16 million relating to the curtailment of certain pension and postretirement healthcare benefit plans and \$40 million of after tax impairment charges on long-lived assets in Europe.

In 2003, discontinued operations included a loss of \$7 million, which included an environmental expense of \$3 million, net of tax, related to discontinued operations we sold in 1995 and a \$2 million, net of tax gain, on the U.S. bakery business sold in December 2003. In 2002, discontinued operations included income of \$3 million related to the 2003 bakery sale.

Net income in 2002 included \$5 million of after tax impairment charges on long-lived assets and charges recorded as cumulative effects of changes in accounting principles of \$14 million, net of tax, representing the write-off of goodwill in the milling products segment as a result of the adoption of Statement of Financial Accounting Standards (SFAS) No. 142, *Goodwill and Other Intangible Assets*, and \$9 million, net of tax, related to the adoption of SFAS No. 143, *Accounting for Asset Retirement Obligations*.

2002 Compared to 2001
Agribusiness Segment. Agribusiness segment net sales increased 25% due to a 21% increase in volumes. Volumes increased due to a large South American crop, increased demand for soy commodity products and our acquisitions of Cereol and La Plata Cereal.

Cost of goods sold increased 23% primarily due to increased volumes, partially offset by the effects of the devaluation of the Brazilian *real* and Argentine *peso*. Cost of goods sold in 2002 and 2001 reflected commodity inventory mark-to-market gains in our Brazilian and Argentine subsidiaries that resulted from the devaluation of the *real* and *peso* of 34% and 51%, respectively, in 2002, and 16% and 39%, respectively, in 2001. Gross profit increased 54% primarily 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 was offset in part by the increase in cost of goods sold and a \$44 million non-

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cash charge relating to the collectibility of recoverable taxes from the Argentine government. The increase in gross profit was partially offset by a \$94 million increase in foreign exchange losses.

SG&A increased 50% primarily due to the expansion of our business and the acquisitions of Cereol and La Plata Cereal. Interest expense declined 47% due to lower average interest rates and more efficient use of working capital. Segment operating profit increased 83% due to the improvement in gross profit and the acquisition of Cereol.

Fertilizer Segment. Fertilizer segment net sales increased 5% primarily due to a 20% 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, which had been reporting its results one month in arrears. 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% primarily due to increased volumes, partially offset by the Brazilian *real* devaluation. Gross profit increased 5% as a result of the higher sales volumes and \$9 million of gross 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 5% primarily due to the increase in sales volumes and the extra month of results from Fosfertil. SG&A in 2001 included an \$8 million non-recurring credit relating to Brazilian health and welfare taxes.

Segment operating profit increased 40% primarily due to the improvements in gross profit and lower overall financial costs. 2002 also included an extra month of segment operating profit of \$5 million from Fosfertil.

Edible Oil Products Segment. Edible oil products segment net sales increased 47% primarily due to the acquisition of Cereol and organic growth. Cost of goods sold increased 43% primarily due to increased volumes resulting from our acquisition of Cereol and higher raw material costs, principally crude soybean oil.

Gross profit increased 78% primarily due to our acquisition of Cereol.

SG&A increased 74% due to our acquisition of Cereol, partially offset by our cost reduction efforts and the impact of the *real* devaluation on *real*-denominated costs.

Segment operating profit increased 250% primarily due to our acquisition of Cereol and organic growth.

Milling Products Segment. Milling products segment net sales increased 1% due to higher average selling prices. 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 relatively flat. Gross profit increased 13% primarily due to higher average selling prices.

SG&A decreased 6% in 2002 due to the effects of the *real* devaluation.

Segment operating profit increased 157% due to the increase in gross profit and lower SG&A expenses.

Other Segment (Soy Ingredients). Our soy ingredients business was contributed to Solae, our joint venture in 2003. Therefore, historical results are presented herein for comparative purposes.

Financial Costs. A summary of consolidated financial costs for the periods indicated follows.

(US\$ in millions, except percentages)	Year Ended December 31,		
	2002	2001	Change
Interest income	\$ 71	\$ 91	(22)%
Interest expense	\$ (176)	\$ (223)	(21)%
Foreign exchange loss	\$ (179)	\$ (148)	21%

Interest income decreased 22% due to lower average interest rates in Brazil. Interest expense decreased 21% 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.

Foreign exchange losses increased 21% primarily due to the larger devaluations of the Brazilian *real* and the Argentine *peso* against the U.S. dollar in 2002 versus 2001.

Income Tax Expense. Income tax expense increased \$36 million to \$104 million in 2002 from \$68 million in 2001 primarily due to the increase in pretax income. Our effective tax rate for 2002 was 22% versus 26% in 2001. 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 \$30 million to \$102 million in 2002 from \$72 million primarily due to increased earnings at our less than wholly owned subsidiaries and our acquisition of Cereol.

Net Income. Net income increased \$121 million 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 milling 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. Results on discontinued operations income of \$3 million in 2002 relates to the U.S. bakery business sold in December 2003.

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.

Liquidity and Capital Resources

Our primary financial objective is to maintain sufficient liquidity through a conservative balance sheet to provide flexibility to pursue our growth objectives. Our current ratio, defined as current assets divided by current liabilities, was 1.63 and 1.44 at December 31, 2003 and 2002, respectively.

Cash and Readily Marketable Inventories Cash and cash equivalents were \$489 million at December 31, 2003 and \$470 million at December 31, 2002. At December 31, 2003, we had \$78 million of restricted cash, which is included in cash and cash equivalents, and is set aside as collateral against short-term loans for our operations in Europe.

Included in our inventories were readily marketable commodity inventories of \$1,868 million at December 31, 2003 and \$1,517 million at December 31, 2002. These agricultural commodity inventories, which are financed primarily 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 higher prices and large farmer selling that occurred during December 2003 due to the dramatic increase in soybean commodity prices.

Long-Term and Short-Term Debt We conduct most of our financing activities at the parent company level. We have a master trust facility designed to act as our central treasury and permit us and our subsidiaries to borrow long and short-term debt on a more efficient basis. The primary assets of the master trust facility consist of intercompany loans made to Bunge Limited and its subsidiaries. Bunge Limited’s wholly owned financing subsidiaries fund the master trust with long and short-term debt obtained from third parties, including our commercial paper program.

To finance working capital, we use cash flows generated from operations and short-term (usually 30-60 days maturity) borrowings, including our commercial paper program, and various

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long-term bank facilities and credit lines, which are sufficient to meet our business needs. At December 31, 2003, we had \$426 million outstanding under our commercial paper program, which has a maximum available borrowing capacity of \$600 million. Our commercial paper program is our least expensive available short-term funding source. We maintain back-up bank credit lines equal to the maximum capacity of our commercial paper program. If we were unable to access the commercial paper market, we would use our bank credit lines, which would be at a higher cost than our commercial paper.

At December 31, 2003, we had approximately \$380 million of committed unused and available borrowing capacity under our commercial paper program and other short-term lines of credit and approximately \$520 million of committed unused and available borrowing capacity under long-term credit facilities, all of which are held through a number of lending institutions. We expect our borrowings under these credit facilities and credit lines to increase in connection with our financings of commodity inventories due to higher prices.

Our short-term and long-term debt decreased by \$9 million at December 31, 2003 from December 31, 2002 primarily due to the repayment of outstanding indebtedness with the \$532 million in net proceeds received from the sale of our Brazilian soy ingredients business, Lesieur and our U.S. bakery business in 2003 and the proceeds from the repayment in 2003 by Mutual Investment Limited of the remaining \$55 million principal amount of a note owed to us. The repayment of debt was offset by a significant increase in debt in the fourth quarter, caused by the dramatic increase in soy commodity prices.

On May 19, 2003, we completed an offering of \$300 million aggregate principal amount of unsecured guaranteed senior notes due 2013 bearing interest at a rate of 5.875% per year, to reduce further reliance on short-term borrowings and to finance the repayment of the current portion of long-term debt coming due. On December 15, 2003, we completed an offering of \$500 million aggregate principal amount of unsecured guaranteed senior notes due 2008 bearing interest at a rate of 4.375% per year. The notes issued in May and December of 2003 were issued by our wholly owned finance subsidiary, Bunge Limited Finance Corp., and are guaranteed by us. Interest is payable semi-annually in arrears on each of the notes.

On May 28, 2003, we entered into a \$455 million 364-day revolving credit facility and a \$195 million 3-year revolving credit facility to replace a €600 million credit facility previously held by a subsidiary. This credit facility was entered into by our wholly owned finance subsidiary, Bunge Finance Europe B.V., and is guaranteed by us. There was \$250 million outstanding under the credit facility at December 31, 2003.

Through our subsidiaries, we have various other long-term debt facilities at fixed and variable interest rates denominated in both U.S. dollars, Brazilian *reais* and *euros*, most of which mature between 2005 and 2021. At December 31, 2003, we had \$430 million outstanding under these long-term debt facilities. Of this amount, at December 31, 2003, \$308 million was secured by certain land, property, equipment and export commodity contracts, as well as investments in our consolidated subsidiaries, having a net carrying value of \$631 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 capitalization ratio. We were in compliance with these covenants as of December 31, 2003.

We do not have any ratings downgrade triggers that would accelerate the maturity 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.

Our credit ratings on our unsecured guaranteed senior notes by Moody’s Investors Services, Inc. at December 31, 2003 were “Baa3” with “outlook positive”, and “BBB” by Standard & Poor’s Rating Services and Fitch Rating Services. Our commercial paper is rated “A-1” by Standard & Poor’s Rating Services and “P-1” by Moody’s Investors Service, Inc., and the interest rates on our commercial paper borrowings are indexed to this rating.

Redeemable Preferred Stock In December 2000, Bunge First Capital Limited, our consolidated subsidiary, issued 170,000, \$.01 par value shares of cumulative variable rate redeemable preferred shares to private investors for \$170 million. Cash dividends on our redeemable preferred stock are payable quarterly. The amount of the dividend is calculated based on alternative

benchmark financing rates, certain actual expenses and a return. Under the terms of the redeemable preferred stock, if more than one quarterly dividend is unpaid, and upon the occurrence of certain other events, including a material default on our indebtedness, the redeemable preferred stockholders may, among other things, require us to arrange for the sale of their redeemable preferred stock to third parties at a price based on the issue price of the redeemable preferred stock plus accrued and unpaid dividends, or require us to take other actions to protect their interests. As of December 31, 2003, we have accrued \$1 million of current accrued quarterly dividends payable and we have no quarterly dividends in arrears.

Equity Shareholders’ equity increased to \$2,377 million at December 31, 2003 from \$1,472 million at December 31, 2002 as a result of net income of \$411 million, \$55 million received from Mutual Investment Limited as a result of the repayment of a note owed to us, foreign exchange translation gains of \$489 million primarily generated by our European, Brazilian and Argentine subsidiaries and \$11 million attributable to the exercise of employee stock options. This increase was partially offset by dividends paid to shareholders of \$42 million and other comprehensive losses of \$19 million.

Cash Flows *2003 Compared to 2002.* In 2003, our cash balance increased \$19 million, reflecting the net impact of cash flows from operating, investing and financing activities, compared to a \$271 million increase in our cash balance in 2002.

Our operating activities used cash of \$41 million in 2003, compared to cash generated of \$128 million in 2002. Historically, our cash flow from operations has varied depending on the timing of the acquisition of, and the market prices for, agribusiness commodity inventories. Through the third quarter of 2003, our cash flows provided by operations were \$638 million. However, the increase in soy commodity market prices in the latter half of December 2003 resulted in significant farmer selling, which increased our use of cash that was needed to acquire inventories. Our risk management policies include hedging strategies to mitigate the risks that the cost of these inventories would not be recovered. We anticipate generating significant positive cash flows when these inventories are sold. Also reflected in the cash flow from operations is the \$57 million paid in 2003 in connection with the settlement agreement relating to the sale of Ducros by Cereol.

Cash generated by investing activities was \$60 million for 2003, compared to cash used of \$1,071 million in 2002. Investments in property, plant and equipment of \$304 million consisted primarily of additions under our normal capital expenditure plan. Of this amount, \$98 million represented maintenance capital expenditures in 2003, compared to \$117 million in 2002. Maintenance capital expenditures are expenditures made to replace existing equipment in order to maintain current production capacity. The majority of non-maintenance capital expenditures in 2003 related to efficiency improvements to reduce costs, equipment upgrades and business expansion. The increase in capital expenditures in 2003 over 2002 is primarily due to the acquisition of Cereol as we now have more equipment and facilities. Although we have no current material commitments for capital expenditures, we estimate that our total capital expenditures will be approximately \$350 million to \$400 million in each of 2004 and 2005, including \$115 million to \$130 million of maintenance capital expenditures.

In 2003, we received net proceeds of \$532 million from the sale of our Brazilian soy ingredients business, Lesieur and our U.S. bakery operations. We used \$23 million to acquire the remaining 2.62% of Cereol’s outstanding shares that we did not already own and we paid an additional purchase price of \$42 million to Edison and Cereol’s former public shareholders. In addition, in 2003, we acquired additional shares in Fosfertil for \$84 million, and we completed certain smaller acquisitions in India and Eastern Europe having an aggregate purchase price of approximately \$37 million. In 2002, we used cash of \$741 million (net of cash acquired) to acquire Cereol and \$94 million to acquire shares held by minority shareholders in connection with the corporate restructuring of our Brazilian subsidiaries and to acquire La Plata Cereal in Argentina.

Cash used in financing activities was \$61 million in 2003, compared to cash generated of \$1,295 million in 2002. In 2003, we used cash flow from the net proceeds from the sales of businesses to reduce borrowings on short and long-term debt. In 2003, we issued \$800 million of senior notes, and, in 2002, we issued \$686 million of senior notes and \$250 million of convertible notes. In 2003, Mutual Investment Limited repaid in full the \$55 million note owed to us. Dividends paid during 2003 were \$42 million and \$37 million in 2002. In 2002, we generated cash by selling common shares for net proceeds of \$293 million.

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2002 Compared to 2001. 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 \$128 million in 2002 compared to \$205 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. Cereol’s seasonal acquisition of commodity inventories in the fourth quarter normally causes negative cash flow in the fourth quarter. 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 \$292 million for 2002, an increase of \$87 million compared to 2001.

