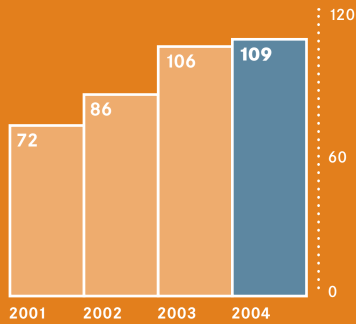
Partnering for the Future

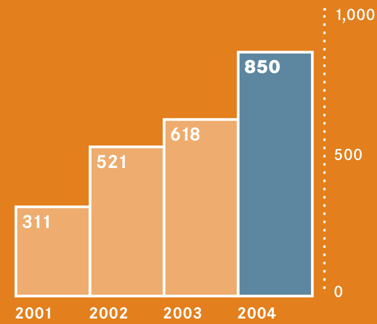
2004 ANNUAL REPORT

BUNGE

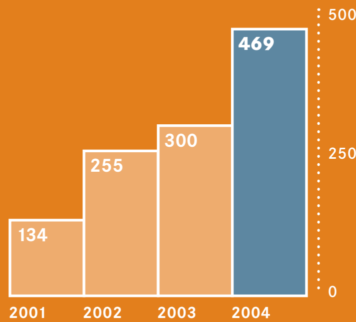
Financial Highlights



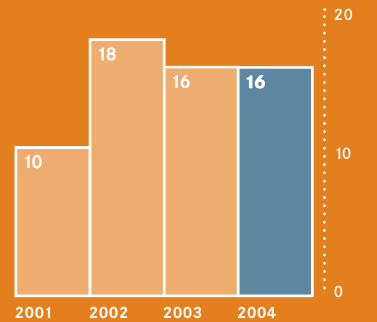
volumes
millions of metric tons



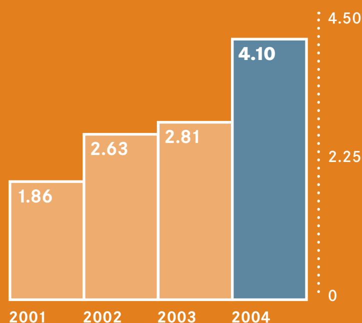
total segment operating profit[(a)]
US$ in millions



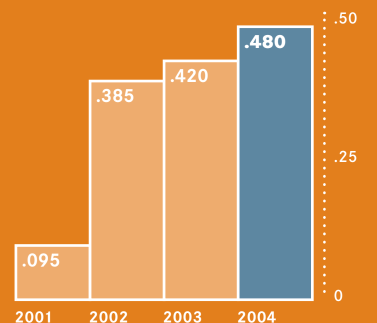
net income[(c)]
US$ in millions



return on shareholders' equity[(d)]
%



eps fully diluted[(b)(c)]
US$



cash dividends per share
US$

(US$ in millions, except share data)	2004	2003	2002
		Year Ended December 31,	
SELECTED OPERATING DATA, EXCLUDING ONE-TIME GAIN:			
Volumes (in millions of metric tons)	**109**	106	86
Net sales	**$ 25,168**	$ 22,165	$ 13,882
Total segment operating profit[(a)]	**850**	618	521
Income from continuing operations before income tax and minority interest	**904**	723	481
Net income	**$ 469**	$ 300	$ 255
Diluted earnings per share[(b)]	**$ 4.10**	$ 2.81	$ 2.63
RECONCILIATION TO REPORTED NET INCOME			
Net income before one-time gain	**$ 469**	$ 300	$ 255
Gain on sale of soy ingredients business	**–**	111	–
Net Income	**$ 469**	$ 411	$ 255
Diluted earnings per share before one-time gain	**$ 4.10**	$ 2.81	$ 2.63
Gain on sale of soy ingredients business	**–**	1.02	–
Diluted earnings per share[(b)]	**$ 4.10**	$ 3.83	$ 2.63
Diluted weighted average number of shares outstanding[(b)]	**115,674,056**	108,654,027	97,395,005
FINANCIAL POSITION			
Working capital	**$ 2,766**	$ 2,481	$ 1,655
Property, plant and equipment, net	**2,536**	2,090	2,056
Total assets	**10,907**	9,884	8,349
Long-term debt	**2,600**	2,377	1,904
Minority interest	**280**	554	495
Shareholders' equity	**$ 3,375**	$ 2,377	$ 1,472
OTHER INFORMATION			
Number of employees	**24,621**	23,295	24,207

(a) See page 36 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) Includes 7,778,425 common shares issuable on conversion of Bunge's 3.75% convertible notes due 2022. EPS for 2003 and 2002 were revised from the amount previously reported to reflect the 7,778,425 common shares issuable on conversion of the convertible notes. See notes 1 and 24 to the Notes to Consolidated Financial Statements.

(c) 2003 excludes an after tax gain on the sale of the Brazilian soy ingredients business of $111 million, or $1.02 per fully diluted share.

(d) The calculation of return on shareholders' equity excludes losses in 2003 of $7 million from discontinued operations and gains of $3 million in 2002 and 2001, respectively, from discontinued operations and 2003 also excludes the $111 million gain on the sale of the Brazilian soy ingredients business.

Dear Shareholders,

2004 was yet another outstanding year for Bunge. We earned $469 million, which represents a 56 percent increase over 2003, if you exclude that year's gain on the sale of our soy ingredients business. We also created significant value for our shareholders. Return on shareholders' equity was a solid 16 percent; return on invested capital was 11 percent, well beyond our goal of two points over weighted average cost of capital; and our quarterly dividend increased by 18 percent.

We performed well despite a challenging industry landscape. 2004 was a volatile year. A short crop in the United States caused big price swings for soybeans. Ocean freight rates moved dramatically. Trade with China suffered from disruptions; and issues, including Asian rust, trans fats and biotechnology, continued to influence the industry.

With few exceptions, it was a strong year across the company. Our fertilizer division performed particularly well; our Canadian businesses posted outstanding results; and our risk management and ocean freight functions navigated through the year with expertise.

Our unique operating model contributed greatly to our overall performance. Our integrated and balanced operations enabled us to capture value at numerous points on the food production chain and generate earnings across geographies and products.

Our decentralized organization, common mission and shared values of openness, trust and teamwork kept us agile and responsive to opportunities.

Most important, however, was our team. Bunge is comprised of a superb group of talented individuals. Their hard work was, and is, responsible for our success.

Refining Bunge's operating model is one of the four parts of our global strategy. The other parts are positioning the company for growth, focusing relentlessly on efficiency, and improving customer service and quality. We continued to implement each in 2004.

We spent a record $437 million in capital expenditures last year. Much of this was dedicated to building our business in promising growth markets. A number of investments were directed toward Bunge's expansion in Eastern Europe, which will improve our geographic balance and position us in a growing market for both origination and consumption.

We also ramped up the activities of our global productivity initiatives and formed a number of strategic partnerships that will provide growth opportunities and improve Bunge's efficiency, customer service and product quality.

We work hard to be a good partner with companies, customers, employees and others. Partnerships help us access new markets, technologies and skills, and produce benefits for our communities. This year's annual report highlights some of the many ways Bunge partners to create value.

Our 2004 results strengthen our belief that Bunge's strategy is on target. As shareholders, you can expect us to continue to pursue it.

In 2005, look for Bunge to make additional investments in key growth markets. Our industry benefits from healthy, organic growth rates, but we intend to outpace them. Also expect continued focus on improving efficiency, quality and service. We made progress in these areas in 2004, but recognize that we can do more. Lastly, expect us to stay true to the operating model that has been instrumental to our success.

If we do these things well, 2005 should bring excellent results for Bunge and additional value for our shareholders.

As always, we thank you for the confidence you have placed in us.

Sincerely,

ALBERTO WEISSER
CHAIRMAN & CHIEF EXECUTIVE OFFICER
BUNGE LIMITED
APRIL 11, 2005

Our Global Strategy

GROWTH

We will build leading positions in our industry's fastest-growing markets.

EFFICIENCY

We will work relentlessly to reduce costs and improve productivity.

SERVICE & QUALITY

• • •

We will deliver the highest quality service and products so farmers and customers turn to us first.

OPERATING MODEL

• • •

We will enhance the integration of our operations, stay true to our decentralized structure and core values, and maintain a clear, common mission.

OUR GOAL IS TO BECOME THE WORLD'S BEST AGRIBUSINESS AND FOOD COMPANY AS MEASURED BY: CUSTOMER AND FARMER SATISFACTION, OPERATIONAL EXCELLENCE, FINANCIAL RETURNS AND MOTIVATED EMPLOYEES.

Partnering to Capture Growth

We intend to exceed our industry's long-term, organic growth rates. To do so, we are building our business in the world's top growth markets and creating local partnerships to help us succeed.

LIEPAJA, LATVIA

MORE PEOPLE EATING HEALTHIER DIETS EVERY YEAR

WITH GLOBAL POPULATION, GROSS DOMESTIC PRODUCT (GDP) and per capita income rising steadily, Bunge's three businesses–agribusiness, fertilizer and food products–are well positioned for growth.

As higher incomes, especially in the developing world, allow people to increase their consumption of meat, the market for soybean meal, the primary protein component in commercial animal feed, should grow. Last year, according to the USDA, the world consumed 130 million tons of soybean meal, up from 118 million in 2000. Future growth is forecast to top four percent per annum.

Demand for vegetable oil should increase at a similar rate. Growth will be particularly strong in China and India. Last year, global consumption reached 100 million tons, up from 89 million tons in 2000.

Total agricultural trade is also expected to increase, as the majority of growth in food consumption occurs away from primary growing areas.

One of these areas, South America, is cementing its position as the world's leading agricultural producer. Both Brazil and Argentina produced large soybean crops in 2004, and their output is expected to grow steadily in coming years.

In Brazil, where most soil is nutrient deficient, production growth brings increased fertilizer use. In 2004, fertilizer consumption was nearly 23 million tons–a 39 percent increase over 2000.

These global trends represent strong growth, but we intend to exceed them. In 2004, we took numerous steps to improve Bunge's positions in the world's fastest-growing and most valuable markets.

In Vietnam, we signed an exclusive throughput agreement

with Phu My Port, the leading port for dry bulk cargo in the country. Vietnam is the fastest-growing market for soybean meal consumption in Southeast Asia, a region that has seen a 40 percent increase in demand for the product since 1999 and in which Bunge is the leading importer.

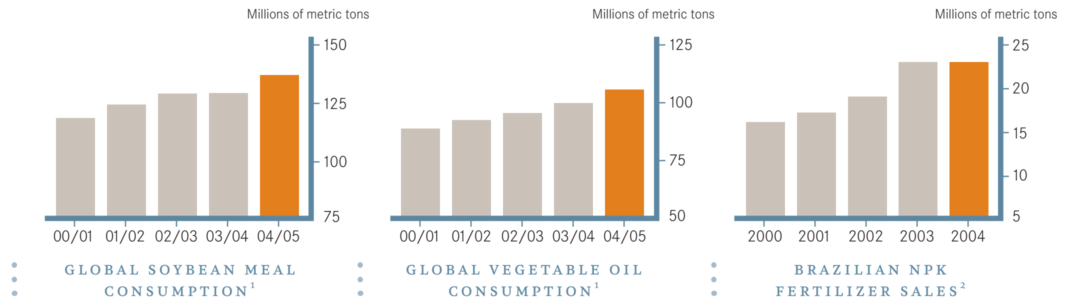
In the U.S., we formed AGRI-Bunge, LLC, a joint venture with AGRI Industries. The partnership links AGRI's crop origination network in Iowa with Bunge's global sales, marketing and logistics. The result is a new source of crops for Bunge and wider market access for AGRI and U.S. farmers.

We also entered the value-added market for cholesterol-reducing phytosterol ingredients by creating a partnership with Procter & Gamble and Peter Cremer North America.

SPOTLIGHT ON EASTERN EUROPE

Our strategy in Eastern Europe is an example of how Bunge moves to capitalize on high-growth markets.

Eastern Europe is endowed with fertile soil, room for yield and efficiency improvements, and strategic access to growing consumption markets, which together give it the potential to regain its status as one of the world's breadbaskets. The USDA predicts that grain exports from Black Sea nations



GLOBAL SOYBEAN MEAL CONSUMPTION[1]

GLOBAL VEGETABLE OIL CONSUMPTION[1]

BRAZILIAN NPK FERTILIZER SALES[2]

could rise to a level between 30 and 40 million metric tons per annum by 2013–up from an average of around seven million tons between 1996 and 2000.

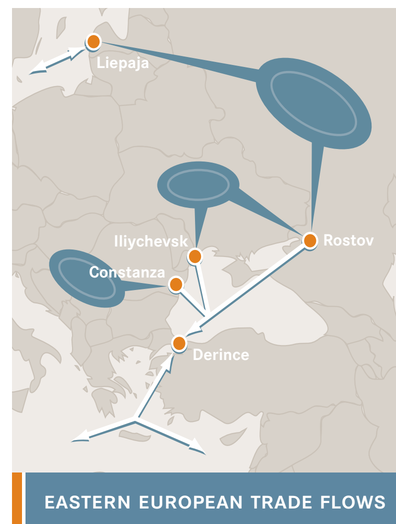
The Middle East and North Africa will help fuel this growth. These regions already are large grain importers, and their population and GDP growth rates are above world averages. Their geographic proximity make them ideal export destinations for Eastern Europe.

Efficient logistics are essential to unlocking Eastern Europe's potential. Since the beginning of 2004, we have improved Bunge's position in the region's ports. We built a grain terminal in Liepaja, Latvia; purchased one in Rostov, Russia; and signed throughput agreements with facilities in Iliychevsk, Ukraine, and Constanza, Romania. Together with our existing terminal in Derince, Turkey, these assets and agreements form a network that improves Bunge's ability to handle trade to and from Eastern Europe.

We have also expanded our origination operations by acquiring grain elevators in Ukraine and Romania.

Eastern Europe also benefits from growth in demand. Per capita vegetable oil consumption is increasing in the region. Bunge established a market-leading position with our 2002 acquisition of Cereol, and we built upon this foundation in 2004.

Through a joint venture, we purchased Kama Foods and strengthened our crushing and refining operations in Poland. We broadened our product portfolio by acquiring exclusive rights to Ideal™, a premium sunflower oil brand, in Russia and the CIS states; and in early 2005, we started work on a multi-seed crushing plant in Iliychevsk, Ukraine that will help to supply our bottled oil business in the region.



EASTERN EUROPEAN TRADE FLOWS

[1] USDA (represents Oct. to Sept. marketing years; 2004/05 estimated); [2] ANDA

Partnering to Increase Efficiency

Agribusiness is a capital-intensive, volume-driven business so efficiency is critical. With our partners, we leverage combined capabilities to generate productivity we could not realize alone.

MARINGÁ, PARANÁ, BRAZIL

WE ARE COMMITTED TO CONTINUOUS IMPROVEMENT IN EFFICIENCY

BUNGE DESIGNED ITS INTEGRATED OPERATIONS TO CREATE natural efficiencies. Fertilizer and agribusiness share a focus on the farmer; agribusiness supplies low-cost inputs for food products; and global logistics and risk management overlay our entire business.

We realize, however, that we can do more. As a result, we are committed to continuously improving efficiency by strengthening our processes, teamwork and assets.

GLOBAL INITIATIVES

Bunge's five global initiatives–Productivity, Quality, Safety and Environment (PQSE); Logistics; Information Technology (IT); People Development; and Innovation–provide a framework for increasing efficiency. The initiatives improve core processes by identifying best practices from within the company and around the world, and promoting them throughout Bunge. True to our decentralized structure, employees drive the initiatives at the local level, where market visibility and agility are greatest and savings most achievable.

In 2004, the PQSE working groups–procurement, grain handling, oilseed crushing, refining, safety and health, food and feed safety, environment, and sustainable development–identified new approaches in their areas and began the rollout of pilot projects throughout the company. The Logistics initiative ran successful, and profitable, field trials of enhanced loading techniques at ports. The IT initiative enhanced our global online logistics and freight management system.