Cash used in investing activities increased to \$1,071 million in 2002 from \$175 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 \$240 million. Of this amount, approximately \$117 million represented maintenance capital expenditures. 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.

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 \$293 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 held by some of our subsidiaries, which were partially replaced 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 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 to us.

Guarantees, Contractual Obligations and Off-Balance Sheet Arrangements

Guarantees We have issued or were a party to the following third-party guarantees at December 31, 2003:

(US\$ in millions)	Maximum Potential Future Payments
Operating lease residual values	\$ 69
Unconsolidated affiliates financing	20
Customer financing	93
Total	\$ 182

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 issued a guarantee to a financial institution for \$20 million 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 six years. There are no recourse provisions or collateral that would enable us to recover any amounts paid under this guarantee.

We have issued guarantees to a financial institution in Brazil related to amounts owed to 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. In the event that the customers default on their payments to the institutions and we would be required to perform under the guarantees, we have obtained collateral from the customers. At December 31, 2003, the majority of these financing arrangements were collateralized by land and crop production.

We have recorded a liability of \$1 million related to the fair value of the above guarantees at December 31, 2003.

We have issued parent level guarantees for the repayment of certain of our U.S. senior debt and committed credit facilities with a carrying amount of \$2,257 million at December 31, 2003. All outstanding debt related to these guarantees is included in the consolidated balance sheet at December 31, 2003. There are no significant restrictions on the ability of Bunge Limited Finance Corp. or any of our other subsidiaries to transfer funds to us.

In addition, certain of our subsidiaries have provided guarantees of indebtedness of certain of their subsidiaries under lines of credit with various institutions. The total borrowing capacity available under these lines of credit guarantees is \$270 million.

Contractual Obligations The following table summarizes our scheduled contractual obligations and their expected maturities at December 31, 2003, and the effect such obligations are expected to have on our liquidity and cash flows in the future periods indicated.

(US\$ in millions)	At December 31, 2003				
	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Contractual Obligations					
Commercial paper borrowings	\$ 426	\$ 426	\$ –	\$ –	\$ –
Other short-term borrowings	463	463	–	–	–
Long-term debt	2,505	128	665	584	1,128
Non-cancelable lease obligations	319	68	155	72	24
Inventory purchase commitments	728	728	–	–	–
Total contractual obligations	\$ 4,441	\$ 1,813	\$ 820	\$ 656	\$ 1,152

We have a joint venture with the European Bank for Reconstruction and Development, or the EBRD, pursuant to which we own approximately 60% and the EBRD owns approximately 40% of Polska Oil Investment B.V., or Polska Oil. Polska Oil, in turn, owns 50% of Zaklady Thuszczowe Kruszwica S.A., or Kruszwica, a Polish producer of bottled edible oils. Bunge also has a 32% additional direct interest in Kruszwica. Polska Oil and Kruszwica are our consolidated subsidiaries. The EBRD has the option to put its shares in Polska Oil to us at any time prior to June 3, 2005 at the then current fair market value as determined by an independent expert, subject to a floor and cap based on a contractual formula. At December 31, 2003, the estimated fair market value of the EBRD stake in Polska Oil was approximately \$27 million.

We expect to contribute \$9 million to our pension plans and \$2 million to our postretirement benefit plans in 2004. In addition, in 2004, Bunge expects to contribute \$6 million to a non-qualified plan for a 2004 lump-sum distribution from that plan.

In connection with the Cereol acquisition, we have accrued termination benefits and facility-related realignment obligations as part of the acquisition integration plan. These obligations, which totaled \$35 million, have been accrued as part of the Cereol acquisition purchase price. Through December 31, 2003, \$11 million has been paid, with the remaining \$24 million expected to be paid during 2004 and financed with operating cash flows.

management’s discussion and analysis of financial condition and results of operations

Off-Balance Sheet Arrangements We have two accounts receivable securitization facilities. 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 \$146 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.

In 2003, the outstanding undivided interests averaged \$125 million. We retain collection and administrative responsibilities for the receivables in the pools. In 2003, we recognized \$3 million in related charges, 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 used to reduce the outstanding undivided interests. Accounts receivable at December 31, 2003 were net of \$125 million, representing the outstanding undivided interests in pooled receivables.

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

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 our consolidated financial statements.

Recoverable Taxes We evaluate the collectibility of our recoverable taxes and record valuation allowances if we determine that collection is doubtful. Recoverable taxes primarily represent

value added taxes paid on the acquisition of raw materials and other services which can be recovered in cash or as compensation of outstanding balances against income taxes or certain other taxes we may owe. In 2002, we commenced recording valuation allowances against certain recoverable taxes owed to us by the Argentine government due to delayed payment and uncertainty regarding the local economic environment. 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 refund the taxes. The balance of these allowances fluctuates depending on the sales activity of existing inventories, purchases of new inventories, seasonality, changes in applicable tax rates, cash payment by the Argentine government and compensation of outstanding balances against income or certain other taxes owed to the Argentine government. At December 31, 2003 and 2002, our allowances for recoverable taxes were \$25 million and \$64 million, respectively. The balance declined from December 31, 2002 to December 31, 2003, as a result of either cash received by us or compensation against taxes owed by us to the Argentine government.

Goodwill Goodwill represents the excess of costs of businesses acquired over the fair market value of net tangible and identifiable intangible assets. Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* (SFAS No. 142), requires that goodwill be tested for impairment annually. In assessing the recovery of goodwill, projections regarding estimated discounted future cash flows and other factors are used to determine the fair value of the reporting units and the respective assets. These projections are based on historical data, anticipated market conditions and management plans. If these estimates or related projections change in the future, we may be required to record additional impairment charges. In the fourth quarter of 2003, we performed our annual impairment test and an impairment charge of \$16 million was recorded on goodwill relating to our Austrian oilseed processing operations. The write-down resulted from deterioration in the operating environment due to increases in raw material and freight costs and increased competitive pressure. No other impairment charges resulted from the required impairment evaluations on the rest of our reporting units.

Intangible Assets and Long-Lived Assets Long-lived assets include property, plant and equipment and identifiable intangible assets. 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 is not 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 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.

In the fourth quarter of 2003, we recorded a pre-tax impairment charge in our agribusiness segment of \$40 million relating to fixed assets of our European oilseed processing facilities. These facilities are older, less efficient crushing facilities, and are largely dependent on soybeans imported from North and South America for production. The European oilseed operations experienced operating losses during 2003. During the fourth quarter, we updated our operating forecast to include the effects of certain events occurring in the fourth quarter, including the shortfall in the North American soy crop, increased export tariffs for Brazilian soy exports and increased freight rates. Furthermore, we determined that maintenance capital expenditures for the facilities would be substantially higher than previously forecasted. As a result of these factors, we tested the assets for impairment based on an undiscounted cash flow model and determined that these cash flows would not recover the carrying value of the assets. The impairment was measured based on the amount by which the carrying value exceeded the discounted cash flows.

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.

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.

In 2003, we lowered the weighted average discount rate assumption used to calculate projected benefit obligations under the plans from 6.8% at December 31, 2002 to 6.0% at December 31, 2003, largely based on decreases in U.S. Aa-rated corporate bond rates with similar maturities. U.S.-based plans represent approximately 85% of total projected benefit obligations. The weighted average rate of return assumption on assets of funded plans was also reduced from 9.0% at December 31, 2002 to 8.4% at December 31, 2003 and is based on average assumed asset allocations of 60% equity securities and 40% government and corporate debt securities.

In 2003, 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 \$10 million, net of tax. Future recognition of additional minimum pension liabilities will depend primarily on the actual return on assets and the discount rate.

A one percentage point decrease in the assumed discount rate on our defined benefit pension plans would increase annual expense and the projected benefit obligation by \$3 million and \$32 million, respectively. A one percentage point increase or decrease in the long-term return assumptions on our defined benefit pension plan assets would increase or decrease annual pension expense by \$2 million.

management’s discussion and analysis of financial condition and results of operations

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 net 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 net income.

Prior to recording a valuation allowance, our deferred tax assets were \$696 million at December 31, 2003. However, we have valuation allowances of \$91 million, principally representing the uncertainty regarding the recoverability of certain net operating loss carryforwards.

New Accounting Pronouncements See Note 1 to the notes to the consolidated financial statements for a discussion of new accounting pronouncements.

Other Information

Our results of operations are also affected by the following factors:

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 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 multiple tax jurisdictions, are subject to income taxes at various statutory rates.

In 2003, the sale of our Brazilian soy ingredients business to Solae for a gain of \$111 million did not result in taxable income and therefore no income tax was provisioned. However, we have recorded a net tax expense of \$23 million relating to new tax laws in South America.

Our U.S. export sales of agricultural commodities and certain food products have been subject to favorable U.S. tax treatment on export sales through the use of a U.S. Foreign Sales Corp. (FSC). Beginning in 2002, due to the repeal of the FSC, we were required to use the tax provisions of the Extraterritorial Income (ETI) exclusion, which was substantially similar to the FSC. This tax treatment lowered our overall tax liabilities and thereby reduced our income tax expense by \$16 million in 2003, \$9 million in 2002 and \$10 million in 2001. The U.S. Congress is considering legislation to repeal the ETI and propose a new tax incentive for certain domestic manufacturers, which could subject U.S. exporters, including us, to higher tax rates. We will continue to monitor the U.S. legislation and determine its effects as the legislation continues to develop.

In 2003, the Argentine government enacted a new tax law affecting exporters of certain products, including grains and oilseeds. The law generally provides that in certain circumstances when an export is made to a related party that is not the final purchaser of the exported products, the income tax payable by the exporter with respect to such sales must be based on the greater of the contract price of the exported products

or the market price of the products at the date of shipment. The Argentine government has not yet issued interpretive regulations regarding the application and scope of this law. We will continue to monitor developments with respect to this legislation and any effect that it may have on our consolidated financial statements.

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 managing 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. 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 the 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.

We use a sensitivity analysis to estimate our daily exposure to market risk on our agricultural commodity position. 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:

(US\$ in millions)	Year Ended December 31,			
	2003		2002	
	Fair Value	Market Risk	Fair Value	Market Risk
Highest net long position	\$ 517	\$ 52	\$ 529	\$ 53
Highest net short position	(50)	(5)	(10)	(1)

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 and transactions 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 and option contracts to hedge currency exposures.

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

management’s discussion and analysis of financial condition and results of operations

(loss). The balance of permanently invested intercompany borrowings was \$681 million and \$699 million as of December 31, 2003 and December 31, 2002, respectively. Included in other comprehensive income (loss) are exchange gains of \$118 million in 2003 and exchange losses of \$215 million in 2002, related to permanently invested intercompany loans.

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,	
	2003	2002
Brazilian Operations:		
Net currency short position, from financial instruments, including derivatives	\$ (1,080)	\$ (843)
Market risk	\$ (108)	\$ (84)
Agricultural commodities inventories	\$ 1,063	\$ 870
Net currency long (short) position, less agricultural commodities inventories	\$ (17)	\$ 27
Market risk	\$ (2)	\$ 3
Argentine Operations:		
Net currency long (short) position, from financial instruments, including derivatives	\$ (32)	\$ 112
Market risk	\$ (3)	\$ 11
Agricultural commodities inventories	\$ 71	\$ 38
Net currency long position, less agricultural commodities inventories	\$ 39	\$ 150
Market risk	\$ 4	\$ 15

Interest Rate Risk We issue debt in fixed and floating rate instruments. We are exposed to market risk due to changes in interest rates. We do not engage in interest rate-related financial transactions for trading or speculative purposes. We did not have any outstanding interest rate swaps at December 31, 2003. Of our total long-term debt outstanding of \$2,505 million at December 31, 2003, including current maturities, \$2,020 million was fixed rate. Long-term debt that is exposed to interest rate risk at December 31, 2003 is listed below.

(US\$ in millions)		As of December 31, 2003
Payable in U.S. Dollars:		
Long-term debt, variable interest rates indexed to LIBOR ⁽¹⁾ plus 1.00% to 4.50%		\$ 302
Payable in Brazilian Reais:		
BNDES ⁽²⁾ loans, variable interest rate indexed to IGPM ⁽³⁾ plus 6.5%		152
Other		31
Total variable rate long-term debt, including current maturities		\$ 485
(1) LIBOR as of December 31, 2003 was 1.16%.		
(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 year ended December 31, 2003 was 8.71%.		

An increase in the interest rates on our long-term variable rate debt based on a 10% change in the LIBOR and IGPM rates at December 31, 2003 would increase the interest rates on our variable rate debt between 12 to 87 basis points, which would have no material effect on our operating results.

In addition to long-term debt, we have variable interest rate short-term debt and commercial paper with a balance of \$889 million at December 31, 2003. The short-term debt is predominantly held with commercial banks and the interest rates are generally based on LIBOR plus a spread of 1% to 2%.

Our commercial paper is rated “A-1” by Standard & Poor’s Rating Services and “P-1” by Moody’s Investors Services, Inc. and the interest rates on our commercial paper borrowings are indexed to this rating. An increase in interest rates on our short-term debt based on a 10% change in LIBOR and a 10%

change in the commercial paper interest rate for A-1/P-1 rated commercial paper at December 31, 2003 would increase the interest rate on our variable rate short-term debt approximately 12 basis points, which would have no material effect on our operating results.

Forward-Looking Statements

This report contains both historical and forward-looking statements. All statements, other than statements of historical fact are, or may be deemed to be, forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are not based on historical facts, but rather reflect our current expectations and projections about our future results, performance, prospects and opportunities. We have tried to identify these forward-looking statements by using words including “may,” “will,” “expect,” “anticipate,” “believe,” “intend,” “estimate” and “continue” and similar expressions. These forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause our actual results, perform-

ance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward-looking statements. The following important factors, among others, could affect our business and financial performance: our ability to complete, integrate and benefit from acquisitions, divestitures, joint ventures and alliances; estimated demand for commodities and other products that we sell and use in our business; industry conditions, including the cyclicality of the agribusiness industry; agricultural, economic and political conditions in the primary markets where we operate; and other economic, business, competitive and/or regulatory factors affecting our business generally. The forward-looking statements included in this report are made only as of the date of this report, and except as otherwise required by federal securities law, we do not have any obligation to publicly update or revise any forward-looking statements to reflect subsequent events or circumstances.

All information that is not historical in nature disclosed under “Guarantees, Contractual Obligations and Off-Balance Sheet Arrangements” is deemed to be a forward-looking statement.

consolidated statements of income

(U.S. dollars in millions, except per share data)	Year Ended December 31,		
	2003	2002	2001
Net sales	\$ 22,165	\$ 13,882	\$ 11,302
Cost of goods sold (Notes 8 and 26)	(20,860)	(12,544)	(10,331)
Gross profit	1,305	1,338	971
Selling, general and administrative expenses	(691)	(579)	(423)
Gain on sale of soy ingredients business	111	–	–
Interest income	102	71	91
Interest expense	(215)	(176)	(223)
Foreign exchange gain (loss)	92	(179)	(148)
Other income (expense)	19	6	(4)
Income from continuing operations before income tax and minority interest	723	481	264
Income tax expense	(201)	(104)	(68)
Income from continuing operations before minority interest	522	377	196
Minority interest	(104)	(102)	(72)
Income from continuing operations	418	275	124
Discontinued operations, net of tax benefit (expense) of \$5 (2003), \$(1) (2002), \$0 (2001) (Note 3)	(7)	3	3
Income before cumulative effect of change in accounting principles	411	278	127
Cumulative effect of change in accounting principles, net of tax benefit (expense) of \$6 (2002), \$(4) (2001)	–	(23)	7
Net income	\$ 411	\$ 255	\$ 134
Earnings per common share (Note 23):			
Basic			
Income from continuing operations	\$ 4.19	\$ 2.87	\$ 1.73
Discontinued operations	(.07)	.03	.04
Cumulative effect of change in accounting principles	–	(.24)	.10
Net income per share	\$ 4.12	\$ 2.66	\$ 1.87
Diluted			
Income from continuing operations	\$ 4.14	\$ 2.85	\$ 1.72
Discontinued operations	(.07)	.03	.04
Cumulative effect of change in accounting principles	–	(.24)	.10
Net income per share	\$ 4.07	\$ 2.64	\$ 1.86

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

consolidated balance sheets

(U.S. dollars in millions, except share data)	December 31,	
	2003	2002
Assets		
Current assets:		
Cash and cash equivalents	\$ 489	\$ 470
Trade accounts receivable (less allowance of \$100 and \$80) (Note 17)	1,495	1,168
Inventories (Note 4)	2,867	2,407
Deferred income taxes	93	87
Other current assets (Note 5)	1,474	1,317
Total current assets	6,418	5,449
Property, plant and equipment, net (Note 6)	1,882	1,965
Goodwill (Note 8)	148	239
Other intangible assets (Note 9)	300	106
Investments in affiliates (Note 10)	537	52
Deferred income taxes	233	256
Other non-current assets	366	282
Total assets	\$ 9,884	\$ 8,349
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term debt (Note 15)	\$ 889	\$ 1,250
Current portion of long-term debt (Note 16)	128	249
Trade accounts payable	1,678	1,271
Deferred income taxes	42	51
Other current liabilities (Note 11)	1,200	973
Total current liabilities	3,937	3,794
Long-term debt (Note 16)	2,377	1,904
Deferred income taxes	206	253
Other non-current liabilities	433	431
Commitments and contingencies (Note 20)		
Minority interest in subsidiaries	554	495
Shareholders' equity:		
Common shares, par value \$.01; authorized – 240,000,000 shares; issued and outstanding: 2003 – 99,908,318 shares, 2002 – 99,332,233 shares	1	1
Additional paid-in capital	2,010	1,999
Receivable from former shareholder (Note 19)	–	(55)
Retained earnings	1,022	653
Accumulated other comprehensive loss	(656)	(1,126)
Total shareholders' equity	2,377	1,472
Total liabilities and shareholders' equity	\$ 9,884	\$ 8,349

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

consolidated statements of cash flows

(U.S. dollars in millions)	Year Ended December 31,		
	2003	2002	2001
Operating Activities			
Net income	\$ 411	\$ 255	\$ 134
Adjustment to reconcile net income to cash provided by (used for) operating activities:			
Gain on sale of soy ingredients business	(111)	–	–
Foreign exchange (gain) loss	(120)	126	10
Impairment of assets	56	5	–
Bad debt expense	6	37	24
Provision for recoverable taxes	(38)	44	20
Depreciation, depletion and amortization	184	168	163
Deferred income taxes	(17)	(4)	(11)
Discontinued operations	7	(3)	(3)
Minority interest	104	102	72
Changes in operating assets and liabilities, excluding the effects of acquisitions:			
Trade accounts receivable	(129)	(116)	(127)
Inventories	(249)	(728)	(303)
Recoverable taxes	34	(106)	134
Prepaid commodity purchase contracts	(76)	(60)	(49)
Advances to suppliers	(30)	(110)	1
Trade accounts payable	174	469	12
Arbitration settlement (Note 20)	(57)	–	–
Other – net	(190)	49	128
Cash provided by (used for) operating activities	(41)	128	205
Investing Activities			
Payments made for capital expenditures	(304)	(240)	(226)
Proceeds from disposal of property, plant and equipment	28	9	9
Business acquisitions, net of cash acquired	(196)	(856)	(13)
Investments in affiliate	–	–	(4)
Proceeds from sale of assets held for sale	450	16	–
Proceeds from sale of discontinued operations	82	–	59
Cash provided by (used for) investing activities	60	(1,071)	(175)
Financing Activities			
Net change in short-term debt	(381)	(185)	(316)
Proceeds from long-term debt	851	1,937	121
Repayment of long-term debt	(529)	(706)	(323)
Proceeds from affiliate loan	41	–	–
Proceeds from sale of common shares	7	293	278
Dividends paid to shareholders	(42)	(37)	(8)
Dividends paid to minority interest	(63)	(28)	(26)
Proceeds from receivable from former shareholder	55	21	50
Cash provided by (used for) financing activities	(61)	1,295	(224)
Effect of exchange rate changes on cash and cash equivalents	61	(81)	(30)
Net increase (decrease) in cash and cash equivalents	19	271	(224)
Cash and cash equivalents, beginning of period	470	199	423
Cash and cash equivalents, end of period	\$ 489	\$ 470	\$ 199

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

consolidated statements of shareholders’ equity

(U.S. dollars in millions, except share data)	Common Shares		Additional Paid-in Capital	Receivable from Former Shareholder	Retained Earnings	Accumulated Other Comprehensive Income (Loss) (Note 22)	Total Shareholders’ Equity	Comprehensive Income (Loss)
	Shares	Amount						
Balances, January 1, 2001	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 22)	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 benefit of \$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 benefit 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 benefit 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 22)	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	
Comprehensive income – 2003:								
Net income	–	–	–	–	411	–	411	\$ 411
Other comprehensive income (loss):								
Foreign exchange translation adjustment, net of tax expense \$8	–	–	–	–	–	489	–	489
Unrealized loss on commodity futures, net of tax benefit of \$6	–	–	–	–	–	(9)	–	(9)
Unrealized gain on investments, net of tax of \$0	–	–	–	–	–	1	–	1
Reclassification of realized net (gains) to net income, net of tax expense of \$2	–	–	–	–	–	(1)	–	(1)
Minimum pension liability, net of tax benefit of \$7	–	–	–	–	–	(10)	–	(10)
Total comprehensive income (loss)	–	–	–	–	–	470	470	\$ 881
Collection of former shareholder receivable	–	–	–	55	–	–	55	
Dividends paid	–	–	–	–	(42)	–	(42)	
Issuance of common shares:								
– under employee stock plan	576,085	–	11	–	–	–	11	
Balances, December 31, 2003	99,908,318	\$ 1	\$ 2,010	\$ –	\$ 1,022	\$ (656)	\$ 2,377	

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

notes to the consolidated financial statements

1. Basis of Presentation and Significant Accounting Policies

Description of Business Bunge Limited is a Bermuda holding company. 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 Limited’s shares trade on the New York Stock Exchange under the ticker symbol “BG.” Bunge operates in three divisions, which include four reporting segments: agribusiness, fertilizer, edible oil products and milling products.

Agribusiness Bunge’s agribusiness segment is an integrated business involved in the purchase, sale and processing of grains and oilseeds. Bunge’s agribusiness products are sold throughout the world. Bunge’s agribusiness operations are primarily located in the United States, Brazil, Argentina and Europe with world-wide international marketing offices.

Fertilizer Bunge’s fertilizer segment is involved in every stage of the fertilizer business, from mining of raw materials to sales of fertilizer products. Bunge’s fertilizer operations 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 operations are located in Europe, the United States, Brazil and India.

Milling Products Bunge’s milling products segment includes the wheat and corn milling businesses. The wheat milling business consists of producing and selling flours. Bunge’s wheat milling

activities are located in Brazil. The corn milling business consists of producing and selling products derived from corn. Bunge’s corn milling activities are 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.

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, which are carried at market value.

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 and global production of similar and competitive crops.

Translation of Foreign Currency Financial Statements The functional currency of the majority of Bunge’s foreign subsidiaries is their local currency and, as such, amounts included in the consolidated statements of income 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. At December 31, 2003, Bunge had \$78 million of restricted cash representing collateral against short-term debt in Europe, which was included in cash and cash equivalents in the consolidated balance sheet.

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 interest expense 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. 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 predominantly settled in cash.

In addition, Bunge hedges portions of its forecasted U.S. oil-seed 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 accumulated 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 \$8 million after-tax net losses to cost of goods sold in the year ending December 31, 2004, relating to exchange-traded futures contracts cash flow hedges. If at any time during the hedging relationship Bunge no

notes to the consolidated financial statements

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 accumulated 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 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 recovered in cash or as compensation of outstanding balances against income taxes or certain other taxes Bunge may owe. 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. 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.

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 Statement of Financial Accounting Standards (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 with finite lives are amortized on a straight-line basis over their estimated useful lives, ranging from 10 to 40 years. Other intangible assets with indefinite lives are not amortized but rather tested annually for impairment. Included in other intangible assets are mining rights that are stated at cost less accumulated depletion. Depletion is computed using the unit-of-production method based on proven and probable reserves (see Note 9).

Impairment of Long-Lived Assets Bunge reviews for impairment its long-lived assets and definite lived 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.

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 24. 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 Financial Accounting Standards Board (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 unit awards and time-vested regular restricted stock unit 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 unit awards granted over the vesting or performance period, and adjusts costs related to its performance-based restricted stock units 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 fair market value of the underlying common shares on the date of grant. In accordance with SFAS No. 123 and the disclosure provisions of SFAS No. 148, *Accounting for Stock-Based Compensation Transition and Disclosure*, Bunge discloses the pro forma effect of accounting for stock-based awards under the fair value method.

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 below.

(US\$ in millions, except per share data)	Year Ended December 31,		
	2003	2002	2001
Net income, as reported	\$ 411	\$ 255	\$ 134
Deduct: Total stock-based employee compensation expense determined under fair value based method for stock options granted, net of related tax effects	(7)	(6)	(3)
Pro forma net income	\$ 404	\$ 249	\$ 131
Earnings per common share:			
Basic – as reported	\$ 4.12	\$ 2.66	\$ 1.87
Basic – pro forma	\$ 4.05	\$ 2.60	\$ 1.82
Diluted – as reported	\$ 4.07	\$ 2.64	\$ 1.86
Diluted – pro forma	\$ 4.00	\$ 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 each stock option granted during 2003, 2002 and 2001 was \$9.82, \$8.77 and \$8.64, respectively. The following assumptions were used for the years ending December 31, 2003, 2002 and 2001:

	2003	2002	2001
Assumptions:			
Expected option life (in years)	8.79	9.60	9.96
Expected dividend yield	1.57%	1.6%	.5%
Expected volatility of market price	34%	35%	28%
Risk-free interest rate	4.1%	3.8%	5.2%

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.

notes to the consolidated financial statements

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.

Research and Development Research and development costs are expensed as incurred. Research and development expenses were \$8 million, \$8 million and \$6 million in 2003, 2002 and 2001, respectively.

New Accounting Pronouncements In December 2003, FASB issued revised SFAS No. 132, *Employers’ Disclosures about Pensions and Other Postretirement Benefit*. This revision of SFAS No. 132 does not change the measurement or recognition of those plans required by SFAS No. 87, *Employers’ Accounting for Pensions, Pension Plans and Termination Benefits*, and SFAS No. 106, *Employers’ Accounting for Postretirement Benefits Other than Pensions*. This statement retains the disclosure requirements of SFAS No. 132, which it replaces. It requires additional disclosures to those in the original SFAS No. 132 about plan assets, investment strategy, measurement dates, plan obligations, cash flows of defined benefit pension plans and other defined benefit postretirement plans. Also, required for interim reporting will be the components of periodic benefit cost recognized during the interim period. Bunge has complied with the disclosure requirements of the revised SFAS No. 132.

In January 2003, the FASB issued FIN 46, an interpretation of Accounting Research Bulletin No. 51, *Consolidated Financial Statements* (ARB 51). In December 2003, the FASB revised FASB Interpretation No. 46, *Consolidation of Variable Interest Entities* (FIN 46) and codified certain FASB Staff Positions (FSPs) previously issued for FIN 46 in FASB Interpretation No. 46, Revised (FIN 46R). FIN 46 as originally issued and as revised by FIN 46R, establishes consolidation criteria for entities for which control is not easily discernable under ARB 51. The adoption of FIN 46 and FIN 46R in 2003 did not have a material impact on Bunge’s

accounting for its accounts receivable securitizations or its consolidated financial statements.

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity* (SFAS No. 150). SFAS No. 150 establishes standards for how a company classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS No. 150 requires that a company classify a financial instrument which is within the scope of SFAS No. 150 as a liability (or an asset in some circumstances). SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003, and to certain other instruments that existed prior to May 31, 2003 as of the beginning of the first interim period beginning after June 15, 2003. The adoption of SFAS No. 150 did not have a material impact on Bunge’s consolidated financial statements.