SPOTLIGHT ON SOUTH AMERICA

Developing efficient logistics is critical in South America. In the next five years, the USDA predicts that South American agricultural exports will increase by more than 30 million tons. With this growth comes a challenge: how to ensure that transport systems, already strained in some areas, keep pace with increasing production.

As the largest agricultural exporter in South America, Bunge must meet this challenge. We are investing to do so. Inland transport is an important part of the equation. On average, crops travel more than 1,000 km from farm to export terminal in Brazil. Today, more than 65 percent of the country's agricultural products are carried by truck. Truck freight is less reliable, harder on the environment and about 15 percent more expensive than rail.

To help develop future rail capacity, Bunge entered into a long-term relationship with América Latina Logística (ALL) in 2004. ALL owns and operates railway networks in the southern Brazilian states of Paraná, Santa Catarina and Rio Grande do Sul. Through the partnership, ALL guarantees Bunge significant future capacity, at competitive rates, on vital rail lines that carry crops from inland growing areas in the south, and from Mato Grosso and Goías, to ports on the coast. In return, Bunge commits to ship increasing volumes of fertilizer and agricultural products

RAMALLO, BUENOS AIRES, ARGENTINA

on ALL trains for the next two decades. ALL will leverage these volume commitments to acquire new rolling stock. By 2010, ALL trains will carry more than 13 million tons of Bunge products, up from around five million in 2004.

The results are lower costs and improved reliability for Bunge, farmers and customers, as well as a better rail network for southern Brazil.

Ports are also key. This is especially true in Argentina, which exports more than 90 percent of its soy products. Because its agricultural production areas are close to major waterways, the country is a natural exporter. The addition of large, efficient port terminals accentuates this advantage.

In 2004, Bunge began construction on a high-volume export terminal and storage facility in the town of Ramallo. The facility will handle grains, soybean meal and soybean oil from the underserved Buenos Aires province. Although Buenos Aires produces 35 percent of Argentina's agricultural output, only five percent is loaded there. The addition of Bunge's Ramallo facility will improve the efficiency of our agribusiness operations, boost the province's export capabilities and provide economic benefits to Ramallo itself, a town of only 10,000 residents.

Partnering with Customers

Developing collaborative relationships with customers and farmers is a core value for Bunge. Doing so benefits everyone by helping us deliver better quality products and services.

TORONTO, CANADA

A FOCUS ON FARMERS AND CUSTOMERS IS ONE OF BUNGE'S CORE VALUES

DEDICATION TO OUTSTANDING CUSTOMER SERVICE AND product quality lies at Bunge's core. Customer and farmer satisfaction is one of four ways we gauge progress toward our goal of becoming the world's best agribusiness and food company, and we are committed to continuous improvement in quality through our global initiatives.

WHY PARTNER?

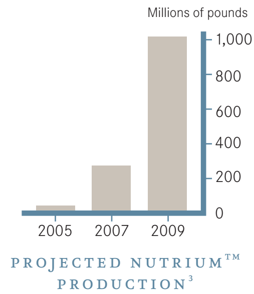
Our industry is complex. As global trade increases, more commodity food products are moving among more parties and across greater distances. Small disruptions can cause large movements in price, affect freight availability or change risk management equations. At the same time, concern over food and feed safety is increasing the need for reliable and traceable supply chains; and new premium products are creating independent markets that can stretch from farm to consumer.

Bunge has a track record of forming partnerships with customers and others to develop the products, skills and technologies to meet these challenges.

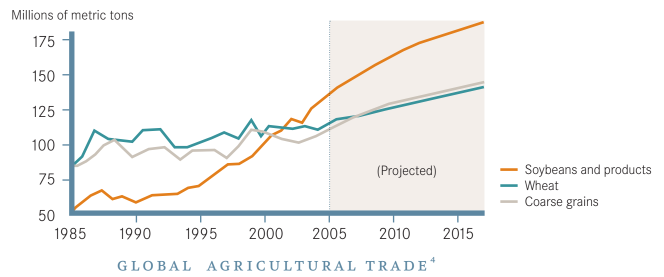
A history of strong relationships with farmers anchors our entire business. In addition to buying crops, we provide farmers with market access and intelligence. In Brazil, where Bunge is the largest fertilizer manufacturer, we supply farmers with a full portfolio of products and services, including crop nutrients and chemicals, agronomic services and financing.

For commodity customers, Bunge creates long-term supply arrangements that can include trade structured financing and risk management services. We also operate identity preservation (IP) systems.

When, in 2001, retailers in the United Kingdom began requesting poultry fed with non-biotech soybean meal, Bunge responded. We created a hard-IP system that delivers non-biotech meal from Brazil to our warehouse in Tilbury, England, and on to customers with complete security and traceability. Since its inception, we have more than doubled the annual volume of product sold through the system.



PROJECTED NUTRIUM™ PRODUCTION[3]



GLOBAL AGRICULTURAL TRADE[4]

FARM FIELD, BRAZIL

SPOTLIGHT ON OILS

Growing demand for reduced trans fat foods among consumers and a 2006 U.S. trans fat labeling law are driving companies to find alternatives that minimize these fats while preserving taste. Developing oils that can accomplish this at the right price is a major challenge.

Bunge has moved to provide customers with solutions. We have developed a portfolio of products that reduce or virtually eliminate trans fats and can be used in baking, frying and confectionary applications. These products have been created through a variety of means, including the use of advanced seeds like high-oleic canola, special oil blends and new manufacturing processes.

The centerpiece of our efforts is NUTRIUM™ low-linolenic soybean oil, which was developed through our alliance with DuPont.* NUTRIUM contains less than three percent linolenic acid, making it naturally stable and eliminating the need for partial hydrogenation when it is used as a frying oil. We expect to produce one billion pounds of NUTRIUM by 2009.

Bunge and DuPont's collaboration on NUTRIUM epitomizes the way in which partnerships can benefit customer service and quality. By linking DuPont's plant science with Bunge's agribusiness and oilseed processing operations, and by contracting with farmers to grow low-lin soybeans, the alliance mobilizes the entire food production chain for the customer's benefit.

A partnership with customers is also essential. Developing and marketing an oil like NUTRIUM is not just about processing, packaging and shipping. It requires intensive cooperation between supplier and customer to ensure that oil performance is ideal, that the taste and appearance of trusted brands remain true to consumer expectations, and that all of these things are achieved economically.

**NUTRIUM™ is a trademark of Pioneer Hi-Bred International, Inc.; [3] Bunge; [4] USDA*

Partnering at Bunge

We value collaboration. Our integrated and decentralized structure is based on it; we cultivate it among team members; and we strive for it with our partners, customers and farmers.

BUNGE FORUM ON LIPID NUTRITION, CHICAGO, USA

OUR DECENTRALIZED APPROACH MAKES US AGILE AND RESPONSIVE

BUNGE'S INTEGRATED OPERATIONS ENABLE US TO INCREASE efficiency and capture value at many points along the food production chain. Our approach–a decentralized organization linked by a common mission and shared values–keeps us focused and agile enough to take advantage of opportunities quickly and decisively.

Bunge is the only fully integrated fertilizer manufacturer in Brazil. Our local phosphate mines allow us to reduce logistics costs and ensure reliable supply. Integrating our fertilizer and agribusiness operations enables us to provide complete service to farmers, improve cash flow, lower risk and secure the large volume of agricultural products that make our asset base perform efficiently.

Integration allows us to source products from multiple regions and ensure product availability for customers. Because we manage the food production chain from origin to destination, we can minimize shipment time while ensuring traceability and quality.

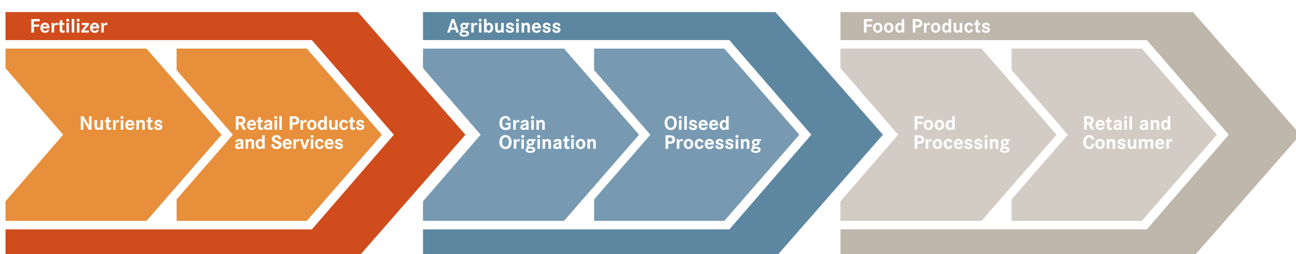
Downstream integration creates similar advantages. Our agribusiness operations provide low-cost inputs for our food products business and, at the same time, our bottled oils and commercial products capture end-customer demand that helps to drive the entire production chain.

LEADERSHIP DEVELOPMENT PROGRAM, ST. LOUIS, USA

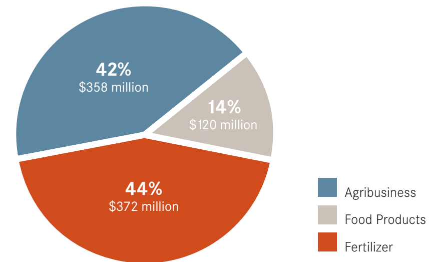
The assets and information technology of Bunge's logistics network create additional linkages among our businesses. We continually make improvements to the network. The results are tangible. We generated around $10 million in savings by increasing backhauls, improving turn times in ports, and optimizing freight and port capacity utilization.

SPOTLIGHT ON LEADERSHIP DEVELOPMENT

Our company is decentralized. We maintain a small corporate headquarters and keep operational decision making at the local level, where market sensitivity is greatest. We believe that a common mission and shared values can guide and motivate our team more effectively than hierarchy. We find that this approach increases our speed, agility and creativity.



VALUE THROUGH INTEGRATION



2004 OPERATING PROFIT BY DIVISION

Utilizing a decentralized model requires talented managers who live by our values, understand our vision and have the drive to carry it out.

Bunge created the Leadership Development Program (LDP) to strengthen these attributes among our managers and to forge the bonds that make our team truly collaborative. The LDP convenes in the U.S., Brazil and Spain. Its curriculum was developed in partnership with Washington University in St. Louis, Fundação Dom Cabral and ESADE Business School.

LDP classes include approximately 24 managers, chosen from around the world. Each class takes part in a series of three one-week sessions over the course of a year. The sessions focus on formulating innovative strategy, executing that strategy through process and system management, and managing teams to maximize organizational effectiveness.

Senior executives play active roles: CEO Alberto Weisser discusses Bunge's global strategy with each class; members of the Executive Committee lead sessions on specific topics; and members of the Board of Directors chair a discussion on corporate governance.

More than 250 managers have completed or are currently attending the LDP.

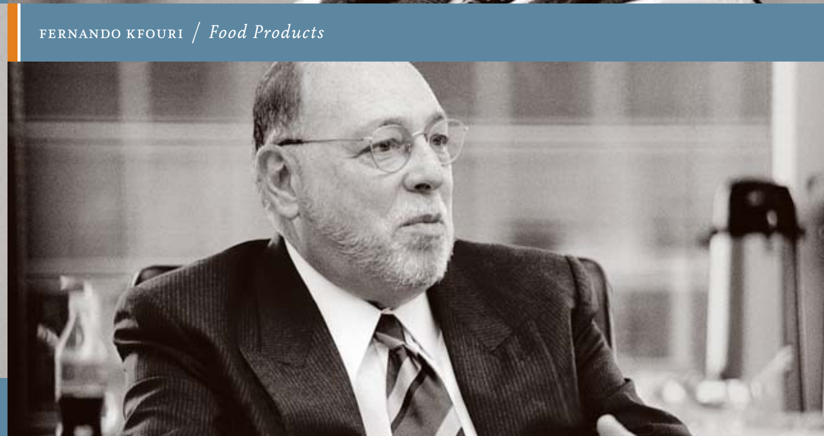
Bunge Executive Committee

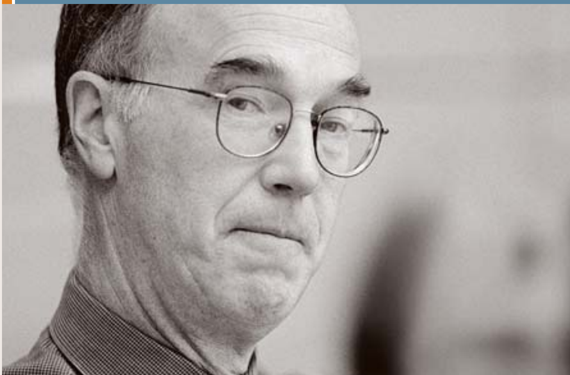
ALBERTO WEISSER / *Chief Executive Officer*

BILL WELLS / *Chief Financial Officer*

MARIO BARBOSA / *Bunge Fertilizantes*

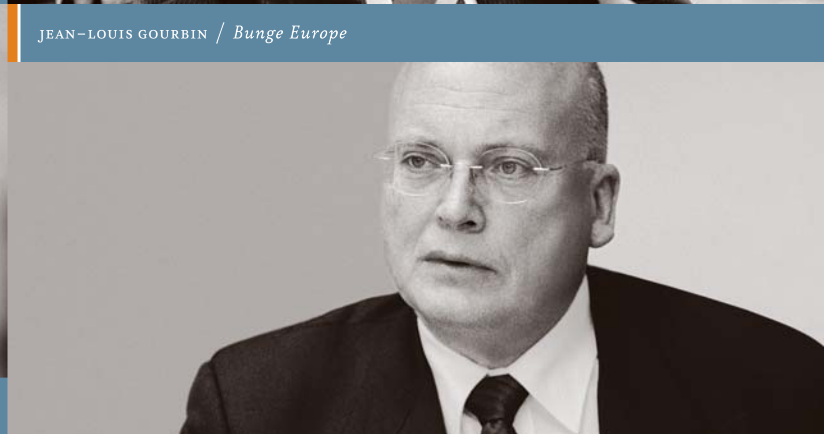
FERNANDO KFOURI / *Food Products*





ARCHIE GWATHMEY / *Bunge Global Markets*

JEAN–LOUIS GOURBIN / *Bunge Europe*



RAUL PADILLA / *Bunge Argentina*

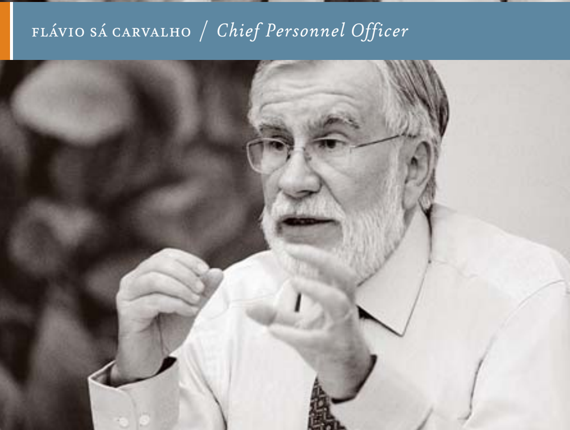
CARL HAUSMANN / *Bunge North America*

BUNGE EXECUTIVE COMMITTEE

SERGIO WALDRICH / *Bunge Alimentos*

DREW BURKE / *Business Development*

FLÁVIO SÁ CARVALHO / *Chief Personnel Officer*



Partnering with the Community

BUNGE IS COMMITTED TO FURTHERING THE WELL-BEING OF our stakeholders and the communities where we operate. We aim to do right while doing well. Many of our efforts touch on the areas of education, the environment, science and culture.

EDUCATION

In Brazil, the Fundação Bunge sponsors Communidade Educativa, a volunteer program that fosters a culture of improvement in primary schools. In 2004, more than 800 Bunge employees in 13 Brazilian states participated in Communidade Educativa. They volunteered up to two hours per week at schools on company time–more than 30,000 hours in total. The program has helped reduce student absenteeism, increase parental participation at their children's schools and improve reading and verbal skills among students.

Fundação Bunge also sponsors the Basic Education Incentive Prize, which recognizes primary school teachers for their initiatives to improve education. The award is given in conjunction with the Brazilian Ministry of Education.

In Argentina, The Fundación Bunge y Born supports educational programs from the elementary to the post-graduate level. The Fundación sponsors cooperative programs in rural areas and teacher-training programs in Buenos Aires, and endows scholarships in the areas of food science and agronomy.

In the U.S., the Bunge North America Foundation supports local schools in St. Louis and other cities, and matches employee gifts to educational institutions.

ENVIRONMENT

In 2003, Bunge partnered with Conservational International and local groups to help protect the environmentally significant Cerrado region in Brazil. The partnership is working with farmers to create a network of biological reserves near the Emas National Park. Plans call for these activities to be extended into new regions in 2005.

TEACHING WORKSHOP IN BRAZIL

SCIENCE, CULTURE AND COMMUNITY

Bunge has a history of supporting forward-looking individuals and organizations in the areas of science and culture, as well as groups that provide basic community services.

In St. Louis, Bunge North America supports the Donald Danforth Plant Science Center, which is working to improve human health through developments in agriculture and to make St. Louis a hub of scientific development.

In South America, The Fundación Bunge y Born presents an annual prize for scientific and cultural achievement, as well as an award for young scientists. Fundação Bunge awards an eponymous prize to leading intellectual voices in Brazil.

In Europe, Bunge focuses its efforts on community projects. For example, the company supports educational programs and provides health and food assistance to the needy and elderly in Ukraine. In Poland, Bunge provides funding and food aid to various community groups.

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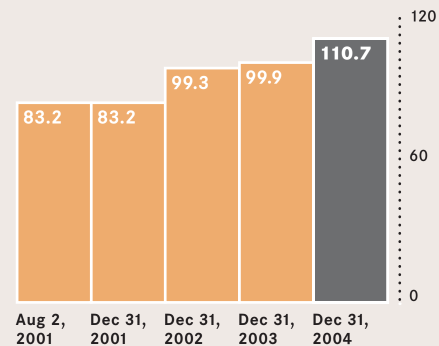
COMMON SHARE MARKET AND DIVIDENDS

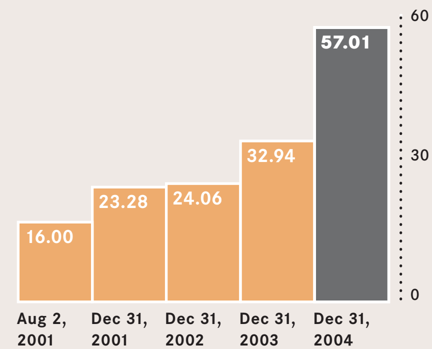
The Company's common shares are traded on the New York Stock Exchange, under the symbol BG. The following table presents, for the periods indicated, the high and low market prices of the common share and common share cash dividends.

	Market Price		Cash Dividends
	High	Low	Per Share
FISCAL 2004–QUARTER ENDED			
December 31	$ 57.08	$ 38.80	$ .130
September 30	$ 40.98	$ 36.96	$ .130
June 30	$ 41.27	$ 34.07	$ .110
March 31	$ 40.22	$ 32.99	$ .110
FISCAL 2003–QUARTER ENDED			
December 31	$ 33.00	$ 26.29	$ .110
September 30	$ 30.95	$ 27.37	$ .110
June 30	$ 30.35	$ 24.73	$ .100
March 31	$ 27.30	$ 23.90	$ .100
FISCAL 2002–QUARTER ENDED			
December 31	$ 26.00	$ 21.77	$ .100
September 30	$ 24.20	$ 17.79	$ .095
June 30	$ 23.88	$ 19.65	$ .095
March 31	$ 24.00	$ 18.60	$ .095

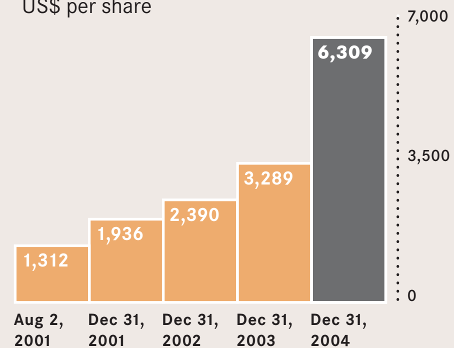
The number of shareholders of the Company's common shares at December 31, 2004 was 57,405. The Company expects to pay regular cash dividends, although there is no assurance as to future dividends because they are dependent on future earnings, capital requirements and financial condition.



outstanding shares
in millions



market price
US$ per share



market capitalization
US$ in millions

FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

				Year Ending December 31,	
(US$ millions, except share data)	**2004**	2003	2002	2001	2000
CONSOLIDATED SUMMARY OF OPERATIONS					
Volumes (In millions of metric tons)	109	106	86	71	60
Net sales	$ 25,168	$ 22,165	$ 13,882	$ 11,302	$ 9,500
Gross profit	1,886	1,305	1,338	971	688
Total segment operating profit [(a)]	850	618	521	311	84
Interest, net	(65)	(79)	(74)	(94)	(86)
Interest on readily marketable inventories	(46)	(34)	(31)	(38)	(52)
Foreign exchange	(31)	92	(179)	(148)	(116)
Gain on sale of soy ingredients business	–	111	–	–	–
Other income (expense)–net	31	19	6	(4)	7
Income from continuing operations before income tax and minority interest	904	723	481	264	66
Income tax expense	(289)	(201)	(104)	(68)	(12)
Minority interest	(146)	(104)	(102)	(72)	(37)
Income from continuing operations	469	418	275	124	17
Discontinued operations, net of tax	–	(7)	3	3	(5)
Cumulative effect of change in accounting principle, net of tax	–	–	(23)	7	–
Net income	$ 469	$ 411	$ 255	$ 134	$ 12
Earnings per common share–basic:					
Income from continuing operations	$ 4.42	$ 4.19	$ 2.87	$ 1.73	$ .26
Discontinued operations	–	(.07)	.03	.04	(.07)
Cumulative effect of change in accounting principle	–	–	(.24)	.10	–
Net income per share–basic	$ 4.42	$ 4.12	$ 2.66	$ 1.87	$ .19
Earnings per common share–diluted:					
Income from continuing operations	$ 4.10	$ 3.89	$ 2.83	$ 1.72	$ .26
Discontinued operations	–	(.06)	.03	.04	(.07)
Cumulative effect of change in accounting principle	–	–	(.23)	.10	–
Net income per share–diluted	$ 4.10	$ 3.83	$ 2.63	$ 1.86	$ .19
FINANCIAL POSITION					December 31,
Cash and cash equivalents and marketable securities	$ 446	$ 502	$ 482	$ 205	$ 484
Operating working capita [(b)]	1,737	1,150	1,155	952	920
Readily marketable inventories [(c)]	1,264	1,846	1,517	764	799
Property, plant and equipment, net	2,536	2,090	2,056	1,669	1,678
Total assets	10,907	9,884	8,349	5,443	5,854
Short-term debt	541	889	1,250	803	1,268
Long-term debt, including current portion	2,740	2,505	2,153	1,010	1,257
Adjusted net financial debt [(d)]	1,571	1,046	1,404	844	1,242
Minority interest in subsidiaries	280	554	495	493	543
Shareholders' equity	$ 3,375	$ 2,377	$ 1,472	$ 1,376	$ 1,139
Shares issued and outstanding	110,671,450	99,908,318	99,332,233	83,155,100	64,380,000
OTHER DATA					
Weighted average number of shares outstanding:					
Basic	106,015,869	99,745,825	95,895,338	71,844,895	64,380,000
Diluted	115,674,056	108,654,027	97,395,005	72,004,754	64,380,000
Shareholders' equity per share	$ 30.50	$ 23.79	$ 14.82	$ 16.55	$ 17.69
Price earnings ratio [(e)]	14	11	9	13	n/a
Current ratio	1.7	1.6	1.4	1.4	1.2
Cash flow from operations	$ 802	$ (41)	$ 128	$ 205	$ (527)
Depreciation, depletion and amortization	212	184	168	163	143
Capital expenditures, excluding acquisitions	$ (437)	$ (304)	$ (240)	$ (226)	$ (176)

(a) See page 36 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) 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).

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

				At December 31,	
(US$ in millions)	**2004**	2003	2002	2001	2000
Short-term debt	$ 541	$ 889	$ 1,250	$ 803	$ 1,268
Long-term debt, including current maturities	2,740	2,505	2,153	1,010	1,257
Total debt	3,281	3,394	3,403	1,813	2,525
Less –					
Cash and cash equivalents and marketable securities	446	502	482	205	484
Readily marketable inventories	1,264	1,846	1,517	764	799
Adjusted net financial debt	$ 1,571	$ 1,046	$ 1,404	$ 844	$ 1,242

(e) Calculated using fully diluted earnings per share. 2003 excludes an after tax gain on sale of the Brazilian soy ingredients business of $111 millions, or $1.10 per share fully diluted.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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.

INTRODUCTION

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

AGRIBUSINESS In the agribusiness division, we purchase, process, store, transport and sell agricultural commodities, principally oilseed products. In this division, profitability is principally affected by the relative prices of oilseed products which are, in turn, influenced by global supply and demand for agricultural commodities and industry oilseed processing capacity utilization, 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 logistics services, including truck, barge and rail services. Availability of agricultural commodities is affected by weather conditions, governmental trade policies and agricultural growing patterns, including substitution by farmers of other agricultural commodities for soybeans and other oilseeds. 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 20 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 oilseed products. Prices for oilseed products are affected by these imbalances, which in turn affects demand for them and our decisions regarding whether and when to purchase, process, store, transport or sell these commodities, including whether to reduce our own oilseed processing capacity.

FERTILIZER In the fertilizer division, demand for our products is affected by the profitability of the Brazilian agricultural sector, agricultural commodity prices, international fertilizer prices, the types of crops planted, the number of acres planted and weather-related issues affecting the success of the harvest. For the past 13 years, the Brazilian fertilizer industry has grown on average at a rate of 9% 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 our edible oil products and milling products 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, as well as the prices of raw materials such as crude vegetable oils and grains. 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.

In addition, our results of operations are affected by the following factors:

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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, 2004 and 2003 were foreign exchange net translation gains of $217 million and $489 million, respectively, representing the net gains from the translation of our foreign subsidiaries' assets and liabilities. Included in other comprehensive income (loss) for the year ended December 31, 2002 were foreign exchange net translation losses of $403 million representing the net loss from the translation of our foreign subsidiaries' assets and liabilities.

Foreign Currency Transactions Certain of our foreign subsidiaries, most significantly those 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 gain or loss is included in our consolidated statements of income as foreign exchange gain or loss.

Due to the global nature of our operations, our operating results are vulnerable to currency exchange rate changes. However, our inventory of agricultural commodities, because of their international pricing in U.S. dollars, provides a natural hedge to our exposure to fluctuations in currency exchange rates. In addition, historically, our fertilizer and food products 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 currency exchange rate fluctuations in those segments.

Argentina and Brazil The volatility of the Argentine *peso* and Brazilian *real* affects our financial performance. Devaluations of these currencies against the U.S. dollar generally have a positive effect on our results, as local currency-denominated costs are translated to U.S. dollars at weaker *real* or *peso* to U.S. dollar exchange rates resulting in lower U.S. dollar costs. 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 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 of the *real* and *peso* 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. However, as management deems prudent, we use derivative instruments to offset the foreign exchange gains on intercompany loans, which reduces the income tax expense resulting from the appreciation of the Brazilian *real*.

The *real* appreciated 9% and the *peso* devalued 2%, against the U.S. dollar in the year ended December 31, 2004, compared to an appreciation of the *real* and *peso* of 22% and 15%, respectively, in the same period in 2003.

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 countries that are members of the European Union and several countries that are not members of the European Union. 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 In 2004, we acquired the remaining 17% of the outstanding capital stock of Bunge Brasil that we did not already own for $314 million in cash. As a result of the acquisition, we now

own 100% of Bunge Brasil and its subsidiaries, Bunge Alimentos S.A. and Bunge Fertilizantes S.A. We have consolidated the operating results of these entities since 1997. We accounted for the acquisition under the purchase method as a step acquisition of minority interest.

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.

We have obtained tax benefits under U.S. tax laws providing tax incentives on export sales from the use of a U.S. Foreign Sales Corporation, or FSC, through 2001. Beginning in 2002, due to the repeal of the FSC-related legislation, we were required to use the tax provisions of the Extraterritorial Income Act (ETI) legislation, which were substantially similar to the FSC-related legislation. The U.S. Congress has recently passed, and the President has signed, the American Jobs Creation Act of 2004 that ultimately repeals the ETI benefit. Under the new legislation, the ETI will be phased out with 100% of the otherwise available ETI benefit retained for 2004, 80% of the ETI benefit retained for 2005, 60% of the ETI benefit retained for 2006 and the ETI benefit phased out completely in 2007. The current tax legislation lowered our overall tax liabilities by approximately $17 million in 2004. The ETI benefit has been replaced with an income tax deduction intended to allocate benefits previously provided to U.S. exporters across all manufacturers when fully phased in. Although most of our U.S. operations qualify as "manufacturing," we expect that this new tax legislation will be less beneficial to us than the prior one primarily due to our U.S. tax position.

INFLATION Inflation did not have a material impact on our business in 2004, 2003 or 2002.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

ALLOWANCES FOR UNCOLLECTIBLE ACCOUNTS We evaluate the collectibility of our trade accounts receivable and secured advances to farmers and record allowances for uncollectible accounts if we have determined that collection is doubtful. We base our determination of the allowance for uncollectible accounts on analyses of credit quality for specific accounts, historical trends of charge-offs and recoveries, and market and other conditions. Different assumptions, changes in economic circumstances or the deterioration of the financial condition of our customers could result in additional provisions to the allowance for uncollectible accounts and an increase in bad debt expense.

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. We have recorded valuation allowances against certain recoverable taxes owed to us by the Argentine government due to 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, 2004 and 2003, our allowances for recoverable taxes in Argentina were $27 million and $25 million, respectively. We continue to monitor the economic environment and events taking place in Argentina and will adjust these reserves in the future depending upon significant changes in circumstances.

AGRICULTURAL COMMODITY DERIVATIVES To the extent we consider it prudent for minimizing risk, we use exchange-traded futures and options contracts to minimize the effect of price fluctuations on agricultural commodity transactions. The futures and options contracts that we use for hedging are purchased and sold through regulated commodity exchanges. We also manage risk by entering into fixed-price purchase contracts with pre-approved producers and establishing limits for individual suppliers. Fixed-price sales contracts are entered into with customers with acceptable creditworthiness, as determined by us.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The fair values of futures and options contracts are determined primarily from quotes listed on the applicable commodity exchanges. Fixed-price purchase and sales contracts are with various counter-parties and the fair value of such contracts are determined from the market price of the underlying product. We are exposed to loss in the event of nonperformance by the counter-parties to these contracts. The risk of nonperformance is routinely monitored and provisions recorded if necessary to account for potential nonperformance. Different assumptions, changes in economic circumstances or the deterioration of the financial condition of the counter-parties to these contracts could result in additional provisions and increased expense reflected in cost of goods sold.

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 2004, we performed our annual impairment test and determined that there were no impairments of goodwill.

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 2004, we recorded a pretax impairment charge in our agribusiness segment of $10 million relating to fixed assets in one of our Western European oilseed processing facilities and $7 million relating to certain of our North and South American edible oil facilities. Certain refining and packaging operations in our Western European oilseed processing facility are being closed and the North and South American edible oil facilities, which are older and less efficient, are being replaced by new facilities.