In April 2003, FASB issued SFAS No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities* (SFAS No. 149). SFAS No. 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. SFAS No. 149 is applied prospectively and is effective for contracts entered into or modified after June 30, 2003, except for provisions related to SFAS No. 133 implementation issues that have been effective for fiscal quarters that began prior to June 15, 2003, and certain provisions relating to forward purchases or sales of when-issued securities or other securities that do not yet exist. The adoption of SFAS No. 149 did not have a material impact on Bunge’s consolidated financial statements.

Reclassifications Certain reclassifications were made to the prior years’ consolidated financial statements to conform to the current year’s presentation. Certain of these reclassifications relate to the sale of the U.S. bakery business, which has been presented as a discontinued operation for all periods presented.

In addition, Bunge reclassified interest income on advances to suppliers, which primarily include farmers, previously recorded in interest income in non-operating income (expense) – net, to

a component of gross profit in Bunge’s consolidated statements of income to reflect the operational nature of this item. Bunge also reclassified mining rights previously recorded in property, plant and equipment to other intangible assets in the consolidated balance sheets. All prior periods presented have been reclassified to reflect these changes and to conform to the current years’ presentation.

2. Business Combinations and Alliances
Acquisition of Cereol S.A. In the fourth quarter of 2002, Bunge acquired 97.38% of the shares of Cereol S.A. (Cereol) for \$787 million in cash (net of cash acquired of \$90 million). In April 2003, Bunge acquired the remaining 2.62% of the shares of Cereol for \$23 million in cash. As a result, Bunge owns 100% of Cereol’s capital and voting rights. Cereol was engaged in the processing of oilseeds and the production of edible oils 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 borrowings.

The acquisition was accounted for using the purchase method under SFAS No. 141, *Business Combinations*. The cost to acquire Cereol has been allocated to the assets acquired and liabilities assumed, according to estimated fair values.

The following table summarizes the fair value of the assets acquired and liabilities assumed at the date of the Cereol acquisition.

(US\$ in millions)	
Calculation of purchase price:	
Cash paid	\$ 900
Current liabilities assumed	835
Other non-current liabilities assumed	472
Total	\$2,207
Allocation of purchase price:	
Current assets	\$ 948
Property, plant and equipment	363
Investment in Lesieur	200
Net assets contributed to Solae	520
Intangible assets – trademarks	53
Other non-current assets	149
Minority interest	(26)
Total	\$2,207

In connection with the Cereol acquisition, Bunge has accrued termination benefits and facility related alignment obligations as part of its integration plan (the “Plan”). The Plan is designed to streamline personnel and realign facilities acquired from Cereol. These obligations, which totaled \$35 million, have been accrued as part of the purchase price and are included in other current liabilities on the consolidated balance sheet at December 31, 2003. Bunge’s integration process and the Plan regarding this acquisition, which included an evaluation of these issues was finalized in 2003. Of the obligations accrued, \$29 million relate to employee termination and \$6 million relate to facility realignment. The following table summarizes activity related to the Plan:

(US\$ in millions)	Employee Termination Obligations	Facility Realignment Obligations	Total
Accrued in purchase price	\$ 29	\$ 6	\$ 35
Amount paid	(9)	(2)	(11)
Balance at December 31, 2003	\$ 20	\$ 4	\$ 24

Payments related to employee termination and facility realignment obligations are expected to be substantially completed in 2004. The Plan is expected to be funded by cash flows from operations. No significant unresolved issues exist related to the Plan. Any adjustments to the Plan will be reported as an adjustment to net income.

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 agri-business 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 S.A. and Bunge Fertilizantes S.A. to 83%. As a result of the share exchange described above, Bunge has increased its basis in minority interest by \$103 million.

notes to the consolidated financial statements

Bunge allocated \$108 million of the excess of the fair value over the historical book value to goodwill in the amount of \$53 million, which was assigned to the agribusiness segment and the remaining \$55 million to the following assets and segments.

(US\$ in millions)	Agribusiness	Fertilizer	Edible Oil Products	Milling Products	Other	Total
Property, plant and equipment	\$ –	\$ –	\$ 2	\$ 5	\$ –	\$ 7
Trademarks/brands	–	–	11	4	–	15
Licenses	2	–	1	–	2	5
Mining rights	–	28	–	–	–	28
Total	\$ 2	\$ 28	\$ 14	\$ 9	\$ 2	\$ 55

In October 2003, Bunge’s Brazilian fertilizer subsidiary, Bunge Fertilizantes S.A., acquired additional shares of approximately 11% of the total outstanding shares of Fertilizantes Fosfatados S.A. (Fosfertil). The total purchase price paid for these shares was \$84 million in cash. As a result of this acquisition, Bunge Fertilizantes now directly owns 11% of the voting shares and over 12% of the outstanding shares of Fosfertil. This acquisition is in addition to the indirect majority ownership interest in Fosfertil that Bunge has through its majority-owned consolidated subsidiary, Fertifós Administração e Participação S.A. (Fertifos), which owns 56% of the outstanding shares of Fosfertil. Bunge preliminarily allocated \$62 million of the excess of the fair value over the historical book value to mining rights based on estimated fair values (see Note 9).

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, 2002. The pro forma results include interest expense on debt incurred to finance the Cereol and Fosfertil acquisitions.

(US\$ in millions, except per share data)	Year Ended December 31, 2003	2002
Net sales	\$ 22,165	\$ 17,238
Income before cumulative effect of change in accounting principles	\$ 413	\$ 318
Cumulative effect of change in accounting principles, net of tax	–	(23)
Net income	\$ 413	\$ 295
Earnings per common share – basic:		
Income before cumulative effect of change in accounting principles	\$ 4.14	\$ 3.32
Cumulative effect of change in accounting principles, net of tax	–	(.24)
Net income	\$ 4.14	\$ 3.08

Saipol Joint Venture In November 2002, Bunge announced its agreement to sell Lesieur, a French producer of branded bottled vegetable oils, to Saipol, an oilseed processing joint venture between Cereol and Sofiproteol (the financial arm of the French oilseed sector). In July 2003, Bunge completed the sale of Lesieur and received in cash \$240 million for the sale, which included repayment of Lesieur intercompany debt of \$72 million owed to Cereol at closing and a note receivable from Saipol of \$31 million. The note receivable matures in July 2009 with interest payable annually at a rate of 5.55%. Bunge did not recognize a gain or loss on this transaction. Bunge has a 33.34% ownership interest in the Saipol joint venture, which is accounted for under the equity method.

Bunge recorded the assets and liabilities of Lesieur in the amount of \$367 million and \$207 million, respectively, as an investment held for sale and were included in other current assets and other current liabilities in the consolidated balance sheet at December 31, 2002. For the six months ended June 30, 2003 and the year ended December 31, 2002, Lesieur was consolidated and included in income from continuing operations in the consolidated statements of income. Bunge will retain an interest in this entity and have continued involvement in the joint venture operations.

DuPont Alliance In January 2003, Bunge announced its agreement to form an alliance with E.I. duPont de Nemours and Company (DuPont) to expand its agribusiness and soy ingredients businesses. The alliance consists of three components: a joint venture (The Solae Company, or Solae) for the production and distribution of specialty food ingredients, such as soy protein products and lecithins; a biotechnology agreement to jointly develop and commercialize soybeans with improved quality traits; and an alliance to develop a broader offering of services and products to farmers.

In April 2003, Bunge and DuPont signed definitive agreements and formed Solae, a soy ingredients joint venture, with DuPont contributing its Protein Technologies food ingredients business and Bunge contributing its North American and European ingre-dients operations. In exchange, Bunge received a 28% interest in Solae based on the fair value of its contribution. As a result of this transaction, Bunge has recorded a long-term investment in Solae in its consolidated balance sheet. The carrying value of net assets contributed, which also equals fair value, was \$520 million. Bunge did not recognize any gain or loss on this transaction. Bunge accounts for this investment under the equity method.

In May 2003, Bunge sold its Brazilian soy ingredients operations to Solae for \$251 million in cash, net of expenses of \$5 million. Consequently, Bunge recognized a non-taxable gain on sale of \$111 million in the second quarter of 2003 that was included in net income. Bunge did not recognize any additional ownership percentage in Solae as a result of this sale.

Other Business Acquisitions In 2003, Bunge completed certain smaller acquisitions in India and Eastern Europe having an aggregate purchase price of approximately \$37 million, the most significant of which was for 100% of Hindustan Lever’s edible oils business in India for \$21 million. As a result of these acquisitions, Bunge recognized intangible assets of \$18 million and goodwill of \$17 million. In addition, Bunge completed the allocation of the purchase price of a 2002 acquisition, which generated goodwill of \$15 million.

3. Discontinued Operations

On December 31, 2003, Bunge sold its U.S. bakery business to a third party. The sale includes the facilities that manufac-tured, marketed and sold dry mixes, frozen bakery products, syrups and toppings that were historically reported in the milling products segment until its sale. The proceeds from the sale were \$82 million, net of expenses. The divestiture resulted in a gain to Bunge of \$2 million, net of tax expense of \$1 million, which has been reported as discontinued operations in the consolidated statements of income. In addition, in 2003, dis-continued operations in the consolidated statements of income included an environmental expense of \$3 million, net of tax benefit of \$3 million, related to discontinued operations Bunge sold in 1995.

In March 2001, Bunge committed to a divestiture plan and sold its Brazilian baked goods business, 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 businesses have been reported as discontinued operations for 2001.

The following table summarizes the financial information related to the discontinued operations discussed above.

(US\$ in millions)	Year Ended December 31, 2003	2002	2001
Net sales	\$ 180	\$ 192	\$ 193
(Loss) income before income taxes	\$ (15)	\$ 3	\$ –

4. Inventories

Inventories consist of the following:

(US\$ in millions)	December 31, 2003	2002
Agribusiness – Readily marketable inventories at market value ⁽¹⁾	\$ 1,868	\$ 1,517
Fertilizer	316	214
Edible oils	308	346
Milling	68	89
Other ⁽²⁾	307	241
Total	\$ 2,867	\$ 2,407

(1) 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.
(2) Agribusiness inventories carried at lower of cost or market.

5. Other Current Assets

Other current assets consist of the following:

(US\$ in millions)	December 31,	
	2003	2002
Prepaid commodity purchase contracts	\$ 247	\$ 173
Secured advances to suppliers	280	205
Unrealized gain on derivative contracts	418	162
Assets of investments held for sale (Note 2)	–	367
Recoverable taxes	70	79
Marketable securities	13	12
Other	446	319
Total	\$ 1,474	\$ 1,317

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 to suppliers, which primarily include farmers, 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. In addition to the current secured advances, Bunge has non-current secured advances to suppliers in the amount of \$72 million and \$28 million at December 31, 2003 and 2002, respectively. The allowances for uncollectible advances totaled \$19 million and \$18 million at December 31, 2003 and 2002.

Marketable Securities These securities are classified as trading securities and recorded at fair value based on quoted market prices. The related gains or losses are recognized in other income in the consolidated statements of income.

6. Property, Plant and Equipment, Net

Property, plant and equipment consists of the following:

(US\$ in millions)	December 31,	
	2003	2002
Land	\$ 114	\$ 86
Buildings	936	819
Machinery and equipment	1,998	1,992
Furniture, fixtures and other	158	114
	3,206	3,011
Less accumulated depreciation	(1,548)	(1,232)
Plus construction in process	224	186
Total	\$ 1,882	\$ 1,965

Bunge capitalized interest on construction in progress in the amount of \$8 million, \$6 million and \$15 million in 2003, 2002 and 2001, respectively. Depreciation expense was \$178 million, \$163 million and \$158 million in 2003, 2002 and 2001, respectively.

7. Change in Accounting Principles

Effective January 1, 2002, Bunge adopted Statement of Financial Accounting Standards (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 milling 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.

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 rights assigned to the fertilizer segment and certain of its edible oil refining facilities assigned to the edible oil segment.

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 year ended December 31, 2001. No goodwill amortization was recorded for the year ended December 31, 2002. As the effects of these adoptions were reflected in Bunge’s consolidated statements of income for the years ended December 31, 2003 and 2002, no adjustments to net income and earnings per share is shown for these years in the table below.

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

Had the provisions of SFAS No. 143 been applied for all periods presented, the asset retirement obligation at January 1, 2001 and December 31, 2001 would have been \$20 million and \$22 million, respectively, (see Note 12).

Effective January 1, 2001, Bunge adopted SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*. As a result of this adoption in 2001, Bunge recorded income of \$7 million, net of tax expense of \$4 million, as a cumulative effect of change in accounting principle for the fair value of previously unrecognized derivative instruments.

8. Goodwill

In the fourth quarter of 2003, Bunge performed its annual impairment test and recorded a pretax goodwill impairment charge of \$16 million relating to its Austrian oilseed processing operations. The write down resulted from a weak operating environment in this region causing the fair value of the reporting unit to be lower than its carrying value. No other impairment charges resulted from the required impairment evaluations on the rest of Bunge’s reporting units. 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. These projections are based on historical data, anticipated market conditions and management plans. If these estimates or

related projections change in the future, we may be required to record additional impairment charges.

Subsequent to the initial adoption of SFAS No. 142, 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 milling products segment. As a result of the 2003 sale of the U.S. bakery business (see Note 3), this amount was reclassified to discontinued operations to conform to the 2003 presentation.

The changes in the carrying amount of goodwill by segment at December 31, 2003 and 2002 are as follows.

(US\$ in millions)	Agribusiness	Edible Oil Products	Milling Products	Unallocated	Total
Balance, January 1, 2002	\$ 123	\$ –	\$ 40	\$ –	\$ 163
Goodwill acquired (Note 2)	53	–	–	–	53
Foreign exchange translation	(47)	–	–	–	(47)
Impairment losses	–	–	(4)	–	(4)
Acquisition purchase price	–	–	–	89	89
Cumulative effect of change in accounting principle	–	–	(15)	–	(15)
Balance, December 31, 2002	129	–	21	89	239
Goodwill acquired (Note 2)	24	5	3	–	32
Foreign exchange translation	14	–	–	–	14
Impairment losses	(16)	–	–	–	(16)
Sale of bakery business (Note 3)	–	–	(19)	–	(19)
Tax benefit on goodwill amortization ⁽¹⁾	(13)	–	–	–	(13)
Allocated acquisition purchase price ⁽²⁾	–	–	–	(89)	(89)
Balance, December 31, 2003	\$ 138	\$ 5	\$ 5	\$ –	\$ 148

(1) Bunge’s Brazilian subsidiary’s tax deductible goodwill is in excess of its book goodwill. For financial reporting purposes, the tax benefits attributable to the excess tax goodwill are first used to reduce goodwill and then intangible assets to zero, prior to recognizing any income tax benefit in the consolidated statements of income.