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 2004, we lowered the weighted average discount rate assumption used to calculate projected benefit obligations under the plans from 6.0% at the September 30, 2003 measurement date to 5.7% at the September 30, 2004 measurement date, largely based on decreases in the market rates of U.S. Aa-rated corporate bonds 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 declined from 8.4% to 8.0% as of the 2004 measurement date due to a reduction in the assumed rate of return for certain U.S.-based plans and the average targeted assumed asset allocations of 60% equity securities and 40% fixed income securities such as government and corporate debt securities for the significant plans.

In 2004, we recognized an additional minimum pension liability, which reduced shareholders' equity by $2 million, net of tax benefit of $1 million due primarily to the reduction in the discount rate assumption. Future recognition of additional minimum pension liabilities will depend on the actual return on the plans' 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 $4 million and $50 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.

INCOME TAXES We record valuation allowances to reduce our deferred tax assets to the amount that we are likely to realize. We consider projections of 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 $856 million at December 31, 2004. However, we have recorded valuation allowances of $177 million as of December 31, 2004, primarily representing the uncertainty regarding the recoverability of certain net operating loss carryforwards.

RESULTS OF OPERATIONS

2004 OVERVIEW Our agribusiness results for 2004 improved in most business lines and geographic regions compared to 2003. Effective freight and risk management and efficiency improvements in our logistics operations contributed to the improved results.

Soybean prices were volatile during the first three quarters of 2004. Soybean prices began increasing in the third quarter of 2003 because of a poor U.S. crop and a 2004 South American soybean harvest that was unchanged compared to the prior year. However, the soybean market made a rapid transition from a period of shortage to one of ample supply during the third quarter of 2004 in response to the record 2004 soybean crop in the United States and forecasts of larger 2005 South American harvests compared to 2004. As a result, during the third quarter of 2004, soybean prices declined significantly to more normalized levels.

Our agribusiness earnings are not directly tied to commodity prices, as segment operating profit is primarily determined by the relative difference between the price at which we buy commodities and the price at which we sell the derived commodity products, such as soybean meal and soybean oil, among other factors. We also minimize our exposure to price fluctuations through hedging transactions.

Our agribusiness volumes in 2004 increased only 2% over 2003 as demand was hampered by record high commodity prices. However, the USDA is projecting an 8% increase in global soybean meal consumption in 2005. In addition, increased demand for biofuels in Europe, North America and Brazil should further stimulate demand for vegetable oil.

Our fertilizer results in 2004 benefited from higher average selling prices for fertilizers. International selling prices for imported fertilizers and raw materials were higher than 2003, which helped to increase margins on locally produced fertilizer as it is priced to import parity.

In our edible oil business, excluding the 2003 results of Lesieur which we sold in July 2003, our 2004 sales volumes increased primarily in North America and our operating profit increased in our softseed businesses in Eastern Europe.

SEGMENT RESULTS In 2004, we reclassified certain consumer product lines from the agribusiness segment to the edible oil products segment. As a result, amounts for the year ended December 31, 2003 have been reclassified to conform to the current presentation.

In the second quarter of 2003, we sold our Brazilian soy ingredients business to The Solae Company, our joint venture with DuPont. As a result, our "other (soy ingredients)" segment now reflects only the historical results of the soy ingredients business.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

	Year Ended December 31,				
(US$ in millions, except percentages)	**2004**	2003	Percent Change	2002	Percent Change
Volumes (in thousands of metric tons):					
Agribusiness	88,619	86,962	2%	69,606	25%
Fertilizer	11,589	11,538	–	10,708	8%
Edible oil products	4,728	4,100	15%	1,946	111%
Milling products	3,987	3,468	15%	3,303	5%
Other (soy ingredients)	–	140	(100)%	226	(38)%
Total	108,923	106,208	3%	85,789	24%
Net sales:					
Agribusiness	$ 17,911	$ 16,224	10%	$ 10,483	55%
Fertilizer	2,581	1,954	32%	1,384	41%
Edible oil products	3,872	3,184	22%	1,279	149%
Milling products	804	751	7%	628	20%
Other (soy ingredients)	–	52	(100)%	108	(52)%
Total	$ 25,168	$ 22,165	14%	$ 13,882	60%
Costs of goods sold:					
Agribusiness	$ (16,975)	$ (15,675)	8%	$ (9,700)	62%
Fertilizer	(1,980)	(1,581)	25%	(1,091)	45%
Edible oil products	(3,615)	(2,900)	25%	(1,128)	157%
Milling products	(712)	(670)	6%	(551)	22%
Other (soy ingredients)	–	(34)	(100)%	(74)	(54)%
Total	$ (23,282)	$ (20,860)	12%	$ (12,544)	66%
Gross profit:					
Agribusiness	$ 936	$ 549	70%	$ 783	(30)%
Fertilizer	601	373	61%	293	27%
Edible oil products	257	284	(10)%	151	88%
Milling products	92	81	14%	77	5%
Other (soy ingredients)	–	18	(100)%	34	(47)%
Total	$ 1,886	$ 1,305	45%	$ 1,338	(3)%
Selling, general and administrative expenses:					
Agribusiness	$ (471)	$ (332)	42%	$ (284)	17%
Fertilizer	(197)	(129)	53%	(100)	29%
Edible oil products	(157)	(180)	(13)%	(134)	34%
Milling products	(46)	(43)	7%	(51)	(16)%
Other (soy ingredients)	–	(7)	(100)%	(10)	(30)%
Total	$ (871)	$ (691)	26%	$ (579)	19%
Foreign exchange gain (loss):					
Agribusiness	$ (17)	$ 89		$ (171)	
Fertilizer	(32)	(20)		9	
Edible oil products	5	–		3	
Milling products	–	–		–	
Other (soy ingredients)	–	(1)		3	
Total	$ (44)	$ 68		$ (156)	

(US$ in millions, except percentages)	2004	2003	Percent Change	2002	Percent Change
				Year Ended December 31,	
Interest income:					
Agribusiness	$ 21	$ 26	(19)%	$ 22	18%
Fertilizer	50	53	(6)%	36	47%
Edible oil products	6	6	–	1	500%
Milling products	3	–	100%	2	(100)%
Other (soy ingredients)	–	–	–	–	–
Total	$ 80	$ 85	(6)%	$ 61	39%
Interest expense:					
Agribusiness	$ (111)	$ (80)	39%	$ (67)	19%
Fertilizer	(50)	(35)	43%	(46)	(24)%
Edible oil products	(32)	(24)	33%	(15)	60%
Milling products	(8)	(8)	–	(10)	(20)%
Other (soy ingredients)	–	(2)	(100)%	(5)	(60)%
Total	$ (201)	$ (149)	35%	$ (143)	4%
Segment operating profit:					
Agribusiness	$ 358	$ 252	42%	$ 283	(11)%
Fertilizer	372	242	54%	192	26%
Edible oil products	79	86	(8)%	6	1,333%
Milling products	41	30	37%	18	67%
Other (soy ingredients)	–	8	(100)%	22	(64)%
Total [(1)]	$ 850	$ 618	38%	$ 521	19%
Depreciation, depletion and amortization:					
Agribusiness	$ 89	$ 77	16%	$ 75	3%
Fertilizer	70	57	23%	56	2%
Edible oil products	41	37	11%	18	106%
Milling products	12	13	(8)%	9	44%
Other (soy ingredients)	–	–	–	10	(100)%
Total	$ 212	$ 184	15%	$ 168	10%
Net income	$ 469	$ 411	14%	$ 255	61%

(1) Total segment operating profit is our consolidated income from continuing operations before income tax and minority interest that includes an allocated portion of the foreign exchange gains and losses relating to debt financing operating working capital, including readily marketable inventories. Also included in total segment operating profit is an allocation of interest income and interest expense attributable to the financing of operating working capital.

Total segment operating profit is a non-GAAP (Generally Accepted Accounting Principles in the United States) measure and is not intended to replace income from continuing operations before income tax and minority interest, the most directly comparable GAAP measure. Total segment operating profit is a key performance measurement used by our management to evaluate whether our operating activities cover the financing costs of our business. We believe total segment operating profit is a more complete measure of our operating profitability, since it allocates foreign exchange gains and losses and the cost of debt financing working capital to the appropriate operating segments. Additionally, we believe total segment operating profit assists investors by allowing them to evaluate changes in the operating results of our portfolio of businesses before non-operating factors that affect net income. Total segment operating profit is not a measure of consolidated operating results under GAAP and should not be considered as an alternative to income from continuing operations before income tax and minority interest or any other measure of consolidated operating results under GAAP.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Below is a reconciliation of income from continuing operations before income tax and minority interest to total segment operating profit:

	Year Ended December 31,		
(US$ in millions)	2004	2003	2002
Income from continuing operations before income tax and minority interest	$ 904	$ 723	$ 481
Unallocated (income) expense–net (1)	(54)	6	40
Gain on sale of soy ingredients business	–	(111)	–
Total segment operating profit	$ 850	$ 618	$ 521

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

2004 COMPARED TO 2003

Agribusiness Segment Agribusiness segment net sales increased 10% due to higher average selling prices for soy commodity products and a 2% increase in volumes. Selling prices for soy commodity products increased compared to last year primarily due to the shortage associated with the reduced 2003–2004 U.S. soybean crop. Prices of our softseed products also increased following the trend of soybean product prices. Volume increases were driven mainly by higher origination volumes in North America and South America.

Cost of goods sold increased 8% due to higher raw material costs, increased volumes and provisions related to the values of certain forward sales contracts for agricultural commodity products due to nonperformance by counter-parties. Included in cost of goods sold in 2004 were $10 million of non-cash impairment charges on long-lived assets and $7 million of restructuring charges relating to our Western European oilseed processing operations. 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 allowance 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.

Gross profit increased 70% due to improvements in margins which resulted from effective freight and risk management, strong softseed profitability, efficiency improvements in logistics and higher volumes.

Selling, general and administrative expenses (SG&A) increased 42% primarily due to increases in bad debt expenses associated with higher commodity prices, increased variable employee compensation expense relating to the improved financial results, increased legal and tax provisions and an increase in the work force in our international marketing business. SG&A in 2003 benefited from a $5 million curtailment gain relating to certain postretirement healthcare benefit plans.

Foreign exchange losses for 2004 were $17 million compared to foreign exchange gains of $89 million in 2003. Through the first six months of 2004, the Brazilian *real* devalued against the U.S. dollar, resulting in exchange losses on our U.S. dollar net monetary liability position in Brazil. Our U.S. dollar monetary exposure in Brazil is typically at its highest level during the first half of the year. During the second half of 2004, the Brazilian *real* appreciated, resulting in exchange gains on our U.S. dollar net monetary liability position in Brazil. However, the exposure to the U.S. dollar was lower and thus the related exchange gains recorded in the second half of 2004 were not enough to offset the exchange losses recorded through the first six months of 2004. The exchange gains in 2003 resulted from the appreciation of the Brazilian *real*. Foreign exchange gains and losses are substantially offset by inventory marked-to-market adjustments, which are included in cost of goods sold.

Interest expense increased 39% primarily due to higher average levels of operating working capital, as a result of the higher commodity prices experienced during most of the year.

Segment operating profit increased 42% primarily due to the improvements in margins and volume growth.

Fertilizer Segment Fertilizer segment net sales increased 32% due to higher average selling prices. Selling prices benefited from higher international selling prices for imported fertilizers and raw materials, which helped increase local sales prices as local fertilizer products are priced to import parity. Although volumes in 2004 were flat versus 2003, retail fertilizer sales volumes increased 7% as a result of a slight increase in market share. However, the retail fertilizer volume growth in 2004 was offset by a decrease in sales volumes of lower margin fertilizer byproducts, such as gypsum.

Cost of goods sold increased 25% due to higher imported raw material costs mitigated in part by lower local production

costs as we are able to source much of our raw materials from our own mines.

Gross profit increased 61% as a result of higher fertilizer selling prices, partially offset by increases in imported raw material costs.

SG&A increased 53% primarily due to bad debt provisions associated with the higher selling prices, increases in employee compensation expense because of higher salaries and certain other labor and legal provisions. In addition, 2003 benefited from non-recurring credits relating to social health and welfare taxes in Brazil and lower bad debt expense.

Segment operating profit increased 54% primarily due to the increase in gross profit, partially offset by the increase in SG&A, higher foreign exchange losses as a result of costs associated with managing foreign exchange exposure and higher interest expense associated with increases in working capital levels.

Edible Oil Products Segment The table below outlines our edible oil products segment results for 2004 and 2003. The results for 2003 include the results of Lesieur, a French bottled oil producer, which we sold to our Saipol joint venture in July 2003. In addition, for comparative purposes, the 2003 results of our edible oil products segment excluding Lesieur and the results of Lesieur alone are also presented.

	Year Ended December 31,			
(US$ in millions, except volumes)	**2004**	2003	2003	2003
	Actual	**Actual**	**Excluding Lesieur**	**Lesieur**
Volumes (in thousands of metric tons)	4,728	4,100	3,845	255
Net sales	$ 3,872	$ 3,184	$ 2,909	$ 275
Cost of goods sold	(3,615)	(2,900)	(2,660)	(240)
Gross profit	257	284	249	35
Selling, general and administrative expenses	(157)	(180)	(158)	(22)
Foreign exchange gain	5	–	–	–
Interest income	6	6	6	–
Interest expense	(32)	(24)	(22)	(2)
Segment operating profit	$ 79	$ 86	$ 75	$ 11

Edible oil products segment net sales, excluding Lesieur, increased 33% primarily due to a 23% increase in sales volumes and higher average selling prices. Increases in selling prices were primarily due to higher raw material costs, principally crude soybean oil.

The increase in soybean oil prices also resulted in higher selling prices for other softseed products as they follow the trend of soybean oil prices primarily in North America and Eastern Europe. Volumes increased primarily in North America as a result of stronger demand.

Cost of goods sold, excluding Lesieur, increased 36% primarily due to increases in sales volumes and higher raw material costs. Included in cost of goods sold in 2004 were $7 million of impairment charges relating to write-downs of certain refining and packaging facilities in our North and South American edible oil operations and in 2003, a $1 million curtailment gain relating to certain postretirement healthcare benefit plans.

Gross profit, excluding Lesieur, increased 3% primarily due to increases in sales volumes and margin expansion in Eastern Europe and Canada as a result of the higher average selling prices. In Europe and Canada, softseed product selling prices increased in response to higher soy commodity prices.

SG&A, excluding Lesieur, decreased 1% primarily due to lower marketing expenses. SG&A in 2003 benefited from a $1 million curtailment gain relating to certain postretirement healthcare benefit plans.

Segment operating profit, excluding Lesieur, increased 5% primarily due to the improvement in gross profit margins and increases in sales volumes.

Milling Products Segment Milling products segment net sales increased 7% primarily due to a 15% increase in sales volumes. Corn milling volumes increased primarily due to higher sales to U.S. commercial customers, higher sales under the U.S. government food aid program and the addition of a corn milling facility acquired in the latter half of 2003. The increase in wheat milling volumes was primarily due to the addition of our industrial flour business which resulted from the asset exchange of Bunge's Brazilian retail flour assets for J. Macêdo S.A.'s industrial flour assets and $7 million in cash in March 2004.

Cost of goods sold increased 6% due to the increase in sales volumes and higher raw material costs. Gross profit increased 14% primarily due to the increase in sales volumes.

Segment operating profit increased by 37% as a result of the improvement in gross profit.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Consolidated Financial Costs The following is a summary of consolidated financial costs for the periods indicated:

(US$ in millions, except percentages)	Year Ended December 31, 2004	2003	Percent Change
Interest income	$ 103	$ 102	1%
Interest expense	(214)	(215)	–
Foreign exchange gains (losses)	(31)	92	

Included in interest income for 2004 was $10 million of interest income earned on the cash invested in Brazil from the net proceeds of the June 2004 public equity offering, which was used in the third and fourth quarters of 2004 to acquire the remaining equity interest in Bunge Brasil that we did not already own. Excluding this $10 million, interest income decreased 9% due to lower interest rates earned on invested cash in Brazil, partially offset by an increase in the average balance of invested cash. Interest expense decreased $1 million primarily due to lower interest rates on our debt portfolio and $14 million of benefits from interest rate hedges, partially offset by higher average borrowings.

Foreign exchange losses of $31 million included costs associated with managing foreign exchange exposure related to our monetary exposure in Brazil and exchange losses on our Brazilian-U.S. dollar net monetary liability position primarily due to the 7% devaluation of the Brazilian *real* in the first six months of 2004. The first half of the year is usually when our U.S. dollar net monetary liability exposure in Brazil is at its highest level because of our acquisition of crops harvested in April, May and June. During the six months ended December 31, 2004, the Brazilian *real* appreciated 17% resulting in exchange gains on the U.S. dollar net monetary liability position in Brazil in that period. However, the exposure to the U.S. dollar was lower and thus the related exchange gains recorded in the six months ended December 31, 2004 were not enough to offset the exchange losses recorded in the first six months of 2004. The 8% appreciation in the value of the *euro* during 2004 also resulted in exchange gains on our European-U.S. dollar monetary liability position. The exchange gains in 2003 resulted from the 22% appreciation in the value of the Brazilian *real* versus the U.S. dollar and a gain on a net U.S. dollar-denominated monetary asset in Argentina. Foreign exchange gains and losses are substantially offset by inventory marked-to-market adjustments, which are included in cost of goods sold.

Other Income (Expense)–net Other income (expense)–net increased $12 million to $31 million in 2004 from $19 million of income in 2003 primarily due to $10 million of gains on interest rate derivatives and the pretax gain of $5 million on the asset exchange transaction with J. Macêdo, offset by a decrease in our earnings from Solae. Solae's results declined primarily due to lower margins on product sales caused by the high commodity costs that existed during most of 2004.

Income Tax Expense Income tax expense increased $88 million to $289 million in 2004 from $201 million in 2003 primarily due to an increase in pretax income. Our annual effective tax rate for 2004 was 32%, compared to an annual effective tax rate of 28% in 2003. Excluding the tax-free gain on the sale of our Brazilian soy ingredients business to Solae, the 2003 annual effective tax rate was 33%. The primary cause of the decrease in the effective tax rate was due to increased earnings in 2004 in lower tax jurisdictions.

Minority Interest Minority interest expense increased $42 million to $146 million in 2004 from $104 million in 2003 primarily due to increased earnings at our less than wholly owned subsidiaries.

Net Income Net income increased $58 million to $469 million in 2004 from $411 million in 2003. Net income for 2004 included $15 million of after tax impairment and restructuring charges on long-lived assets in Europe and a $3 million after tax gain on the asset exchange transaction with J. Macêdo. Net income for 2003 included the $111 million gain on the asset sale of our Brazilian soy ingredients business to Solae, an after tax gain of $16 million relating to the curtailment of certain pension and postretirement healthcare benefit plans, $40 million of after tax impairment charges on long-lived assets in Europe and a loss on discontinued operations of $7 million related to operations we sold in 2003.

2003 COMPARED TO 2002

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

Agribusiness Segment Agribusiness segment net sales increased 55% due to a 25% increase in volumes and higher average selling

prices for soy commodity products. Volumes increased 10% due to organic growth and 15% due to the acquisition of Cereol. Soy commodity product prices increased sharply during the third and fourth quarters of 2003 driven by the reduced U.S. soybean crop. Heightened concerns relating to mad cow disease late in the fourth quarter of 2003 also contributed to price increases.

Cost of goods sold increased 62% in 2003 from 2002 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 marked-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 marked-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 in 2003 decreased 30% 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.

SG&A increased 17% in 2003 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 healthcare 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 11% 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 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 149% primarily due to a 111% increase in volumes as a result of the Cereol acquisition and 4% organic growth in our South American operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cost of goods sold increased 157% 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 88% 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 34% 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 by $80 million 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.

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

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

Interest income increased 44% in 2003 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 Income (Expense)–net Other income (expense)–net 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 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 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.*

LIQUIDITY AND CAPITAL RESOURCES

Our primary financial objective is to maintain sufficient liquidity through a conservative balance sheet that provides flexibility to pursue our growth objectives. Our current ratio, defined as current assets divided by current liabilities, was 1.71 and 1.63 at December 31, 2004 and 2003, respectively.

Cash and Readily Marketable Inventories Cash and cash equivalents were $432 million at December 31, 2004 and $489 million at December 31, 2003.

Included in our inventories were readily marketable inventories of $1,264 million at December 31, 2004 and $1,846 million at December 31, 2003. Readily marketable inventories are agricultural commodity inventories, financed primarily with debt, which are readily convertible to cash because of their commodity characteristics, widely available markets and international pricing mechanisms. The decrease in readily marketable inventories was primarily due to lower levels of inventory and a decrease in commodity prices compared to December 31, 2003.

Secured Advances to Suppliers and Prepaid Commodity Contracts We provide financing services to farmers from whom we purchase soybeans through prepaid commodity purchase contracts and advances to farmers. These arrangements are typically secured by the farmer's crop and mortgages on the farmer's land and other assets, carry a market interest rate, and are typically settled through the delivery of the related crop to us upon harvest. At December 31, 2004, we had $932 million in prepaid commodity purchase contracts and advances to farmers compared to $611 million at December 31, 2003. The increase is primarily due to the growth in Brazilian crop production and higher cost of fertilizer, seed, crop chemicals and other inputs. The allowance for uncollectible advances totaled $43 million and $31 million at December 31, 2004 and 2003, respectively.

Long-Term and Short-Term Debt We conduct most of our financing activities through a centralized financing structure, designed to act as our central treasury, which enables us and our subsidiaries to borrow long-term and short-term debt more efficiently. This structure includes a master trust facility, the primary assets of which 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 through our commercial paper program.

To finance working capital, we use cash flows generated from operations and short-term borrowings, including our commercial paper program, and various long-term bank facilities and bank credit lines, which are sufficient to meet our business needs. At December 31, 2004, we had approximately $1,900 million of committed borrowing capacity under our commercial paper program, other short-term lines of credit and long-term credit facilities, all of which are with a number of lending institutions. Of this committed capacity, $1,496 million was unused and

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

available at December 31, 2004. In June 2004, we renewed our $460 million three-year U.S. revolving credit facility, increasing the facility to $850 million with a five-year term. In addition, in July 2004 we renewed our $455 million European revolving credit facility with a one-year term.

At December 31, 2004, we had $401 million outstanding under our commercial paper program. 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 of $600 million. In June 2004, we renewed these lines for a three-year term expiring in June 2007. If we were unable to access the commercial paper market, we would use these bank credit lines, which would be at a higher cost than our commercial paper. At December 31, 2004, no amounts were outstanding under these back-up bank credit lines.

Our short-term and long-term debt decreased by $113 million at December 31, 2004 from December 31, 2003 primarily due to repayments from cash flows provided by operations.

In April 2004, we completed an offering of $500 million aggregate principal amount of unsecured senior notes bearing interest at a rate of 5.35% per year that mature in April 2014. The notes were issued by our wholly owned finance subsidiary, Bunge Limited Finance Corp. and are fully and unconditionally guaranteed by us. Interest on these unsecured senior notes is payable semi-annually in arrears in April and October of each year, commencing in October 2004. We used the net proceeds of this offering of $496 million for the repayment of other outstanding indebtedness.

Through our subsidiaries, we have various other long-term debt facilities at fixed and variable interest rates denominated in both U.S. dollars and Brazilian *reais,* most of which mature between 2005 and 2008. At December 31, 2004, we had $383 million outstanding under these long-term debt facilities. Of this amount, at December 31, 2004, $178 million was secured by certain land, property, plant and equipment and investments in our consolidated subsidiaries, having a net carrying value of $633 million.

Our credit facilities and certain senior notes require us to comply with specified financial covenants related to minimum net worth, working capital and a maximum debt to capitalization ratio. We were in compliance with these covenants as of December 31, 2004.

We do not have any ratings downgrade triggers that would accelerate the maturity of our debt. However, a downgrade in our credit ratings 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 Service, Inc. (Moody's) at December 31, 2004 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. On March 7, 2005, Moody's upgraded our credit rating on our unsecured guaranteed senior notes to "Baa-2-outlook stable."

In June 2004, we entered into various interest rate swap agreements maturing in 2008 and 2014 for the purpose of managing our interest rate exposure on a portion of our fixed rate debt. In September 2004, these interest rate swaps were terminated and we received cash of $60 million, comprised of $8 million of accrued interest and a $52 million gain on the net settlement of the interest rate swap agreements. The $8 million of interest was included as a reduction to interest expense in 2004 in the consolidated statements of income and the $52 million gain resulted in an adjustment to the carrying value of the associated debt in the consolidated balance sheets. The $52 million gain will be amortized to earnings over the remaining term of the debt, which ranges from four to nine years. The $60 million of cash received was included in the consolidated statements of cash flows as cash provided by operating activities.

Concurrent with the September 2004 termination of certain of our interest rate swap agreements, we entered into new interest rate swap agreements maturing in 2008 and 2014 for the purpose of managing our interest rate exposure on a portion of our fixed rate debt. Under the terms of the new interest rate swaps, we make payments based on six-month LIBOR in arrears, and we will receive fixed interest rates based on our $500 million aggregate principal amount 5.35% senior notes due 2014 and our $500 million aggregate principal amount 4.375% senior notes due 2008. The interest rate swaps settle every six months until expiration. Accrued interest of $6 million relating to these swaps was recorded as a reduction to interest expense in 2004 in the consolidated statements of income.

Redeemable Preferred Stock Minority interest in subsidiaries on the consolidated balance sheets at December 31, 2003 included $170 million of cumulative variable rate redeemable preferred shares issued by our consolidated subsidiary, Bunge First Capital

Limited. On November 1, 2004, we redeemed the preferred shares for their face value of $170 million plus accrued dividends of $1 million.

Shareholders' Equity In June 2004, we sold 9,775,000 common shares in a public offering, which resulted in net proceeds of $331 million, after underwriting discounts, commissions and expenses. We used $314 million to acquire an additional 17% interest in the capital stock of Bunge Brasil in the third and fourth quarters of 2004.

Shareholders' equity increased to $3,375 million at December 31, 2004 from $2,377 million at December 31, 2003 as a result of the net proceeds of $331 million from the public offering of common shares, net income of $469 million, other comprehensive income of $229 million, which includes foreign exchange gains of $217 million and $20 million attributable to the issuance of our common shares upon the exercise of employee stock options and the vesting of restricted stock units. This increase was partially offset by dividends paid to shareholders of $51 million.

GUARANTEES We have issued or were party to the following third-party guarantees at December 31, 2004:

(US$ in millions)	Maximum Potential Future Payments
Operating lease residual values[1]	$ 69
Unconsolidated affiliates financing[2]	22
Customer financing[3]	166
Total	$ 257

(1) Prior to January 1, 2003, 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 in accordance with SFAS No. 13, *Accounting for Leases.* Any gains on the sales were deferred and are being recognized ratably over the initial lease terms. We have 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 we elect to sell, we receive proceeds up to fixed amounts specified in the agreements. If the proceeds of such sales are less than the specified fixed amounts, we would be obligated under a guarantee to pay supplemental rent for the deficiency in proceeds up to a maximum of approximately $69 million at December 31, 2004. 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.

(2) Prior to January 1, 2003, we issued a guarantee to a financial institution related to 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 2009. There are no recourse provisions or collateral that would enable us to recover any amounts paid under this guarantee.

(3) We issued guarantees to a financial institution in Brazil related to amounts owed the institution by certain of our customers. The terms of the guarantees are equal to the terms of the related financing arrangements, which can be as short as 120 days or as long as 360 days. 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, 2004, $64 million of these financing arrangements were collateralized by tangible property. We have determined the fair value of these guarantees to be immaterial at December 31, 2004.

In addition, we have issued parent level guarantees for the repayment of certain senior notes and senior credit facilities which were issued or entered into by our wholly owned subsidiaries, with a carrying amount of $2,278 million at December 31, 2004. All outstanding debt related to these guarantees is included in the consolidated balance sheets at December 31, 2004. There are no significant restrictions on the ability of Bunge Limited Finance Corp. or any of our other subsidiaries to transfer funds to us.

Also, certain of our 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 was $327 million as of December 31, 2004, of which $6 million was outstanding as of such date.

CAPITAL EXPENDITURES Our capital expenditures were $437 million in 2004, $304 million in 2003 and $240 million in 2002. In 2004, major capital projects included the expansion of our Brazilian fertilizer mixing and phosphoric acid production capacity, expansion of our grain origination operations in Brazil (including additional investments in logistics), investments in export terminal operations in Argentina, expansion of our oilseed processing capacity in Eastern Europe and acquisitions of port facilities.

In 2003, major projects included expansion of our edible oil products facilities in Europe, the construction of a new margarine plant and an oilseed processing plant in Brazil, logistics investments, primarily in Brazil, expansion of our grain origination facilities in Brazil and expansion of our fertilizer mixing capacity. In addition, we expanded our Indian operations through the buyout of a joint venture partner in India and the purchase of a small crushing and refining facility. In 2002, we completed upgrades to several of our oilseed processing and corn dry milling facilities in Brazil and the United States and the modernization of an acidulation plant for fertilizers in Brazil.

Although we have no specific material commitments for capital expenditures, we intend to invest approximately $410 million to $460 million in 2005. The majority will be used to improve oilseed processing logistics and plant operating efficiencies in Europe, expand and upgrade our mining and port facilities in Brazil, expand or acquire grain origination facilities in the United States and Europe and modernize certain of our edible oil refineries in the United States and Europe. We intend to fund these capital expenditures with cash flows from operations and available borrowings.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CASH FLOWS

2004 Compared to 2003 In 2004, our cash and cash equivalents balance decreased by $57 million, reflecting the net impact of cash flows from operating, investing and financing activities, compared to a $19 million increase in our cash and cash equivalents balance in 2003.

Cash flow provided by operating activities for 2004 was $802 million compared to cash used for operating activities of $41 million in 2003.

Our cash flow from operations has varied depending on the timing of the acquisition of, and the market prices for, agricultural commodity inventories, as well as the timing of when such inventories were sold. In addition, the growth of our business has resulted in the need to increase working capital levels which reduces our cash flow from operations.

The second and third quarters of the year are typically the periods when most of our cash flows from operations are provided. It is during this period that North American and European "old" crop inventories harvested and purchased in September, October and November of the previous year are at their lowest level. In addition, most of the South American inventories acquired during the March, April and May harvest period have been sold.

Cash flows from operations during the first and fourth quarters will vary depending upon the amount of advances made to farmers in Brazil and the amount of North American and European "new" crops purchased during the September, October and November harvest period.

Cash flow from operations in 2004 was favorably affected by the strong operating results and the return of soybean prices to more normalized levels in the latter part of the year. Soybean prices increased significantly beginning in the third quarter of 2003 and continued their increase into 2004. During the latter half of the third quarter of 2004, agricultural prices declined, which resulted in a reduction in working capital levels.

Cash flow provided by operating activities for 2004 also included $60 million received from the net settlement of various interest rate derivatives entered into and terminated in 2004. Cash flow from operations for 2003 included $57 million paid in connection with the settlement of an arbitration.

Cash used by investing activities was $841 million in 2004, compared to cash provided of $101 million in 2003. Investments in property, plant and equipment under our capital expenditure plan were $437 million for 2004. Of this amount, $136 million represented maintenance capital expenditures in 2004, compared to $98 million in 2003. Maintenance capital expenditures are expenditures made to replace existing equipment in order to maintain current production capacity and expenditures for equipment required to comply with environmental regulations. The majority of non-maintenance capital expenditures in 2004 related to efficiency improvements to reduce costs, equipment upgrades and business expansion.