(2) Bunge assigned \$89 million of the Cereol acquisition purchase price to the Lesieur and the ingredients assets.

9. Other Intangible Assets

Bunge’s other intangible assets consist of trademarks/brands, licenses, software technology and unamortized prior service costs relating to Bunge’s employee defined benefit plans (see Note 18). In addition, included in other intangible assets are mining rights stated at cost less accumulated depletion of mining reserves, which have been reclassified from property, plant and equipment. The useful lives of Bunge’s mines, relating to the reserve depletion, range from 18 to 58 years. The aggregate amortization and depletion expense for other intangible assets was \$6 million and \$5 million for the years ended December 31, 2003 and 2002, respectively. The annual estimated amortization and depletion expense for 2004 to 2008 is approximately \$14 million per year.

Intangible assets consist of the following:

(US\$ in millions)	December 31, 2003	2002
Trademarks/brands – finite lived	\$ 40	\$ 5
Licenses	9	7
Mining rights (Note 2)	216	96
Other	5	3
	270	111
Less accumulated amortization and depletion:		
Trademarks	(1)	–
Licenses	(2)	(1)
Mining rights	(8)	(5)
Other	(4)	(2)
	(15)	(8)
Trademarks/brands – indefinite lived	34	–
Unamortized prior service costs of defined benefit plans (Note 18)	11	3
Intangible assets, net of accumulated amortization	\$ 300	\$ 106

10. Investments in Affiliates

Bunge has investments in affiliates that are accounted for using the equity method of accounting. The most significant of these affiliates is Solae of which Bunge owns 28% (see Note 2). Solae is organized as a U.S. limited liability company that has elected to be taxed as a partnership. As a result, the parent companies are responsible for U.S. income taxes applicable to their share of Solae’s U.S. taxable income. Therefore, net income for Solae does not reflect any provision for income taxes that would be incurred by its parents. Bunge’s other investments in affiliates include Saipol, Terminal 6 and Terminal 6 Industrial, in which it owns 33%, 40% and 50%, respectively.

Summarized unaudited combined financial information reported for all equity method affiliates and a summary of the amounts recorded in Bunge’s consolidated financial statements as of December 31, 2003 follows:

(US\$ in millions)	2003
Amounts recorded by Bunge:	
Investments ⁽¹⁾	\$ 537
Equity income	16
Combined results of operations:	
Revenues	\$ 2,070
Income before income tax and minority interest	60
Net income	58
Combined financial position:	
Current assets	\$ 767
Non-current assets	2,050
Total assets	\$ 2,817
Current liabilities	\$ 472
Non-current liabilities	569
Stockholders’ equity	1,776
Total liabilities and stockholders’ equity	\$ 2,817

(1) At December 31, 2003, Bunge’s investment exceeded its underlying equity in the net assets of Solae by \$16 million. Straight-line amortization of this excess against equity income amounted to \$3 million in 2003. Amortization of the excess has been attributed to intangible assets of Solae, which are being amortized over five years.

11. Other Current Liabilities

Other current liabilities consist of the following:

(US\$ in millions)	December 31,	
	2003	2002
Accrued liabilities	\$ 608	\$ 456
Unrealized loss on derivative contracts	336	138
Advances on sales	146	89
Liabilities of investment held for sale (Note 2)	–	207
Other	110	83
Total	\$ 1,200	\$ 973

12. Asset Retirement Obligations

Effective January 1, 2002, Bunge adopted the provisions of SFAS No. 143, *Accounting for Asset Retirement Obligations* (SFAS No. 143). As a result of the adoption, 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 \$25 million and \$24 million at December 31, 2003 and 2002, respectively. There were no significant changes in the components of the liability between the adoption date and December 31, 2003 and 2002.

13. 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,		
	2003	2002	2001
Current:			
United States	\$ (7)	\$ 13	\$ (18)
Non-United States	(211)	(121)	(61)
	(218)	(108)	(79)
Deferred:			
United States	20	1	6
Non-United States	(3)	3	5
	17	4	11
Total	\$ (201)	\$ (104)	\$ (68)

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,		
	2003	2002	2001
Income from continuing operations before income tax and minority interests	\$ 723	\$ 481	\$ 264
Income tax rate	35%	35%	35%
Income tax expense at the statutory rate	(253)	(168)	(92)
Adjustments to derive effective rate:			
Miscellaneous nondeductible items	–	1	(14)
Other items:			
Change in valuation allowance	16	(33)	17
Effect of tax free gain on sale of soy ingredients business	39	–	–
Adjustment resulting from the finalization of prior years’ tax returns	3	20	(3)
Foreign exchange (expense) benefit	(40)	86	15
Earnings of subsidiaries taxed at different statutory rates	45	(16)	(2)
Earnings on U.S. export incentive	16	9	10
Basis difference in determining foreign taxable income	(23)	–	–
Other	(4)	(3)	1
Income tax expense	\$ (201)	\$ (104)	\$ (68)

In 2003, the sale of Bunge’s Brazilian soy ingredients business to Solae for a gain of \$111 million did not result in taxable income and therefore no income tax was provisioned. However, Bunge has recorded a net tax expense of \$23 million relating to new tax laws in South America.

Bunge has obtained tax benefits under U.S. tax laws providing tax incentives on export sales from the use of a U.S. Foreign Sales Corporation (FSC) through 2001. Beginning in 2002, due to the repeal of the FSC, Bunge was required to use the tax provisions of the Extraterritorial Income (ETI) exclusion, which was substantially similar to the FSC. The U.S. Congress is currently considering legislation to repeal the ETI and propose a new tax incentive for certain domestic manufacturers. Bunge will continue to monitor the new legislation and determine its effects as the legislation continues to develop.

In 2003, the Argentine government enacted a new tax law affecting exporters of certain products, including grains and oilseeds. The law generally provides that in certain circumstances when an export is made to a related party that is not the final purchaser of the exported products, the income tax payable by the exporter, with respect to such sales, must be based on the greater of the contract price of the exported products or the market price of the products at the date of shipment. The Argentine government has not yet issued interpretive regulations regarding the application and scope of this law. Bunge will continue to monitor developments with respect to this legislation and any effect this may have on its consolidated financial statements.

During 2002, a U.S.-based wholly owned subsidiary of Bunge recognized a \$20 million tax credit relating to a re-determination of tax benefits on U.S. export sales 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 \$519 million and \$474 million at December 31, 2003 and 2002, respectively. 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. Deferred taxes are provided for

notes to the consolidated financial statements

subsidiaries having undistributed earnings not considered to be permanently invested. The primary components of the deferred tax assets and liabilities and the related valuation allowance are as follows:

(US\$ in millions)	December 31,	
	2003	2002
Deferred income tax assets:		
Net operating loss carry-forwards	\$ 369	\$ 310
Excess of tax basis over financial statement basis of property, plant and equipment	58	14
Accrued retirement costs (pension and post-retirement cost) and other accrued employee compensation	18	39
Other accruals and reserves not currently deductible for tax purposes	212	122
Other	39	12
Total deferred tax assets	696	497
Less valuation allowance	(91)	(91)
Net deferred tax assets	605	406
Deferred tax liabilities:		
Excess of financial statement basis over tax basis of property, plant and equipment	344	189
Undistributed earnings of affiliates	125	129
Other	58	49
Total deferred tax liabilities	527	367
Net deferred tax assets	\$ 78	\$ 39

At December 31, 2003, Bunge’s gross tax loss carry-forwards totaled \$1,079 million, of which \$389 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 2004 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. The majority of the valuation allowances relates to net operating loss carry-forwards in certain of its foreign subsidiaries where there is an uncertainty regarding their realizability and will more likely than not expire unused. In 2003, Bunge decreased its valuation

allowance by \$16 million resulting from the utilization of net operating loss carry-forwards by its Brazilian and Argentine subsidiaries. Bunge was able to recognize these net operating carry-forwards because of increased statutory taxable income of these subsidiaries caused by effects of the *real* and *peso* appreciation and a change in Argentine tax law. In addition, in 2003 Bunge increased its valuation allowance in connection with the completion of the Cereol purchase price allocation.

In 2003, 2002 and 2001, Bunge paid income taxes, net of refunds, of \$112 million, \$14 million and \$16 million, respectively.

14. Financial Instruments

Bunge uses various financial instruments in its operations, including certain components of working capital such as cash and cash equivalents, trade 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 debt 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. Cash and cash equivalents, trade accounts receivable and accounts payables, marketable securities, short-term debt and all derivative instruments are carried at fair value. The fair values of all of Bunge’s derivative instruments are based on quoted market prices and rates and are reflected as mark-to-market adjustments to the carrying value in the consolidated financial statements.

Fair Value of Financial Instruments The carrying amounts and fair values of financial instruments were as follows:

(US\$ in millions)	December 31,			
	2003		2002	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Marketable securities	\$ 13	\$ 13	\$ 12	\$ 12
Long-term debt, including current portion	2,505	2,746	2,153	2,221

Cash and Cash Equivalents, Trade Accounts Receivable, Accounts Payable and Short-Term Debt The carrying value approximates the fair value because of the short-term maturity of these instruments. 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.

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

In 2003, Bunge reclassified from other comprehensive income (loss) to interest expense in the consolidated statement of income approximately \$2 million and expects to reclassify approximately \$2 million in 2004, relating to the amortization of treasury rate lock contracts. 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 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. 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 accumulated 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 accumulated other comprehensive income (loss) to interest expense in the consolidated statements 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 accumulated other comprehensive income (loss) to income. The amount remaining in other accumulated comprehensive income (loss) is commensurate with the actual debt issued.

15. Short-Term Debt and Credit Facilities

Short-term borrowings consist of the following:

(US\$ in millions)	December 31,	
	2003	2002
Commercial paper with an average interest rate of 1.14% at December 31, 2003	\$ 426	\$ 555
Lines of credit:		
Unsecured variable interest rates from 1.38% to 8.00%	460	684
Other	3	11
Total short-term debt	\$ 889	\$1,250

Bunge’s short-term borrowings, predominantly 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, 2003 and 2002 was 2.36% and 2.46%, respectively.

In connection with the financing of readily marketable inventories, Bunge recorded interest expense on debt financing readily marketable inventories of \$28 million, \$31 million and \$38 million for the years ended December 31, 2003, 2002 and 2001, respectively.

At December 31, 2003, Bunge had a \$600 million commercial paper program facility to fund working capital requirements. At December 31, 2003, Bunge had approximately \$380 million of unused and available borrowing capacity under its commercial paper program facility and other committed short-term lines of credit with a number of lending institutions.

16. Long-Term Debt

Long-term obligations are summarized below:

(US\$ in millions)	December 31,	
	2003	2002
Payable in U.S. Dollars:		
Senior notes, fixed interest rates of 4.38% to 7.80%, maturing 2007 through 2013	\$ 1,486	\$ 686
Convertible notes, fixed interest rate of 3.75%, maturing 2022	250	250
Senior notes, fixed interest rates from 7.23% to 7.94%, maturing through 2021	136	158
Trust certificates, fixed interest rates of 8.61%, payable 2005	18	125
Note collateralized by future export commodity contracts, fixed interest rate 8.09%, payable through 2006	54	72
Other notes payable, fixed interest rates from 5.42% to 7.96%, payable through 2008	76	21
Long-term debt, variable interest rates indexed to LIBOR ⁽¹⁾ plus 1.00% to 4.50%, payable through 2009	302	353
Other	5	139
Payable in Brazilian Reais:		
BNDES ⁽²⁾ loans, variable interest rate indexed to IGPM ⁽³⁾ plus 6.5%, payable through 2008	152	142
Other	24	24
Payable in Euros and Other Currencies:		
Senior notes, fixed interest rate of 8.70%, maturing 2005	–	171
Other	2	12
	2,505	2,153
Less: Installments due within one year	128	249
Total long-term debt	\$ 2,377	\$ 1,904

(1) LIBOR as of December 31, 2003 and 2002 was 1.16% and 1.38%, 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, 2003 and 2002 was 8.71% and 25.31%, respectively.

In December 2003, Bunge completed an offering of \$500 million aggregate principal amount of unsecured senior notes bearing interest at a rate of 4.375% per year that mature in December 2008. The notes were issued by Bunge’s wholly owned finance subsidiary Bunge Limited Finance Corp. and fully and unconditionally guaranteed by Bunge. Interest is payable semi-annually in arrears in June and December of each year, commencing in June 2004. Bunge used the net proceeds of this offering of approximately \$497 million to repay outstanding indebtedness.

In May 2003, Bunge completed an offering of \$300 million aggregate principal amount of unsecured senior notes bearing interest at a rate of 5.875% per year that mature in May 2013. The notes were issued by Bunge’s wholly owned finance subsidiary Bunge Limited Finance Corp. and fully and unconditionally guaranteed by Bunge. Interest is payable semi-annually in arrears in May and November of each year, commencing in November 2003. Bunge used the net proceeds of this offering of approximately \$296 million to reduce short-term borrowings and to repay the current portion of long-term debt coming due.

In 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”). The Notes were issued by Bunge’s wholly owned subsidiary Bunge Limited Finance Corp. and guaranteed by Bunge. The convertible notes are convertible at the option of the holder into common shares of Bunge at an initial conversion rate of 31.1137 common shares per \$1,000 principal amount of the Notes, which is equivalent to an initial conversion price of approximately \$32.1402 per share. 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.

At December 31, 2003, Bunge had approximately \$520 million of unused and available borrowing capacity under its committed long-term credit facilities with a number of lending institutions.

Bunge has issued parent level guarantees for the repayment of certain of its U.S senior debt and committed credit facilities with

a carrying amount of \$2,257 million at December 31, 2003. All outstanding debt related to these guarantees is included in the consolidated balance sheet at December 31, 2003. There are no significant restrictions on the ability of Bunge Limited Finance Corp. or any other Bunge subsidiary to transfer funds to Bunge.