During the third and fourth quarters of 2004, we acquired the remaining 17% interest in Bunge Brasil that we did not already own for $314 million in cash. In April 2004, we acquired the remaining 40% of Polska Oil, a Polish producer of bottled edible oils, for $27 million. In addition, we invested approximately $38 million in existing and new business joint ventures during 2004, primarily in South America and Eastern Europe and we loaned $14 million to our joint venture in Poland. Also included in cash flow from investing activities in 2004 is $7 million received in the asset exchange transaction with J. Macêdo.

In 2003, we received net proceeds of $532 million from the sale of our Brazilian soy ingredients business to Solae, the sale of Lesieur to our Saipol joint venture and the sale of our U.S. bakery operations. We used $23 million to acquire the remaining 2.62% of Cereol's outstanding shares we did not already own and we paid an additional purchase price of $42 million to Edison S.p.A, Cereol's former controlling shareholder, 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 2003, we received $41 million relating to Lesieur's intercompany debt owed to us.

Cash used for financing activities was $74 million in 2004, compared to cash used of $102 million in 2003. In 2004, we reduced our borrowings of short-term debt by using cash flow provided by operating activities. In April 2004, our wholly owned finance subsidiary, Bunge Limited Finance Corp., issued $500 million of unsecured senior notes, which are unconditionally guaranteed by us, for net proceeds of $496 million, and in June 2004, we sold 9,775,000 common shares in a public offering for net proceeds

of $331 million. In November 2004, we redeemed preferred shares of a subsidiary for $170 million. Dividends paid to our shareholders in 2004 were $51 million.

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. In 2003, Mutual Investment Limited, the former sole shareholder of Bunge Limited, repaid in full a $55 million note owed to us. Dividends paid to our shareholders during 2003 were $42 million.

2003 Compared to 2002 In 2003, our cash and cash equivalents 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 and cash equivalents balance in 2002.

Our operating activities used cash of $41 million in 2003, compared to cash generated of $128 million in 2002. 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. Also reflected in the cash flow from operations was 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 $101 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 was primarily due to the acquisition of Cereol.

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 also received $41 million relating to Lesieur's intercompany debt due us. 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 $102 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 to our shareholders during 2002 were $37 million. In 2002, we generated cash by selling common shares in a public offering for net proceeds of $293 million.

RECENT ACCOUNTING PRONOUNCEMENTS

Adoption of New Accounting Pronouncements In 2004, the Financial Accounting Standards Board (FASB) Emerging Issues Task Force (EITF) issued EITF Issue No. 04-2, *Whether Mineral Rights Are Tangible or Intangible Assets* (Issue No. 04-2) and the proposed Staff Position (FSP) No. FAS 141-a and 142-a, *Interaction of FASB Statements No. 141, Business Combinations and No. 142, Goodwill and Other Intangible Assets and EITF Issue No. 04-2, Whether Mineral Rights Are Tangible or Intangible Assets* (FSP No. FAS 141-a and 142-a). FSP No. FAS 141-a and 142-a were issued to eliminate the inconsistency between EITF Issue No. 04-2 and Statement of Financial Accounting Standards (SFAS) No. 141 and SFAS No. 142 that mineral rights are tangible assets under EITF Issue No. 04-2 and the characterization of mineral rights as intangible assets in SFAS No. 141 and No. 142. We have applied EITF Issue No. 04-2 and the proposed FSP No. FAS 141-a and 142-a to our consolidated balance sheets beginning in the first quarter of 2004 and have reclassified the prior period consolidated balance sheet to conform to the 2004 presentation. The reclassification at December 31, 2003 was $208 million, resulting in an increase to property, plant and equipment, net and a corresponding decrease in other intangible assets in the consolidated balance sheets.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

In January 2004, the FASB issued FSP No. FAS 106-1, *Accounting and Disclosure Requirements Related to the Medicare Prescription Drug Improvement and Modernization Act of 2003* (FSP No. FAS 106-1). The Medicare Prescription Drug Improvement and Modernization Act of 2003 (the Act) to which FSP No. FAS 106-1 relates, which was signed into law in December 2003, introduces a prescription drug benefit under Medicare as well as a federal subsidy, under certain conditions, to sponsors of retiree healthcare benefit plans. We have elected a one-time deferral of the accounting for the effects of the Act, as permitted by FSP No. FAS 106-1. In May 2004, the FASB issued FSP No. FAS 106-2, which superseded FSP No. FAS 106-1. FSP No. FAS 106-2 is effective for us for the year ended December 31, 2004 and allows two alternate methods of transition, retroactive application to the date of enactment of the Act or prospective application from the date of adoption of this statement. FSP No. FAS 106-2 requires a remeasurement of the applicable plans' assets and benefit obligations at the applicable date. We have determined that the effects of the Act are not a significant event for us and not material to our financial position or results of operations. Using the guidance issued in January 2005 on the definition of "actuarially equivalent," we believe that the prescription drug benefits we provide will be actuarially equivalent. Based on this assumption, the estimated subsidy resulting from the Act is incorporated prospectively into our postretirement healthcare benefit plan obligation as of the 2004 measurement date as an actuarial gain. The effect of the federal subsidy on the accumulated benefit obligation of our postretirement healthcare benefit plans was approximately $1 million, which was reflected in the benefit obligation as of December 31, 2004. The effect of the federal subsidy on future annual expense of our postretirement healthcare benefit plans is insignificant.

In 2004, the FASB EITF reached a consensus on EITF Issue No. 04-08, *The Effect of Contingently Convertible Instruments on Diluted Earnings Per Share* (Issue No. 04-8), that contingently convertible instruments, which generally become convertible into common stock only if one or more events occur, such as the underlying common stock achieving a specified market price target, should be included in diluted earnings per share computations (if dilutive) regardless of whether the market price target (or other contingent features) have been met. The EITF concluded that Issue No. 04-8 would be applied by restating diluted earnings per share for all prior periods presented. Issue No. 04-8 is effective for periods ending after December 15, 2004. We have applied Issue No. 04-8 to our consolidated statements of income for the year ended December 31, 2004 and have restated diluted earnings per share for the years ended December 31, 2003 and 2002 to include the weighted average common shares that are issuable upon the conversion of our convertible notes.

New Accounting Pronouncements In December 2004, the FASB issued SFAS No. 123R, *Share-Based Payment* (SFAS No. 123R), that requires all share-based payments, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro forma disclosure is no longer an alternative. SFAS No. 123R is effective for the first interim or annual periods beginning July 1, 2005. Retroactive application of the requirements of SFAS No. 123 to the beginning of the fiscal year that includes the effective date would be permitted. We currently report stock compensation based on APB 25, *Accounting for Stock Issued to Employees,* with pro forma disclosures.

In December 2004, the FASB deferred the issuance of their final standard on earnings per share No. SFAS 128R, *Earnings per Share, an amendment to FAS 128.* The final standard will be effective in 2005 and will require retrospective application for all prior periods presented. The significant proposed changes to the earnings per share (EPS) computation are changes to the treasury stock method and contingent share guidance for computing year-to-date diluted EPS, removal of the ability to overcome the presumption of share settlement when computing diluted EPS when there is a choice of share or cash settlement and inclusion of mandatorily convertible securities in basic EPS. We are currently evaluating the proposed provisions of this amendment to determine the impact on our consolidated financial statements.

In December 2004, the FASB issued SFAS No. 153, *Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29.* APB Opinion No. 29, *Accounting for Nonmonetary Transactions,* provided an exception to its basic measurement principle (fair value) for exchanges of similar productive assets. Under APB Opinion No. 29, an exchange of a productive asset for a similar productive asset was based on the recorded amount of the asset relinquished. SFAS No. 153 eliminates this exception and replaces it with an exception for exchanges of nonmonetary assets that do not have commercial substance. SFAS No. 153 is effective prospectively for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005.

In December 2004, the FASB issued proposed FSP No. FAS 109-b, *Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision Within the American Jobs Creation Act of 2004.* The American Jobs Creation Act of 2004 (the Act) was signed into law by the President and includes a provision that allows U.S. corporations, in certain circumstances, to repatriate cumulative non-U.S. earnings at tax rates that may be below the 35% U.S. statutory rate. FSP No. 109-b is intended to provide limited relief in the application of the indefinite reinvestment criterion of APB No. 23, *Accounting for Income Taxes–Special Areas,* due to ambiguities surrounding the implementation of the Act and is effective upon issuance. We are currently reviewing this provision of the Act and have not completed its evaluation of the provision's effect on us.

In November 2004, the FASB issued SFAS No. 151, *Inventory Costs, an amendment of ARB No. 43, Chapter 4* (SFAS No. 151), to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material (spoilage) relating to inventory pricing. SFAS No. 151 requires that such items be recognized as current-period charges regardless of whether they meet the criterion of "so abnormal" and requires that the allocation of fixed production overheads to inventory be based on the normal capacity of the production facilities. The guidance is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. We have determined that SFAS No. 151 will not have a material effect on our consolidated financial statements.

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 our accounts receivable, without recourse, up to a maximum amount of approximately $150 million as of December 31, 2004. Collections reduce accounts receivable included in the pools, and are used to purchase new receivables, which become part of the pools. One of the facilities expires in 2005, with an option for renewal, and the other facility expires in 2007. The effective yield rates approximate the 30-day commercial paper rate plus annual commitment fees ranging from 29.5 to 40 basis points. During 2004 and 2003, the outstanding undivided interests averaged $115 million and $125 million, respectively. We retain collection and administrative responsibilities for the accounts receivable in the pools. In 2004 and 2003, we recognized $2 million and $3 million, respectively, 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 accounts receivable not sold. Due to the short-term nature of the account receivable, 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 accounts receivable are first used to reduce the outstanding undivided interests. At December 31, 2004, there were no undivided interests in the pooled receivables outstanding. Accounts receivable at December 31, 2003 were net of $125 million, representing the outstanding undivided interests in pooled accounts receivable.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The following table summarizes our scheduled contractual obligations and their expected maturities at December 31, 2004, and the effect such obligations are expected to have on our liquidity and cash flows in the future periods indicated.

(US$ in millions)					December 31, 2004
Contractual Obligations	**Total**	**Less than 1 Year**	**1–3 Years**	**4–5 Years**	**After 5 Years**
Commercial paper borrowings (1)	$ 401	$ 401	$ –	$ –	$ –
Other short-term borrowings (1)	140	140	–	–	–
Long-term debt (1)	2,740	140	850	70	1,680
Freight supply agreements (2)	5,883	547	871	575	3,890
Non-cancelable lease obligations	456	92	202	102	60
Inventory purchase commitments	193	193	–	–	–
Total contractual obligations	$ 9,813	$ 1,513	$ 1,923	$ 747	$ 5,630

(1) We also have interest obligations on our outstanding borrowings.

(2) In the ordinary course of business, we enter into purchase commitments for time on ocean freight vessels and freight service on railroad lines for the purpose of transporting agricultural commodities. In addition, we sell time on these ocean freight vessels when excess freight capacity is available. These agreements range from two months to six years in the case of ocean freight vessels and 10 to 23 years in the case of railroad services. Actual amounts paid under these contracts may differ due to the variable components of these agreements and the amount of income earned by us on the sale of excess capacity. The cost of our freight supply agreements is passed through to our customers in the ordinary course of business, and as a result, such amounts are expected to be fully recovered.

EMPLOYEE BENEFIT PLANS We expect to contribute $17 million to our defined benefit plans and $2 million to our postretirement healthcare benefit plans in 2005.

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, interest rates and energy and transportation costs 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, foreign exchange, interest rates and transportation costs. 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 counter-parties 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 board of directors' 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 are also subject to the risk of counter-party defaults under forward purchase or sale contracts.

We enter into various derivative contracts, primarily exchange-traded futures, 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:

	Year Ended December 31,			
(US$ in millions)	**2004**		2003	
	Fair Value	**Market Risk**	**Fair Value**	**Market Risk**
Highest long position	$ 414	$ 41	$ 517	$ 52
Highest short position	(13)	(1)	(50)	(5)

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 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 (loss). The balance of permanently invested intercompany borrowings was $961 million as of December 31, 2004 and $681 million as of December 31, 2003. The balance of permanently invested intercompany borrowings increased $280 million in September 2004 as a result of the acquisition of an additional 15% interest in the outstanding shares of Bunge Brasil. Included in other comprehensive income (loss) are foreign exchange gains of $96 million in the year ended December 31, 2004 and foreign exchange gains of $118 million in the year ended December 31, 2003, 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 positions, including currency derivatives, and our market risk, which is the potential loss from an adverse 10% change in foreign currency exchange rates, are 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:

	December 31,	
(US$ in millions)	**2004**	2003
Brazilian Operations (primarily exposure to U.S. dollar):		
Net currency short position, from financial instruments, including derivatives	$(1,091)	$(1,080)
Market risk	(109)	(108)
Agricultural commodities inventories	988	1,063
Net currency short position, less agricultural commodities inventories	(103)	(17)
Market risk	$ (10)	$ (2)
Argentine Operations (primarily exposure to U.S. dollar):		
Net currency short position, from financial instruments, including derivatives	$ (81)	$ (32)
Market risk	(8)	(3)
Agricultural commodities inventories	93	71
Net currency long position, less agricultural commodities inventories	12	39
Market risk	$ 1	$ 4
European Operations (primarily exposure to U.S. dollar):		
Net currency short position, from financial instruments, including derivatives	$ (320)	$ (239)
Market risk	(32)	(24)
Agricultural commodities inventories	283	254
Net currency (short) long position, less agricultural commodities inventories	(37)	15
Market risk	$ (4)	$ 2

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INTEREST RATE RISK We issue debt in fixed and floating rate instruments. We are exposed to market risk due to changes in interest rates. Of our total long-term debt outstanding of $2,740 million at December 31, 2004 including current maturities, $2,547 million was fixed rate. Long-term debt that is exposed to interest rate risk at December 31, 2004 is listed below.

(US$ in millions)	December 31, 2004
Payable in U.S. Dollars:	
Long-term debt, variable interest rates indexed to LIBOR[1] plus 1.38% to 4.02%	$ 36
Payable in Brazilian Reais:	
BNDES[2] loans, variable interest rate indexed to IGPM[3] plus 6.5% to 7.9%	134
Other	23
Total variable rate long-term debt, including current maturities	$ 193

(1) LIBOR as of December 31, 2004 was 1.54%.
(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, 2004 was 12.42%.

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, 2004 would increase the interest rates on our variable rate debt between 12 to 98 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 $541 million at December 31, 2004. 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 Service, 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, 2004 would increase the interest rate on our variable rate short-term debt approximately 24 basis points, which would have no material effect on our operating results.

INTEREST RATE DERIVATIVES In September 2004, we entered into treasury rate lock agreements with an aggregate notional amount of $500 million at a 10-year treasury yield of 4.15% with a settlement date of March 2005. The treasury rate lock agreements were not designated as hedging instruments. In the fourth quarter of 2004, we terminated these treasury rate lock agreements. We recorded a gain in other income (expense)–net in the consolidated statements of income of approximately $10 million relating to the cash settlement received on these derivative agreements for the year ended December 31, 2004.

In June 2004, we entered into various interest rate swap agreements to manage our interest rate exposure on a portion of our fixed rate debt. These swap agreements had an aggregate notional amount of $1 billion at weighted average fixed rates receivable of 4.375% and 5.35% and weighted average variable rates payable of 2.23% and 2.17%, with maturity dates of 2008 and 2014. These interest rate swap agreements were accounted for as fair value hedges. In September 2004, we terminated the June 2004 swap agreements and received $60 million in cash, which was comprised of $8 million of accrued interest and a $52 million gain on the net settlement of the June 2004 swap agreements. The $8 million of accrued interest was recorded as a reduction of interest expense for the year ended December 31, 2004 in the consolidated statements of income and the $52 million gain was recorded as an adjustment to the carrying amount of the related debt for the year ended December 31, 2004 in the consolidated balance sheet. The $52 million gain will be amortized to earnings over the remaining term of the debt, which ranges from four to nine years.

Concurrent with the September 2004 termination of the June 2004 swap agreements, we entered into various new interest rate swap agreements to manage our interest rate exposure on a portion of our fixed rate debt. We have accounted for these new swap agreements as fair value hedges.

The interest rate swaps used by us as derivative hedging instruments have been recorded at fair value in other liabilities in the consolidated balance sheets with changes in fair value recorded currently in earnings. Additionally, the carrying amount of the associated debt is adjusted through earnings for changes in the fair value due to changes in interest rates. Ineffectiveness is

recognized to the extent that these two adjustments do not offset. As of December 31, 2004, we recognized no ineffectiveness related to the interest rate swap hedging instruments. The derivatives we entered into for hedge purposes are assumed to be perfectly effective under the shortcut method of SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities.* The differential to be paid or received on changes in interest rates is recorded as an adjustment to interest expense. The interest rate swaps settle every six months until expiration. We recorded $6 million of accrued interest as a reduction of interest expense in the consolidated statements of income for the year ended December 31, 2004.

The following table summarizes our outstanding interest rate swap agreements as of December 31, 2004.

	Maturity			**Fair Value**
(US$ in millions)	2008	2014	Total	December 31, **2004**
Receive fixed/pay variable notional amount	$ 500	$ 500	$1,000	$ (12)
Weighted average variable rate payable[1]	3.28%	3.15%		
Weighted average fixed rate receivable	4.375%	5.35%		

(1) Interest is payable in arrears based on a forecasted rate of six-month LIBOR plus a spread.

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," "continue" and similar expressions. These forward-looking statements are subject to a number of risks, uncertainties and other factors that could cause our actual results, performance, prospects or opportunities, as well as those of the markets we serve or intend to serve, 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: governmental policies affecting our business, including agricultural and trade policies and laws governing environmental liabilities; our funding needs and financing sources; changes in foreign exchange policy or rates; the outcome of pending regulatory and legal proceedings; our ability to complete, integrate and benefit from acquisitions, divestitures, joint ventures and strategic alliances; estimated demand for the commodities and other products that we sell and use in our business; industry conditions, including the cyclicality of the agribusiness industry and unpredictability of the weather; agricultural, economic, social 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, 2004	2003	2002
Net sales	$ 25,168	$ 22,165	$ 13,882
Cost of goods sold (Notes 8 and 10)	(23,282)	(20,860)	(12,544)
Gross profit	1,886	1,305	1,338
Selling, general and administrative expenses	(871)	(691)	(579)
Gain on sale of soy ingredients business	–	111	–
Interest income	103	102	71
Interest expense	(214)	(215)	(176)
Foreign exchange (loss) gain	(31)	92	(179)
Other income (expense)–net	31	19	6
Income from continuing operations before income tax and minority interest	904	723	481
Income tax expense	(289)	(201)	(104)
Income from continuing operations before minority interest	615	522	377
Minority interest	(146)	(104)	(102)
Income from continuing operations	469	418	275
Discontinued operations, net of tax benefit (expense) of $5 (2003) and $(1) (2002) (Note 3)	–	(7)	3
Income before cumulative effect of change in accounting principles	469	411	278
Cumulative effect of change in accounting principles, net of tax benefit of $6 (2002) (Note 7 and 13)	–	–	(23)
Net income	$ 469	$ 411	$ 255

EARNINGS PER COMMON SHARE (NOTE 24):

	2004	2003	2002
Basic			
Income from continuing operations	$ 4.42	$ 4.19	$ 2.87
Discontinued operations	–	(.07)	.03
Cumulative effect of change in accounting principles	–	–	(.24)
Net income per share	$ 4.42	$ 4.12	$ 2.66
Diluted			
Income from continuing operations	$ 4.10	$ 3.89	$ 2.83
Discontinued operations	–	(.06)	.03
Cumulative effect of change in accounting principles	–	–	(.23)
Net income per share	$ 4.10	$ 3.83	$ 2.63

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, 2004	2003
ASSETS		
Current assets:		
Cash and cash equivalents	$ 432	$ 489
Trade accounts receivable (less allowance of $133 and $100) (Note 18)	1,928	1,495
Inventories (Note 4)	2,636	2,867
Deferred income taxes	95	93
Other current assets (Note 5)	1,577	1,474
Total current assets	6,668	6,418
Property, plant and equipment, net (Note 6)	2,536	2,090
Goodwill (Note 8)	167	148
Other intangible assets, net (Note 9)	156	92
Investments in affiliates (Note 11)	564	537
Deferred income taxes	273	233
Other non-current assets	543	366
Total assets	$ 10,907	$ 9,884
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term debt (Note 16)	$ 541	$ 889
Current portion of long-term debt (Note 17)	140	128
Trade accounts payable	1,898	1,678
Deferred income taxes	38	42
Other current liabilities (Note 12)	1,285	1,200
Total current liabilities	3,902	3,937
Long-term debt (Note 17)	2,600	2,377
Deferred income taxes	232	206
Other non-current liabilities	518	433
Commitments and contingencies (Note 21)		
Minority interest in subsidiaries	280	554
Shareholders' equity:		
Common shares, par value $.01; authorized–240,000,000 shares; issued and outstanding: 2004–110,671,450 shares, 2003–99,908,318 shares	1	1
Additional paid-in capital	2,361	2,010
Retained earnings	1,440	1,022
Accumulated other comprehensive loss	(427)	(656)
Total shareholders' equity	3,375	2,377
Total liabilities and shareholders' equity	$ 10,907	$ 9,884

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, 2004	2003	2002
OPERATING ACTIVITIES			
Net income	$ 469	$ 411	$ 255
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 on debt	(85)	(120)	126
Impairment of assets	17	56	5
Bad debt expense	54	6	37
Provision for recoverable taxes	2	(38)	44
Depreciation, depletion and amortization	212	184	168
Deferred income taxes	(56)	(17)	(4)
Discontinued operations	–	7	(3)
Minority interest	146	104	102
Changes in operating assets and liabilities, excluding the effects of acquisitions:			
Trade accounts receivable	(398)	(129)	(116)
Inventories	328	(249)	(728)
Recoverable taxes	(86)	34	(106)
Prepaid commodity purchase contracts	211	(76)	(60)
Advances to suppliers	(341)	(30)	(110)
Trade accounts payable	164	174	469
Arbitration settlement (Note 21)	–	(57)	–
Unrealized loss (gain) on derivative contracts	17	(63)	(40)
Margin deposits	54	(86)	(6)
Accrued liabilities	89	(41)	117
Other–net	5	–	(22)
Cash provided by (used for) operating activities	802	(41)	128
INVESTING ACTIVITIES			
Payments made for capital expenditures	(437)	(304)	(240)
Business acquisitions, net of cash acquired	(355)	(196)	(856)
Investments in affiliates	(24)	–	–
(Investments in) proceeds from related parties	(13)	41	–
Investment in notes receivable	(26)	–	–
Proceeds from disposal of property, plant and equipment	14	28	9
Proceeds from sale of assets held for sale	–	450	16
Proceeds from sale of discontinued operations	–	82	–
Cash (used for) provided by investing activities	(841)	101	(1,071)
FINANCING ACTIVITIES			
Net change in short-term debt	(348)	(381)	(185)
Proceeds from long-term debt	860	851	1,937
Repayment of long-term debt	(678)	(529)	(706)
Proceeds from sale of common shares	348	7	293
Redemption of redeemable preferred stock	(170)	–	–
Dividends paid to shareholders	(51)	(42)	(37)
Dividends paid to minority interest	(35)	(63)	(28)
Proceeds from receivable from former shareholder	–	55	21
Cash (used for) provided by financing activities	(74)	(102)	1,295
Effect of exchange rate changes on cash and cash equivalents	56	61	(81)
Net (decrease) increase in cash and cash equivalents	(57)	19	271
Cash and cash equivalents, beginning of period	489	470	199
Cash and cash equivalents, end of period	$ 432	$ 489	$ 470

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 Shares	Common Shares Amount	Additional Paid-in Capital	Receivable from Former Shareholder	Retained Earnings	Accumulated Other Comprehensive Income (Loss) (Note 23)	Total Shareholders' Equity	Comprehensive Income (Loss)
Balance, January 1, 2002	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 expense of $17	–	–	–	–	–	(403)	–	(403)
Unrealized loss on commodity futures, net of tax benefit of $8	–	–	–	–	–	13	–	13
Loss on treasury rate lock contracts, net of tax of $0	–	–	–	–	–	(22)	–	(22)
Unrealized gain on investments, net of tax of $1	–	–	–	–	–	(1)	–	(1)
Reclassification of realized net (gains) to net income, net of tax expense 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	16,093,633	–	292	–	–	–	292	
–employee stock plan	83,500	–	1	–	–	–	1	
Balance, 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 of $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:								
–employee stock plan	576,085	–	11	–	–	–	11	
Balance, December 31, 2003	99,908,318	$ 1	$ 2,010	$ –	$ 1,022	$ (656)	$ 2,377	
Comprehensive income–2004:								
Net income	–	–	–	–	469	–	469	$ 469
Other comprehensive income (loss):								
Foreign exchange translation adjustment, net of tax expense of $3	–	–	–	–	–	217	–	217
Unrealized losses on commodity futures, net of tax benefit of $3	–	–	–	–	–	(5)	–	(5)
Reclassification of realized net losses to net income, net of tax benefit of $10	–	–	–	–	–	19	–	19
Minimum pension liability, net of tax benefit of $1	–	–	–	–	–	(2)	–	(2)
Total comprehensive income (loss)	–	–	–	–	–	229	229	$ 698
Dividends paid	–	–	–	–	(51)	–	(51)	
Issuance of common shares:								
–public offering	9,775,000	–	331	–	–	–	331	
–employee stock plan	988,132	–	20	–	–	–	20	
Balance, December 31, 2004	110,671,450	$ 1	$ 2,361	$ –	$ 1,440	$ (427)	$ 3,375	

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, processing, storage and sale of grains and oilseeds. Bunge's agribusiness operations and assets are primarily located in North and South America and Europe and it has international marketing offices throughout the world.

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 edible oils, shortenings, margarine, mayonnaise and other products derived from refined vegetable oil. Bunge's edible oil products operations are located in North America, Europe, 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 subsidiaries over which Bunge exercises control. Bunge's consolidated financial statements include the accounts of all majority-owned subsidiaries where our ownership is more than 50% of common stock. Bunge has no non-consolidated majority-owned subsidiaries. All significant intercompany transactions and balances with consolidated subsidiaries are eliminated in the consolidated financial statements. Minority interest related to Bunge's ownership interests of less than 100% is reported as minority interest in subsidiaries in the consolidated balance sheets. The minority ownership interest of Bunge's earnings, net of tax, is reported as minority interest in its consolidated statements of income.

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 accompanying 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 Bunge's reporting currency is the U.S. dollar. The functional currency of the majority of Bunge's foreign subsidiaries is their local currency and, as such, amounts included in the consolidated statements of income 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 as foreign exchange gain (loss).

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

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

Readily marketable inventories are agricultural commodities inventories that are readily convertible to cash because of their commodity characteristics, widely available markets and international pricing mechanisms. Bunge records interest expense attributable to readily marketable inventories based on the average interest rates incurred on the debt financing these inventories in 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 enters into derivatives that are related to its inherent business and financial exposure as a multinational agricultural commodities company.

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. Bunge is exposed to loss in the event of non-performance by the counter-party to forward purchase and forward sales contracts. The values of these contracts are reduced by a provision related to the potential loss in the event of non-performance.

In addition, Bunge hedges portions of its forecasted U.S. oilseed processing production requirements, including forecasted purchases of soybeans and sales of soy commodity products for quantities that usually do not exceed three months of processing capacity. 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 $5 million after tax net gains to cost of goods sold in the year ending December 31, 2005, relating to exchange-traded futures contracts designated as cash flow hedges. If at any time during the hedging relationship Bunge no longer expects the hedge to be highly effective, the changes in the market value of such futures contracts would prospectively be recorded in the consolidated statements of income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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. To the extent they are designated as cash flow hedges and 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. In addition, Bunge enters into interest rate swaps to manage its interest rate exposure on a portion of its fixed rate debt. The derivatives used by Bunge as hedging instruments in association with its debt that are not designated as cash flow hedges have been recorded at fair value in other liabilities in the consolidated balance sheet with changes in fair value recorded currently in earnings. Additionally, the carrying amount of associated debt relating to interest rate swaps is adjusted through earnings for changes in the fair value due to changes in interest rates.

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.

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

Included in property, plant and equipment are mining properties that are stated at cost less accumulated depletion. Depletion is calculated using the unit-of-production method based on proven and probable reserves. The useful lives of Bunge's mines operated in its fertilizer operations, relating to the reserve depletion, range from 18 to 58 years.

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 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). Impairment losses are included in cost of goods sold in the consolidated statements of income.

OTHER INTANGIBLE ASSETS Other intangible assets that have finite 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.

IMPAIRMENT OF LONG-LIVED ASSETS Bunge reviews for impairment its long-lived assets 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. Bunge records impairments related to long-lived assets used in the processing of its products in cost of goods sold, which is a component of income from continuing operations before income tax and minority interest, in the consolidated statements of income. 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 Equity Incentive Plan and a Non-Employee Directors' Equity Incentive Plan, which are described more fully in Note 25. 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 No. 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 restricted stock unit awards under its Equity Incentive Plan and stock options under its Non-Employee Directors' Equity Plan. In accordance with APB No. 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 as well as the number of shares issued upon settlement 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.

	Year Ended December 31,		
(US$ in millions, except per share data)	**2004**	2003	2002
Net income, as reported	$ 469	$ 411	$ 255
Deduct: Total stock-based employee compensation expense determined under fair value based method for stock options granted, net of related tax effects	(7)	(7)	(6)
Pro forma net income	$ 462	$ 404	$ 249
Earnings per common share (see Note 24):			
Basic–as reported	$ 4.42	$ 4.12	$ 2.66
Basic–pro forma	$ 4.36	$ 4.05	$ 2.60
Diluted–as reported [(1)]	$ 4.10	$ 3.83	$ 2.63
Diluted–pro forma [(1)]	$ 4.04	$ 3.76	$ 2.57

(1) The numerator for the calculation of diluted earnings per share as reported and diluted pro forma earnings per share for the years ended December 31, 2004, 2003 and 2002 includes interest expense, net of tax of $5 million, $5 million and $1 million, respectively, related to Bunge's convertible notes (see Note 24).

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 2004, 2003 and 2002 was approximately $14.17, $9.82 and $8.77, respectively. The following assumptions were used for the years ending December 31, 2004, 2003 and 2002:

	2004	2003	2002
Assumptions:			
Expected option life (in years)	8.96	8.79	9.60
Expected dividend yield	1.30%	1.57%	1.60%
Expected volatility of market price	29%	34%	35%
Risk-free interest rate	3.70%	4.10%	3.80%

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 $14 million, $8 million and $8 million in 2004, 2003 and 2002, respectively.

ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS In 2004, the Financial Accounting Standards Board (FASB) Emerging Issues Task Force (EITF) issued EITF Issue No. 04-2, *Whether Mineral Rights Are Tangible or Intangible Assets* (Issue No. 04-2) and the proposed Staff Position (FSP) No. FAS 141-a and 142-a, *Interaction of FASB Statements No. 141, Business Combinations and No. 142, Goodwill and Other Intangible Assets and EITF Issue No. 04-2, Whether Mineral Rights Are Tangible or Intangible Assets* (FSP No. FAS 141-a and 142-a). FSP No. FAS 141-a and 142-a were issued to eliminate the inconsistency between EITF Issue No. 04-2 and Statement of Financial Accounting Standards (SFAS) No. 141 and SFAS No. 142 that mineral rights are tangible assets under EITF Issue No. 04-2 and the characterization of mineral rights as intangible assets in SFAS No. 141 and No. 142. Bunge has applied EITF Issue No. 04-2 and the proposed FSP No. FAS 141-a and 142-a to its consolidated balance sheets beginning in the first quarter of 2004 and has reclassified the prior period consolidated balance sheet to conform to the 2004 presentation. The reclassification at December 31, 2003 was $208 million, resulting in an increase to property, plant and equipment, net and a corresponding decrease in other intangible assets in the consolidated balance sheets.