Certain land, property, equipment, investments in consolidated subsidiaries and export commodity contracts, having a net carrying value of approximately \$631 million at December 31, 2003 have been mortgaged or otherwise collateralized against long-term debt of \$308 million at December 31, 2003.

Principal maturities of long-term debt at December 31, 2003 are as follows:

(US\$ in millions)	
2004	\$ 128
2005	375
2006	159
2007	131
2008	511
Later years	1,201
Total	\$2,505

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, 2003.

In 2003, 2002 and 2001, Bunge paid interest, net of interest capitalized, of \$152 million, \$134 million and \$228 million, respectively.

17. 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 \$146 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 29.5 to 40 basis points.

In 2003 and 2002, the outstanding undivided interests averaged \$125 million and \$123 million, respectively. Bunge retains collection and administrative responsibilities for the receivables in the pools. Bunge recognized \$3 million and \$1 million in related expenses for the years ended December 31, 2003 and 2002, respectively, 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, 2003 and 2002 were net of \$125 million and \$138 million, respectively, representing the outstanding undivided interests in pooled receivables.

18. Employee Benefit Plans

Employee Defined Benefit Plans Certain U.S., Canadian and European-based subsidiaries of Bunge sponsor noncontributory 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 policies for the defined benefit pension plans are 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. Assets of the plans consist primarily of fixed income and equity investments.

Postretirement Healthcare Benefit Plans Certain U.S.-based subsidiaries of Bunge have benefit plans to provide certain healthcare benefits to eligible retired employees of those subsidiaries. The plans require minimum retiree contributions and define the maximum amount the subsidiaries will be obligated to pay under the plans.

In 2003, Bunge recognized \$26 million in pretax curtailment gains for the defined benefit pension and postretirement healthcare plans, of which \$2 million was recognized in discontinued operations resulting from the sale of the U.S. bakery business. These gains largely resulted from a reduction in pension and postretirement healthcare benefit liabilities relating to the transfer of employees to Solae, Bunge’s joint venture and a reduction of postretirement healthcare benefits of U.S. employees.

In 2003, the defined benefit pension plans for all non-union U.S. employees were merged into one plan. In addition, certain postretirement healthcare benefits plans were amended, which reduced Bunge’s liability related to future retirees. These changes are reflected in the benefit obligations as of December 31, 2003.

The following table sets forth in aggregate a reconciliation of the changes in the plans’ benefit obligations, assets and funded status at December 31, 2003 and 2002 for plans with assets in excess of benefit obligations and plans with benefit obligations in excess of plan assets. The projected benefit obligation related principally to U.S. plans and therefore Bunge has aggregated U.S. and foreign plans for the following disclosures. A measurement date of September 30, 2003 was used for all plans.

(US\$ in millions)	Pension Benefits December 31,		Postretirement Benefits December 31,	
	2003	2002	2003	2002
Change in benefit obligations:				
Benefit obligation as of beginning of year	\$ 269	\$ 118	\$ 42	\$ 20
Service cost	8	5	1	1
Interest cost	16	11	2	2
Actuarial losses, net	40	10	3	1
Acquisition and purchase accounting adjustments	(9)	136	(3)	20
Plan amendments	9	1	–	–
Curtailment (gains)	(10)	–	(16)	–
Benefits paid	(12)	(7)	(2)	(1)
Impact of foreign exchange rates	7	(5)	–	(1)
Benefit obligation as of end of year	\$ 318	\$ 269	\$ 27	\$ 42
Change in plan assets:				
Fair value of plan assets as of beginning of year	\$ 183	\$ 98	\$ –	\$ –
Actual return on plan assets	27	(3)	–	–
Acquisition	–	94	–	–
Employer contributions	6	4	2	1
Benefits paid	(12)	(7)	(2)	(1)
Impact of foreign exchange rates	1	(3)	–	–
Fair value of plan assets as of end of year	\$ 205	\$ 183	\$ –	\$ –
Funded status and net amounts recognized:				
Plan assets less than benefit obligation	\$ (113)	\$ (86)	\$ (26)	\$ (42)
Unrecognized prior service cost	12	5	–	(3)
Unrecognized net actuarial losses (gains)	65	34	1	(1)
Unrecognized net transition asset	(2)	(2)	–	–
Net liability recognized in the balance sheet	\$ (38)	\$ (49)	\$ (25)	\$ (46)
Amounts recognized in the balance sheet consist of:				
Prepaid benefit costs	\$ 10	\$ 1	\$ –	\$ –
Accrued benefit cost	(92)	(69)	(25)	(46)
Intangible asset	11	3	–	–
Accumulated other comprehensive income	33	16	–	–
Net liability recognized	\$ (38)	\$ (49)	\$ (25)	\$ (46)

Bunge has aggregated certain pension plans with projected benefit obligations in excess of fair value of plan assets with pension plans that have fair value of plan assets in excess of projected benefit obligations. At December 31, 2003, the \$318 million projected benefit obligation includes plans with projected benefit obligations of \$305 million, which was in excess of the fair value of related plan assets of \$188 million. At December 31, 2002, the \$269 million projected benefit obligation includes plans with projected benefit obligations of \$255 million, which were in excess of the fair value of related plan assets of \$167 million.

The accumulated benefit obligation for the defined benefit pension plans was \$291 and \$221 at December 31, 2003 and 2002, respectively.

The following table summarizes information relating to aggregated pension plans with an accumulated benefit obligation in excess of plan assets.

	December 31,	
	2003	2002
Projected benefit obligation	\$ 304	\$ 255
Accumulated benefit obligation	277	159
Fair value of plan assets	188	102

notes to the consolidated financial statements

The components of net periodic costs are as follows:

(US\$ in millions)	Pension Benefits			Postretirement Benefits		
	Year Ended December 31,			Year Ended December 31,		
	2003	2002	2001	2003	2002	2001
Service cost	\$ 8	\$ 5	\$ 4	\$ 1	\$ 1	\$ –
Interest cost	16	11	8	2	2	2
Expected return on plan assets	(16)	(11)	(9)	–	–	–
Amortization of unrecognized prior service cost	1	1	1	–	–	–
Recognized net loss	1	–	–	–	–	–
Amortization of transition obligation	(1)	(1)	(1)	–	–	–
Net periodic benefit costs	\$ 9	\$ 5	\$ 3	\$ 3	\$ 3	\$ 2

Bunge has recorded a minimum pension liability 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. The accrued additional minimum pension liability at December 31, 2003 and 2002 was \$44 million and \$19 million, respectively. At December 31, 2003 and 2002, Bunge also recognized an intangible asset of \$11 million and \$3 million, respectively, related to unamortized prior service costs for which a minimum pension liability was recorded. At December 31, 2003 and 2002, Bunge recorded \$33 million and \$16 million, respectively, of the excess of the additional minimum pension liability over the amount recognized as an intangible asset in accumulated other comprehensive income (loss). Bunge recorded an increase in additional minimum pension liability of \$17 million and \$16 million for the years ended December 31, 2003 and 2002, respectively, which is included in other comprehensive income (loss).

The weighted average assumptions used in determining the actuarial present value of the projected benefit obligations under the defined benefit plans are as follows:

	At December 31,	
	2003	2002
Discount rate	6.0%	6.8%
Increase in future compensation levels	3.4%	4.5%

The weighted average assumptions used in determining the net periodic benefit cost under the defined benefit plans are as follows:

	Year Ended December 31,		
	2003	2002	2001
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%

The sponsoring subsidiaries select the expected long-term rate of return on assets in consultation with their investment advisors and actuaries. These rates are intended to reflect the average rates of earnings expected to be earned on the funds invested or to be invested to provide required plan benefits. The plans are assumed to continue in effect as long as assets are expected to be invested.

In estimating the expected long-term rate of return on assets, appropriate consideration is given to historical performance for the major asset classes held or anticipated to be held by the applicable plan trusts and to current forecasts of future rates of return for those asset classes. Cash flow and expenses are taken into consideration to the extent that the expected returns would be affected by them. Because assets are generally held in qualified trusts, anticipated returns are not reduced for taxes.

At December 31, 2003 and 2002, for measurement purposes, an 8% annual rate of increase in the per capita cost of covered healthcare benefits was assumed for 2004 and 2003, respectively. At December 31, 2003, the rate to which the cost trend rate was assumed to decrease was 6% for 2005 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, 2003:

(US\$ in millions)	One-percentage point increase	One-percentage point decrease
Effect on total service and interest cost components	\$ –	\$ –
Effect on postretirement benefit obligation	\$ 2	\$ 2

The pension plans weighted-average asset allocations at the end of the plan year for 2003 and 2002 by category are as follows:

Asset Category	Plan Assets at December 31,	
	2003	2002
Equities	58%	58%
Fixed income securities	41%	42%
Cash	1%	–%
Total	100%	100%

The trust funds are sufficiently diversified to maintain a reasonable level of risk without imprudently sacrificing return, with a target asset allocation of approximately 40% fixed income securities and approximately 60% equities. The investment managers select investment fund managers with demonstrated experience and expertise who select funds with proven performance for the implementation of the investment strategy. Investment policies have been provided to investment managers by the sponsoring subsidiaries. The investment managers consider both the actively and passively managed investment strategies and allocated funds across the asset classes to develop an efficient investment structure. Investment managers have been instructed not to invest plan assets in Bunge Limited shares.

Bunge expects to contribute \$9 million to its defined pension plans and \$2 million to its postretirement benefit plans in 2004. In addition, in 2004, Bunge expects to contribute \$6 million to a non-qualified plan for a 2004 lump-sum distribution from that plan.

Employee Defined Contribution Plans Bunge also makes contributions to qualified defined contribution plans for eligible employees. Contributions amounted to \$6 million, \$4 million, and \$2 million in 2003, 2002 and 2001, respectively.

19. Related Party Transactions

Mutual Investment Limited In June 2003, Bunge received \$55 million from its former sole shareholder, Mutual Investment Limited, as final payment of a long-term note receivable, relating to a capital contribution made in 2000. This \$55 million note receivable was included in shareholders’ equity at December 31, 2002. Bunge recorded interest income of \$1 million, \$3 million and \$6 million in 2003, 2002 and 2001, respectively, pertaining to the related party receivable. In December 2003, Bunge sold an inactive Netherlands subsidiary to Mutual Investment Limited for \$64,000 in connection with a reorganization of certain Mutual Investment Limited’s investments. In addition, Bunge has entered into an administrative services agreement with Mutual Investment Limited under which Bunge provides corporate and administrative services to Mutual Investment Limited, including financial, legal, tax, accounting, human resources administration, insurance, employee benefits plans administration, corporate communication and management information system services. The agreement has a quarterly term that is automatically renewable unless terminated by either party. Mutual Investment Limited pays Bunge for the services rendered on a quarterly basis based on our direct and indirect costs of providing the services. In 2003, Mutual Investment Limited paid Bunge \$661,000 under this agreement.

Other Bunge sells soybean meal and fertilizer products to Seara Alimentos S.A., a subsidiary of Mutual Investment Limited, engaged in the business of meat and poultry production. These sales were \$6 million, \$4 million and \$12 million for the years ended December 31, 2003, 2002 and 2001, respectively.

In addition, Bunge sold soybeans and related soybean products to Solae, which totaled \$62 million for the year ended December 31, 2003. Bunge also purchased soybean meal and soybean oil from Solae, which totaled \$62 million for the year ended December 31, 2003. Bunge believes these transactions are recorded at values similar to those with third parties.

20. 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, 2003 and 2002 are the following accrued liabilities:

(US\$ in millions)	December 31,	
	2003	2002
Tax claims	\$ 112	\$ 77
Labor claims	79	54
Civil and other	67	83
Total	\$ 258	\$ 214

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.

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.

Settlement of Ducros Arbitration In April 2003, Cereol and Cereol Holding France entered into a settlement agreement with McCormick & Company, Incorporated, McCormick France SAS and Ducros S.A. relating to a claim for €155 million brought by McCormick over the purchase price of Ducros, which was sold to McCormick in August 2000. Under the settlement agreement, Bunge paid McCormick \$57 million, which was included in the opening balance sheet of Cereol. In connection with the settlement, Bunge paid an additional purchase price to Edison S.p.A.

and Cereol’s former public shareholders of approximately \$42 million in the aggregate.

In addition, Cereol is involved in arbitration with its former joint venture partner over the final purchase price of Oleina Holding and related issues. Cereol purchased the 49% of Oleina it did not already own from its joint venture partner for \$27 million in February 2002. The final purchase price is subject to adjustments, and may be higher or lower than \$27 million depending upon the outcome of the dispute. We are entitled to be indemnified by Edison, from whom we purchased Cereol in October 2002, if the final purchase price exceeds \$39 million.

EBRD Put Option In connection with Cereol’s operations in Eastern Europe, Cereol entered into a joint venture with the European Bank for Reconstruction and Development, or EBRD, pursuant to which Bunge now owns approximately 60% and the EBRD owns approximately 40% of Polska Oil Investment B.V., or Polska Oil. Polska Oil, in turn, owns 50% of Zaklady Thuszczowe Kruszwica S.A., or Kruszwica, a Polish producer of bottled edible oils. Bunge also has a 32% additional direct interest in Kruszwica. Polska Oil and Kruszwica are consolidated subsidiaries of Bunge. Pursuant to an amended and restated shareholders agreement between Cereol and the EBRD, the EBRD has the option to put its shares in Polska Oil to Bunge at any time prior to June 3, 2005 at the then current fair market value as determined by an independent expert, subject to a floor and cap based on a contractual formula. At December 31, 2003, the estimated fair value of the EBRD stake in Polska Oil was approximately \$27 million.

Antitrust Approval of Manah Acquisition In April 2000, Bunge acquired Manah S.A., a Brazilian fertilizer company that had an indirect participation in Fosfertil. Fosfertil is the main Brazilian producer of phosphate used to produce NPK fertilizers. This acquisition was approved by the Brazilian antitrust commission in February 2004. The approval was conditioned on the formalization of an operational agreement between Bunge and the antitrust commission relating to the maintenance of existing competitive conditions in the fertilizer market. Although the terms of the operating agreement have not been finalized, Bunge does not expect them to have a material adverse impact on its business or financial results.

Guarantees In addition to the guarantees of its senior credit facilities and its senior notes (see Note 16) Bunge has issued or was a party to the following guarantees at December 31, 2003:

(US\$ in millions)	Maximum Potential Future Payments
Operating lease residual values	\$ 69
Unconsolidated affiliates financing	20
Customer financing	93
Total	\$ 182

Prior to January 1, 2003, Bunge 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. In 2003, Bunge recognized \$3 million from the amortization of these gains. 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 determined the fair value of these guarantees to be immaterial at December 31, 2003.

Prior to January 1, 2003, Bunge 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 six 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 \$1 million related to this guarantee at December 31, 2003.

Bunge 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. In the event that the customers default on

their payments to the institutions and Bunge would be required to perform under the guarantees, Bunge has obtained collateral from the customers. At December 31, 2003, the majority of these financing arrangements were collateralized by land and crop production. Bunge has determined the fair value of these guarantees to be immaterial at December 31, 2003.

In addition, certain of Bunge’s subsidiaries have provided guarantees of indebtedness of certain of their subsidiaries under certain lines of credit with various institutions. The total borrowing capacity under these lines of credit guarantees is \$270 million.

21. 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. The amount of the dividend is calculated based on alternative benchmark financing rates, certain actual expenses and a return. 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 preferred shares at both December 31, 2003 and 2002 was \$171 million and is reflected in minority interest in the consolidated balance sheets.

22. Shareholders’ Equity

Between July 5, 2001 and July 12, 2001, Bunge’s Board of Directors approved: (i) the exchange with Mutual Investment Limited 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 Limited effected a series of transactions that resulted in the pro rata distribution of the common shares of Bunge to the shareholders of Mutual Investment Limited. Prior to August 6, 2001, all of the common shares of Bunge were owned by Mutual Investment Limited, 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	Treasury Rate Lock Contracts	Minimum Pension Liability	Deferred Gain (Loss) on Investments	Accumulated Other Comprehensive Income (Loss)
Balance, January 1, 2001	\$ (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)
Other comprehensive income (loss)	489	(12)	2	(10)	1	470
Balance, December 31, 2003	\$ (609)	\$ (7)	\$ (19)	\$ (21)	\$ –	\$ (656)

Bunge has significant operating subsidiaries in Brazil, Argentina and Europe. The functional currency of Bunge’s subsidiaries is the local currency. The assets and liabilities of these subsidiaries are translated into U.S. dollars from local currency at month-end exchange rates, and the resulting foreign exchange translation gains and losses are recorded in the consolidated balance sheets as a component of accumulated other comprehensive income (loss).

23. Earnings Per Share

Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding, excluding any dilutive effects of stock options and restricted stock unit awards during the reporting period. Diluted earnings per share is 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, restricted stock awards and convertible notes (the “Notes” – see Note 16), 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.

In addition, the Notes are convertible into Bunge’s common shares at the option of a holder, among other circumstances, during any calendar quarter in which the closing price of Bunge’s common shares for at least 20 trading days of the last 30 trading days of the immediately preceding calendar quarter is more than 120% of the conversion price of \$32.1402 or approximately \$38.57 per share. If this condition for the conversion is met, then 7,778,425 shares of Bunge’s common shares issuable upon conversion would be included in diluted earnings per share, whether or not the conversion rights are exercised. The number of Bunge’s dilutive weighted average common shares outstanding for each period presented does not include the common shares that would be issuable upon conversion of these Notes, because in accordance with their terms, these Notes had not yet become convertible. The following table sets forth the computation of basic and diluted earnings per share for the years ended December 31, 2003, 2002 and 2001.

(US\$ in millions, except for share data)	Year Ended December 31,		
	2003	2002	2001
Income from continuing operations – basic and diluted	\$ 418	\$ 275	\$ 124
Weighted average number of common shares outstanding:			
Basic	99,745,825	95,895,338	71,844,895
Effect of dilutive shares	1,129,777	753,791	159,859
Diluted	100,875,602	96,649,129	72,004,754
Income from continuing operations per share:			
Basic	\$ 4.19	\$ 2.87	\$ 1.73
Diluted	\$ 4.14	\$ 2.85	\$ 1.72

24. 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, employees, consultants and independent contractors. Awards under the plan may be in the form of stock options (qualified or non-qualified), restricted stock units (performance-based or time vested) or other awards.

Stock Option Awards Generally, stock options to purchase shares of Bunge Limited common shares are non-qualified and granted at not less than fair market value on the date of grant, as determined under the Employee Plan. Options generally vest on a pro-rata basis over a three-year period on the anniversary date of the grant. Vesting may be accelerated in circumstances such as a change in control of Bunge.

Restricted Stock Units Performance-based restricted stock units and time-vested regular restricted stock units are granted to a limited number of key executives. The performance-based restricted stock units are awarded at the beginning of a three-year performance period and vest at the end of the three-year performance period. The vesting of the performance-based restricted stock units 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 unit 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 stock unit awards may be paid out, at the participant’s election, in cash only or a combination of cash and Bunge Limited common shares once the specified terms and conditions of the award are satisfied. At the time of pay out, a participant holding a vested performance-based restricted stock unit award will also be entitled to receive corresponding dividend equivalent payments.

The time-vested regular restricted stock unit awards are subject to vesting periods varying from three to four years and vest on a pro-rata basis over the applicable vesting period or at the end of the applicable vesting period. Vesting may be accelerated in certain circumstances such as a change in control of Bunge. The time-vested regular restricted stock units are paid out in Bunge Limited common shares once the applicable vesting terms are satisfied. At the time of pay out, a participant holding a time-vested restricted stock unit award will also be entitled to receive corresponding dividend equivalent payments.

Compensation expense related to these restricted stock unit 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 \$9 million, \$7 million and \$3 million for the years ended December 31, 2003, 2002 and 2001, respectively, for grants of restricted stock unit awards.

At December 31, 2003 and 2002, there were 452,862 and 534,224, respectively, restricted stock units granted that had not yet vested. During 2003, Bunge issued 168,432 shares with a weighted average fair value of \$25.61 per share pursuant to outstanding performance-based restricted stock unit awards that had become vested.

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 non-qualified 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 9,990,832 and 499,542 common shares for grants of stock options and other stock awards under Bunge’s Employee Plan and Directors’ Plan, respectively. At December 31, 2003, 6,162,272 common shares were available for grant under the Employee Plan and Directors’ Plan. Bunge’s Employee Plan and Directors’ Plan provide that up to 10.0% 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
Granted	1,123,800	25.22
Exercised	(407,653)	17.54
Forfeited	(21,666)	20.38
Expired	–	–
Options outstanding at December 31, 2003	3,875,240	\$ 20.57

Exercisable options:		
December 31, 2001	189,687	\$ 18.87
December 31, 2002	973,378	\$ 17.09
December 31, 2003	1,726,865	\$ 18.28

Information regarding stock options outstanding and exercisable at December 31, 2003 was as follows:

Range of Exercise Prices			
	\$15.88 - \$16.00	\$18.88 - \$21.61	\$21.62 - \$25.22
Options outstanding:			
Number	1,200,229	1,551,211	1,123,800
Weighted average exercise price	\$ 15.97	\$ 20.76	\$ 25.22
Weighted average remaining contractual life in years	6.7	7.1	8.8
Options exercisable:			
Number	810,019	876,846	40,000
Weighted average exercise price	\$ 15.97	\$ 20.11	\$ 25.22

25. Lease Commitments

Bunge routinely leases storage facilities, transportation equipment and office facilities under operating leases. Minimum lease payments under non-cancelable operating leases at December 31, 2003 were as follows:

(US\$ in millions)	
2004	\$ 68
2005	57
2006	52
2007	46
2008	36
Thereafter	60
Total	\$ 319

Rent expense under non-cancelable operating leases was \$62 million, \$52 million and \$43 million for 2003, 2002 and 2001, 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.

26. Long-Lived Asset Impairment and Restructuring Charges

In 2003, Bunge recorded a pretax impairment charge of \$40 million relating to its fixed assets at its European oilseed processing facilities. These facilities are older, less efficient crushing facilities, and these operations are dependent on soybeans imported from North and South America for production. The European operations experienced operating losses during 2003. During the fourth quarter, Bunge updated its operating forecast, which included the effects of certain events occurring in the fourth quarter, such as the shortfall in the North American soy crop, increased export tariffs for Brazilian soy exports, and increased freight rates. Furthermore, Bunge determined that maintenance capital expenditures for the facilities would be substantially higher than previously forecasted. As a result of these factors, Bunge tested the assets for impairment based upon an undiscounted cash flow model and determined that these cash flows would not recover the carrying value of the assets. The impairment was measured based upon the amount by which the carrying value exceeded the discounted cash flows.

In 2002, Bunge recorded a pretax impairment charge of \$5 million relating to its North American edible oil bottling facilities. The impairment charge was attributable to a planned disposal of an edible oil segment facility. The carrying value of these assets was written down to their estimated fair value at December 31, 2002.

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. 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. In 2001 Bunge recorded impairment charges and restructuring charges of \$44 million relating to 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, 2003, 2002 and 2001.

27. Argentina

In 2002, Bunge commenced and continues to record allowances against certain recoverable taxes owed to it by the Argentine government due to delayed payment and uncertainty regarding the local economic environment. The balance of these allowances fluctuates depending on the sales activity of existing inventories, the purchase of new inventories, seasonality, changes in applicable tax rates, cash payment by the Argentine government and compensation of outstanding balances against income or certain other taxes owed to the Argentine government. At December 31, 2003 and December 31, 2002, these allowances for recoverable taxes were \$25 million and \$64 million, respectively. In 2003, Bunge decreased this allowance for recoveries of these taxes in the amount of \$39 million as a result of either cash received by Bunge or compensation against taxes owed by Bunge to the Argentine government. In 2002, Bunge increased the allowance for provisions in the amount of \$44 million.

28. Operating Segments and Geographic Areas

In the first quarter of 2003, Bunge changed the name of its “wheat milling and bakery products” segment to “milling and baking products” in connection with the reclassification of its corn milling products business line from the “other” segment to the “milling and baking products” segment. As a result of this change, Bunge’s “other” segment reflects only its Brazilian soy ingredients business line, which was sold to The Solae Company, Bunge’s joint venture with DuPont, in May 2003. In the fourth quarter of 2003, Bunge changed the name of its “milling and baking products” segment to “milling products” in connection with the sale of its U.S. bakery business. The operating results of the disposed U.S. bakery business have been reported as discontinued operations for all periods presented. All these changes are reflected in 2003 and all prior year amounts have been reclassified to conform to the 2003 presentation.

In the fourth quarter of 2003, Bunge changed its presentation of segment information to include segment operating profit as a measure of segment profitability. Segment operating profit includes the financial costs of carrying operating working capital, including foreign exchange gains and losses and interest expense on debt financing working capital and interest income earned on working capital items, which is consistent with how management views the results for operational purposes.

With the completion of the sale of the Brazilian soy ingredients business and the sale of its U.S. bakery business, Bunge has four reporting segments – agribusiness, fertilizer, edible oils products and milling products, 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 milling products segment involves the manufacturing and marketing of products derived primarily from wheat and corn.

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, intersegment eliminations and principally the Solae joint venture. 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	Milling Products	Other	Unallocated	Total
2003							
Net sales to external customers	\$ 17,345	\$ 1,954	\$ 2,063	\$ 751	\$ 52	\$ –	\$ 22,165
Intersegment revenues	623	–	66	22	–	(711)	–
Gross profit ^{(1), (2)}	587	373	246	81	18	–	1,305
Foreign exchange gains (losses)	89	(20)	–	–	(1)	24	92
Interest income	32	53	6	–	–	11	102
Interest expense	(86)	(35)	(24)	(8)	(2)	(60)	(215)
Segment operating profit ⁽³⁾	274	242	64	30	8	–	618
Depreciation, depletion and amortization expense	(91)	(57)	(23)	(13)	–	–	(184)
Investments in affiliates	5	6	36	8	–	482	537
Total assets	6,177	1,738	908	324	–	737	9,884
Capital expenditures	\$ 169	\$ 73	\$ 48	\$ 14	\$ –	\$ –	\$ 304
2002							
Net sales to external customers	\$ 10,483	\$ 1,384	\$ 1,279	\$ 628	\$ 108	\$ –	\$ 13,882
Intersegment revenues	511	–	–	–	–	(511)	–
Gross profit	783	293	151	77	34	–	1,338
Foreign exchange gains (losses)	(171)	9	3	–	3	(23)	(179)
Interest income	22	36	1	2	–	10	71
Interest expense	(67)	(46)	(15)	(10)	(5)	(33)	(176)
Segment operating profit	283	192	6	18	22	–	521
Depreciation, depletion and amortization expense	(75)	(56)	(18)	(9)	(10)	–	(168)
Investments in affiliates	1	6	–	9	–	36	52
Total assets	4,883	1,259	1,409	276	320	202	8,349
Capital expenditures	\$ 137	\$ 58	\$ 16	\$ 12	\$ 17	\$ –	\$ 240
2001							
Net sales to external customers	\$ 8,412	\$ 1,316	\$ 872	\$ 621	\$ 81	\$ –	\$ 11,302
Intersegment revenues	317	–	–	–	18	(335)	–
Gross profit	510	280	85	68	28	–	971
Foreign exchange losses	(77)	(21)	(6)	(1)	(1)	(42)	(148)
Interest income	37	32	2	5	–	15	91
Interest expense	(126)	(59)	(8)	(11)	(3)	(16)	(223)
Segment operating profit	155	137	(4)	7	16	–	311
Depreciation, depletion and amortization expense	(62)	(60)	(19)	(17)	(5)	–	(163)
Investments in affiliates	15	14	–	–	–	–	29
Total assets	2,745	1,654	354	338	194	158	5,443
Capital expenditures	\$ 65	\$ 114	\$ 27	\$ 13	\$ 7	\$ –	\$ 226

(1) Agribusiness gross profit for the year ended December 31, 2003, included a pretax non-cash curtailment gain of \$15 million reflecting a reduction of pension and postretirement healthcare benefits of certain U.S. employees recorded in cost of goods sold. Edible oil products and milling products gross profit included a pretax non-cash curtailment gain of \$1 million and \$1 million, respectively, for year ended December 31, 2003, relating to the reduction of pension and postretirement healthcare benefits of certain U.S. employees recorded in cost of goods sold.

(2) In the fourth quarter of 2003, Bunge recorded in cost of goods sold in its consolidated statement of income a pretax goodwill impairment charge of \$16 million and a pretax long-lived asset impairment charge of \$40 million in its Agribusiness segment, relating to fixed assets at its European oilseed processing facilities (see Note 8 and Note 26). In the fourth quarter of 2002, Bunge recorded in cost of goods sold in its consolidated statement of income a pretax impairment charge of \$5 million, relating to its U.S. edible oil bottling facilities.

(3) Agribusiness segment profit for year ended December 31, 2003, included pretax non-cash curtailment gains totaling \$20 million reflecting a reduction of pension and postretirement healthcare benefit liabilities due to the transfer of employees to Solae and a reduction of pension and postretirement healthcare benefits of certain U.S. employees recorded in cost of goods sold and in SG&A. Edible oil products and milling products segment operating profit included total pretax non-cash curtailment gains of \$2 million and \$2 million, respectively, for the year ended December 31, 2003, relating to the reduction of pension and postretirement healthcare benefits of certain U.S. employees recorded in cost of goods sold and in SG&A.

notes to the consolidated financial statements

Reconciliation of segment profit to income from continuing operations before income taxes and minority interests follows:

		Year Ended December 31,	
(US\$ in millions)	2003	2002	2001
Segment operating profit	\$ 618	\$ 521	\$ 311
Gain on sale of Ingredients business	111	–	–
Unallocated expenses – net ⁽¹⁾	(6)	(40)	(47)
Income from continuing operations before income tax and minority interest	\$ 723	\$ 481	\$ 264

(1) Unallocated expenses – net included interest income, interest expense, foreign gains and losses and other income and expense not directly attributable to Bunge’s operating segments.

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

		Year Ended December 31,	
(US\$ in millions)	2003	2002	2001
Agricultural commodities products	\$ 17,345	\$ 10,483	\$ 8,412
Fertilizer products	1,954	1,384	1,316
Edible oil products	2,063	1,279	872
Wheat milling products	500	399	398
Corn milling products	251	229	223
Soy ingredient products	52	108	81
Total	\$ 22,165	\$ 13,882	\$ 11,302

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

		Year Ended December 31,	
(US\$ in millions)	2003	2002	2001
Net sales to external customers:			
United States	\$ 6,129	\$ 4,482	\$ 4,365
Brazil	3,894	3,253	3,268
Argentina	275	452	446
Canada	1,216	203	–
Europe	7,176	4,232	2,198
Asia	3,451	1,229	1,007
Rest of world	24	31	18
Total	\$ 22,165	\$ 13,882	\$ 11,302

		December 31,	
(US\$ in millions)	2003	2002	2001
Long-lived assets: ⁽¹⁾			
United States	\$ 1,052	\$ 726	\$ 485
Brazil	1,323	1,002	1,318
Argentina	80	53	57
Europe	302	394	–
Rest of world	110	98	4
Unallocated ⁽²⁾	–	89	–
Total	\$ 2,867	\$ 2,362	\$ 1,864

(1) Long-lived assets include property, plant and equipment, net, goodwill and other intangible assets, net and investments in affiliates.

(2) Unallocated purchase price relating to the Cereol acquisition (see Note 2 and Note 8).

29. Quarterly Financial Information

	Quarter				
(US\$ in millions, except per share data)	First	Second	Third	Fourth	Year End
	(Unaudited)				
2003					
Volumes (in millions of metric tons)	22.7	27.8	28.9	27.6	107.0
Net sales	\$ 4,842	\$ 5,181	\$ 5,784	\$ 6,358	\$ 22,165
Gross profit ^{(1), (2)}	273	268	370	394	1,305
Discontinued operations ⁽³⁾	(1)	(1)	(2)	(3)	(7)
Income before cumulative effect of change in accounting principles ⁽⁴⁾	40	182	89	100	411
Net income	\$ 40	\$ 182	\$ 89	\$ 100	\$ 411

Earnings per common share – basic

Income before cumulative effect of change in accounting principles	\$.40	\$ 1.83	\$.89	\$ 1.00	\$ 4.12
Net income per share	\$.40	\$ 1.83	\$.89	\$ 1.00	\$ 4.12

Earnings per common share – diluted

Income before cumulative effect of change in accounting principles	\$.40	\$ 1.80	\$.88	\$.99	\$ 4.07
Net income per share	\$.40	\$ 1.80	\$.88	\$.99	\$ 4.07

Weighted average number of shares outstanding – basic	99,585,790	99,696,727	99,812,000	99,884,771	99,745,825
Weighted average number of shares outstanding – diluted	100,502,130	100,923,462	101,223,850	101,061,744	100,875,602
Market price:					
High	\$ 27.30	\$ 30.35	\$ 30.95	\$ 33.00	
Low	\$ 23.90	\$ 24.73	\$ 27.37	\$ 26.29	

2002

Volumes (in millions of metric tons)	14.5	23.5	21.3	26.5	85.8
Net sales	\$ 2,638	\$ 3,053	\$ 3,556	\$ 4,635	\$ 13,882
Gross profit ^{(1), (2)}	185	321	498	334	1,338
Discontinued operations ⁽³⁾	–	1	1	1	3
Income before cumulative effect of change in accounting principles	36	50	95	97	278
Cumulative effect of change in accounting principles ⁽⁵⁾	(23)	–	–	–	(23)
Net income	\$ 13	\$ 50	\$ 95	\$ 97	\$ 255

Earnings per common share – basic

Income before cumulative effect of change in accounting principles	\$.42	\$.50	\$.96	\$.98	\$ 2.90
Net income per share ⁽⁶⁾	\$.15	\$.50	\$.96	\$.98	\$ 2.66

Earnings per common share – diluted

Income before cumulative effect of change in accounting principles	\$.42	\$.50	\$.95	\$.97	\$ 2.88
Net income per share ⁽⁶⁾	\$.15	\$.50	\$.95	\$.97	\$ 2.64

Weighted average number of shares outstanding – basic	85,580,221	99,249,886	99,250,814	99,312,651	95,895,338
Weighted average number of shares outstanding – diluted	86,270,679	100,076,636	100,017,645	100,420,627	96,649,129
Market price:					
High	\$ 24.00	\$ 23.88	\$ 24.20	\$ 26.00	
Low	\$ 18.60	\$ 19.65	\$ 17.79	\$ 21.77	

(1) Interest income on advances to suppliers, previously recorded in interest income in non-operating income (expense) – net on Bunge’s consolidated statements of income has been reclassified to gross profit to reflect the operational nature of this item. In 2003, Bunge reclassified \$8 million, \$6 million, \$7 million and \$9 million for the first, second, third and fourth quarters, respectively. In 2002, Bunge reclassified \$6 million, \$6 million, \$6 million and \$6 million for first, second, third and fourth quarters, respectively.

(2) In the fourth quarter of 2003, Bunge recorded in cost of goods sold in its consolidated statement of income a pretax goodwill impairment charge of \$16 million and a pretax long-lived asset impairment charge of \$40 million in its Agribusiness segment, relating to fixed assets at its European oilseed processing facilities (see Note 8 and Note 26). In the fourth quarter of 2002, Bunge recorded in cost of goods sold in its consolidated statement of income a pretax impairment charge of \$5 million, relating to its U.S. edible oil bottling facilities.

(3) In 2003, Bunge recorded a \$7 million loss on discontinued operations, net of tax benefit of \$5 million on the disposal of discontinued operations, relating to its U.S. bakery business sold on December 31, 2003 (see Note 3). In connection with this transaction, the previously reported first, second and third quarters of 2003 and all 2002 quarters have been reclassified to reflect this transaction.

(4) In the second quarter of 2003, Bunge recognized a non-taxable gain on sale of \$111 million, relating to Bunge’s sale of its Brazilian soy ingredients business (see Note 2).

(5) 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 9). The results of the first quarter of 2002 have been restated to reflect the impact of the SFAS No. 143 adoption. Cumulative effect of change in accounting principles, net income, cumulative effect of change in accounting principles per share-basic and net income per share – basic as previously reported were \$(14) million, \$22 million, \$(.16) and \$.26, respectively.

(6) Net income per share for both basic and diluted is computed independently for each period presented. As a result, the sum of net income per share for the year ended December 31, 2002 does not equal the total computed for the year.

30. Subsequent Events

On February 27, 2004, Bunge paid a regular quarterly cash dividend of \$.11 per share to shareholders of record on February 13, 2004. On March 12, 2004, Bunge announced that it will pay a regular quarterly cash dividend of \$.11 per share on June 1, 2004 to shareholders of record on May 17, 2004.

Acquisition of Kama Foods In March 2004, Bunge announced the signing of a preliminary agreement to acquire Polish edible oil and margarine producer Kama Foods from bankruptcy receivership, by EWICO, a Polish limited liability company. Bunge currently owns 50% of EWICO, with the remaining shares owned by an individual investor. Under the terms of the agreement, EWICO will purchase the assets of Kama Foods free and clear of all debts and liabilities for approximately 81 million PLN, or approximately \$21 million, with 20 million PLN, or approximately \$5 million, payable on execution of the preliminary agreement. The transaction is expected to close by the end of June 2004, at which time EWICO will pay the outstanding balance. Since March 1, 2004, EWICO has been operating Kama Foods under a lease agreement.

independent auditors’ report

To the Board of Directors and Shareholders of Bunge Limited

We have audited the accompanying consolidated balance sheets of Bunge Limited and Subsidiaries (the “Company”) as of December 31, 2003 and 2002, and the related consolidated statements of income, cash flows, and shareholders’ equity for each of the three years in the period ended December 31, 2003. 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, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003 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.

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March 12, 2004

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Board of Directors

Alberto Weisser *Chairman of the Board and CEO*
Jorge Born, Jr. *Deputy Chairman*

Ernest G. Bachrach
Enrique H. Boilini
Michael H. Bulkin
Octavio Caraballo
Francis Coppinger
Bernard de La Tour d'Auvergne Lauraguais
William Engels
Paul H. Hatfield
Carlos Braun Saint

Stock Listing

New York Stock Exchange
Ticker Symbol: BG



Transfer Agent

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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, White Plains, NY 10606 United States.

Annual Meeting

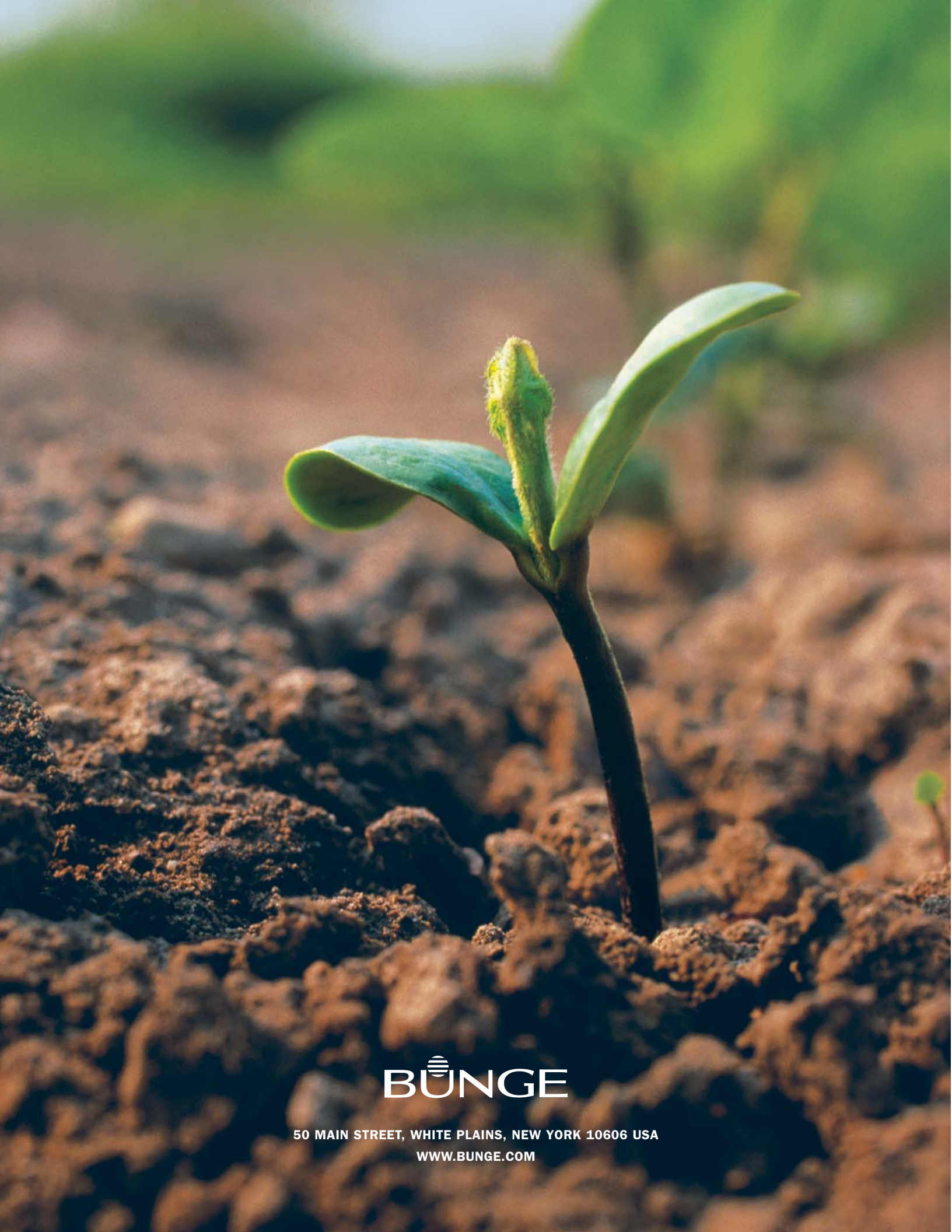
The annual meeting will be held on May 28, 2004 at 10 a.m. at the Sofitel, 45 West 44th Street, New York, NY, United States. See the proxy statement for additional information.

Independent Auditors

Deloitte & Touche LLP, New York, NY, United States

Web Site

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 **BUNGE**

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