In January 2004, the FASB issued FSP No. FAS 106-1, *Accounting and Disclosure Requirements Related to the Medicare Prescription Drug Improvement and Modernization Act of 2003* (FSP No. FAS 106-1). The Medicare Prescription Drug Improvement and Modernization Act of 2003 (the Act) to which FSP No. FAS 106-1 relates, which was signed in to law in December 2003, introduces a prescription drug benefit under Medicare as well as a federal subsidy, under certain conditions, to sponsors of retiree healthcare benefit plans. Bunge has elected a one-time deferral of the accounting for the effects of the Act, as permitted by FSP No. FAS 106-1. In May 2004, the FASB issued FSP No. FAS 106-2, which superseded FSP No. FAS 106-1. FSP No. FAS 106-2 is effective for Bunge for the year ended December 31, 2004 and allows two alternate methods of transition, retroactive application to the date of enactment of the Act or prospective application from the date of adoption of this statement. FSP No. FAS 106-2 requires a remeasurement of the applicable plans' assets and benefit obligations at the applicable date. Bunge has determined that the effects of the Act are not a significant event for Bunge and not material to its financial position or results of operations. Using the guidance issued in January 2005 on the definition of "actuarially equivalent," Bunge believes that the prescription drug benefits it provides will be actuarially equivalent. Based on this assumption, the estimated subsidy resulting from the Act is incorporated prospectively into Bunge's postretirement healthcare benefit plan obligation as of the 2004 measurement date as an actuarial gain. The effect of the federal subsidy on the accumulated benefit obligation of Bunge's postretirement healthcare benefit plans was approximately $1 million, which was reflected in the benefit obligation as of December 31, 2004. The effect of the federal subsidy on future annual expense of Bunge's postretirement healthcare benefit plans is insignificant.

In 2004, the FASB Emerging Issues Task Force (EITF) reached a consensus on EITF Issue No. 04-08, *The Effect of Contingently Convertible Instruments on Diluted Earnings Per Share* (Issue No. 04-8), that contingently convertible instruments, which generally become convertible into common stock only if one or more events occur, such as the underlying common stock achieving a specified market price target, should be included in diluted earnings per share computations (if dilutive) regardless of whether the market price target (or other contingent features) have been met. The EITF concluded that Issue No. 04-8 would be applied by restating diluted earnings per share for all prior periods presented. Issue No. 04-8 is effective for periods ending after December 15, 2004. Bunge has applied Issue No. 04-8 to its consolidated statements of income for the year ended December 31, 2004 and has restated diluted earnings per share for the years ended December 31, 2003 and 2002 to include the weighted average common shares that are issuable upon the conversion of Bunge's convertible notes (see Note 24).

NEW ACCOUNTING PRONOUNCEMENTS In December 2004, the FASB issued SFAS No. 123R, *Share-Based Payment* (SFAS No.

123R), that requires all share-based payments, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro forma disclosure is no longer an alternative. SFAS No. 123R is effective for the first interim or annual periods beginning July 1, 2005. Retroactive application of the requirements of SFAS No. 123R to the beginning of the fiscal year that includes the effective date would be permitted. Bunge currently reports stock compensation based on APB No. 25 with pro forma disclosures regarding fair value.

In December 2004, the FASB deferred the issuance of their final standard on earnings per share SFAS No. 128R, *Earnings per Share, an amendment to FAS 128.* The final standard is expected to be effective in 2005 and will require retrospective application for all prior periods presented. The significant proposed changes to the EPS computation are changes to the treasury stock method and contingent share guidance for computing year-to-date diluted EPS, removal of the ability to overcome the presumption of share settlement when computing diluted EPS when there is a choice of share or cash settlement and inclusion of mandatorily convertible securities in basic EPS. Bunge is currently evaluating the proposed provisions of this amendment to determine the impact on its consolidated financial statements.

In December 2004, the FASB issued SFAS No. 153, *Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29.* APB Opinion No. 29, *Accounting for Nonmonetary Transactions,* provided an exception to its basic measurement principle (fair value) for exchanges of similar productive assets. Under APB Opinion No. 29, an exchange of a productive asset for a similar productive asset was based on the recorded amount of the asset relinquished. SFAS No. 153 eliminates this exception and replaces it with an exception for exchanges of nonmonetary assets that do not have commercial substance. SFAS No. 153 is effective prospectively for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005.

In December 2004, the FASB issued proposed FSP No. FAS 109-b, *Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision Within the American Jobs Creation Act of 2004.* The American Jobs Creation Act of 2004 (the Act) was signed into law by the President and includes a provision that allows U.S. corporations, in certain circumstances, to repatriate cumulative non-U.S. earnings at tax rates that may be below the 35% U.S. statutory rate. FSP No. FAS 109-b is intended to provide limited relief in the application of the indefinite reinvestment criterion of APB No. 23, *Accounting for Income Taxes–Special Areas,* due to ambiguities surrounding the implementation of the Act and is effective upon issuance. Bunge is currently reviewing this provision of the act and has not completed its evaluation of the provision's effect on Bunge.

In November 2004, the FASB issued SFAS No. 151, *Inventory Costs, an amendment of ARB No. 43, Chapter 4* (SFAS No. 151), to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material (spoilage) relating to inventory pricing. SFAS No. 151 requires that such items be recognized as current-period charges regardless of whether they meet the criterion of "so abnormal" and requires that the allocation of fixed production overheads to inventory be based on the normal capacity of the production facilities. The guidance is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. Bunge has determined that SFAS No. 151 will not have a material effect on its consolidated financial statements.

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

2. BUSINESS COMBINATIONS

ACQUISITION OF BUNGE BRASIL MINORITY INTEREST In the second half of 2004, Bunge acquired the remaining 17% of the outstanding capital stock of Bunge Brasil S.A. that it did not already own for $314 million in cash. The acquisition was funded with net proceeds of a public offering of Bunge's common shares in June 2004 (see Note 23). As a result of the acquisition, Bunge directly owns 100% of Bunge Brasil and its subsidiaries, Bunge Alimentos S.A., Bunge's Brazilian agribusiness and food products subsidiary, and Bunge Fertilizantes S.A., Bunge's Brazilian fertilizer subsidiary. Bunge has been consolidating Bunge Alimentos and Bunge Fertilizantes since 1997. The acquisition was accounted for under the purchase method as a step acquisition of minority interest.

The following table summarizes the preliminary allocation of $137 million, which is the excess of the cost to acquire the minority interest in Bunge Brasil over the historical book value of the acquired minority interest, to certain intangible assets and segments. This allocation is subject to adjustments based on the finalization of the fair value of these intangible assets.

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(US$ in millions)	Agribusiness	Fertilizer	Edible Oil Products	Milling Products	Total
Property, plant and equipment	$ 15	$ 101	$ 6	$ 4	$ 126
Trademarks/brands	–	25	4	4	33
Licenses	–	5	–	–	5
Goodwill	29	–	–	–	29
Deferred income tax liabilities	(5)	(45)	(3)	(3)	(56)
Total	$ 39	$ 86	$ 7	$ 5	$ 137

The weighted average useful life of the $38 million other intangible assets acquired in 2004 is approximately 21 years.

The following unaudited pro forma summary financial information sets forth Bunge's results of operations as if the above acquisition had been consummated as of January 1, 2003. The pro forma results are not necessarily indicative of what would have occurred had the acquisition been in effect for the periods presented.

(US$ in millions, except per share data)	Year Ended December 31, 2004	2003
Net sales	$ 25,168	$ 22,165
Net income	$ 498	$ 438
Earnings per common share–basic:		
Net income	$ 4.70	$ 4.39
Earnings per common share–diluted:		
Net income	$ 4.35	$ 4.07

POLSKA OIL In April 2004, Bunge acquired the remaining 40% of Polska Oil Investment B.V., a holding company for certain of Bunge's operations in Poland that it did not already own from the European Bank for Reconstruction and Development (EBRD), pursuant to the terms of an amended and restated shareholders agreement between the parties. The purchase price of the EBRD stake in Polska Oil was approximately $27 million. Bunge did not recognize any goodwill on this transaction.

J. MACÊDO EXCHANGE TRANSACTION In the quarter ended March 31, 2004, Bunge completed an asset exchange transaction with J. Macêdo S.A., whereby Bunge exchanged its Brazilian retail flour assets for J. Macêdo's industrial flour assets and approximately $7 million in cash. The assets exchanged were comprised primarily of brands. Bunge recognized a pretax gain of $5 million as a result of this transaction, which is included in other income (expense)–net in the consolidated statements of income for the year ended December 31, 2004.

OTHER BUSINESS ACQUISITIONS In 2004, Bunge completed additional acquisitions having an aggregate purchase price of $15 million, primarily in Europe. Bunge recognized goodwill totaling approximately $2 million related to these acquisitions, which was assigned to its edible oil products segment.

3. DISCONTINUED OPERATIONS

On December 31, 2003, Bunge sold its U.S. bakery business to a third party. The sale includes the facilities that manufactured, marketed and sold dry mixes, frozen bakery products, syrups and toppings that were historically reported in the milling and baking 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, discontinued 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.

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

4. INVENTORIES

Inventories consist of the following:

(US$ in millions)	December 31, 2004	2003
Agribusiness–Readily marketable inventories at market value (1)	$1,264	$1,846
Fertilizer	522	316
Edible oils	489	330
Milling	58	68
Other (2)	303	307
Total	$2,636	$2,867

(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, 2004	2003
Prepaid commodity purchase contracts	$ 37	$ 247
Secured advances to suppliers	697	280
Unrealized gains on derivative contracts	310	418
Margin deposits	43	95
Recoverable taxes	138	70
Marketable securities	14	13
Other	338	351
Total	$1,577	$1,474

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 and other agricultural commodities, 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 and other agricultural commodities. 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 long-term secured advances to suppliers, primarily farmers, in the amount of $198 million and $84 million at December 31, 2004 and 2003, respectively. The allowances for uncollectible advances totaled $43 million and $31 million at December 31, 2004 and 2003, respectively.

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 and (expense)–net in the consolidated statements of income.

6. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment consist of the following:

(US$ in millions)	December 31, 2004	2003
Land	$ 140	$ 114
Mining properties	206	136
Buildings	917	936
Machinery and equipment	2,482	2,078
Furniture, fixtures and other	224	158
	3,969	3,422
Less: accumulated depreciation and depletion	(1,810)	(1,556)
Plus: construction in process	377	224
Total	$ 2,536	$ 2,090

Bunge capitalized interest on construction in progress in the amount of $6 million, $8 million and $6 million in 2004, 2003 and 2002, respectively. Depreciation and depletion expense was $208 million, $182 million and $166 million in 2004, 2003 and 2002, respectively.

7. CHANGE IN ACCOUNTING PRINCIPLES

Effective January 1, 2002, Bunge adopted SFAS No. 142. SFAS No. 142 supersedes 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 former wheat milling and bakery products segment. The goodwill impairment

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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.

8. GOODWILL

In the fourth quarter of 2004, Bunge performed its annual impairment test and has determined that there was no goodwill impairment for the year ended December 31, 2004.

In the fourth quarter of 2003, Bunge performed its annual impairment test and recorded in cost of goods sold in the consolidated statements of income 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 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, 2004 and 2003 are as follows:

(US$ in millions)	Agribusiness	Edible Oil Products	Milling Products	Unallocated	Total
Balance, January 1, 2003	$ 129	$ –	$ 21	$ 89	$ 239
Goodwill acquired (Note 2)	24	5	3	–	32
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)
Foreign exchange translation	14	–	–	–	14
Balance, December 31, 2003	138	5	5	–	148
Goodwill acquired	29	2	–	–	31
Tax benefit on goodwill amortization (1)	(10)	–	–	–	(10)
Allocation of acquired goodwill (3)	(3)	–	(3)	–	(6)
Foreign exchange translation	3	1	–	–	4
Balance, December 31, 2004	$ 157	$ 8	$ 2	$ –	$ 167

(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 associated goodwill and then intangible assets to zero, prior to recognizing any income tax benefit in the consolidated statements of income.

(2) In 2003, Bunge assigned $89 million of the 2002 acquisition purchase price of Cereol S.A. to Lesieur, its French edible oil subsidiary that was sold by Bunge in 2003, and its ingredients assets.

(3) In 2004, upon completion of the final valuation on certain smaller acquisitions, Bunge has assigned $3 million of goodwill acquired in its agribusiness segment to property, plant and equipment and $3 of goodwill acquired in its milling products segment to intangible 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 19). The aggregate amortization expense for other intangible assets was $4 million and $2 million for the year ended December 31, 2004 and 2003, respectively. The annual estimated amortization and depletion expense for 2005 to 2009 is approximately $4 million per year.

Intangible assets consist of the following:

(US$ in millions)	December 31, 2004	2003
Trademarks/brands–finite lived	$ 87	$ 33
Licenses	5	2
Other	18	8
	110	43
Less: accumulated amortization:		
Trademarks/brands	(3)	(1)
Licenses	(2)	(1)
Other	(1)	–
	(6)	(2)
Trademarks/brands–indefinite lived	40	40
Unamortized prior service costs of defined benefit plans (Note 19)	12	11
Intangible assets, net of accumulated amortization	$ 156	$ 92

In 2004, as a result of the acquisition of the Bunge Brasil minority interest, Bunge preliminarily assigned to its fertilizer segment $25 million of intangible assets attributable to product trademarks/brands (20-year weighted average useful life) and $5 million related to licenses (38-year weighted average useful life). Bunge also assigned to its edible oil products and milling products segments $4 million and $4 million, respectively, of intangible assets attributable to trademarks/brands (20-year useful life) relating to this acquisition (see Note 2). In connection with the J. Macêdo asset exchange transaction, Bunge assigned to its milling products segment $15 million of intangible assets attributable to product trademarks/brands with a 20-year weighted average useful life.

In 2003, as a result of the Cereol acquisition, Bunge assigned to its edible oil products segment $53 million of intangible assets attributable to product trademarks/brands in Eastern Europe. Of this amount, approximately $34 million of these trademarks/brands have an average finite life of 30 years and the remainder of $19 million have an indefinite life, which is not subject to amortization. In addition, as a result of certain other 2003 acquisitions Bunge recognized finite lived assets of $3 million and indefinite lived intangible assets of $15 million.

10. LONG-LIVED ASSET IMPAIRMENT AND RESTRUCTURING CHARGES

IMPAIRMENT In 2004, Bunge recorded pretax non-cash impairment charges of $17 million relating to write-downs of its refining and bottling facilities in the agribusiness segment in Western Europe attributable to planned closing of these facilities in response to changed market conditions and competition in Western Europe and to the write-downs of refining and packaging facilities in the edible oil products segment in North and South America. These impairment charges were a result of planned closings of older less efficient plants with planned replacement of new more efficient refining facilities in South America. The carrying value of these assets was written down to their estimated fair value.

In 2003, Bunge recorded a pretax non-cash impairment charge of $40 million relating to its fixed assets at its European oilseed processing facilities. These facilities were older, less efficient crushing facilities, and these operations were dependent on soybeans imported from North and South America for production. The European operations experienced operating losses during 2003. During the fourth quarter of 2003, 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.

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

Bunge has recorded these impairment charges in cost of goods sold in the consolidated statements of income for the years ended December 31, 2004, 2003 and 2002.

RESTRUCTURING In connection with the 2004 impairment charges in its agribusiness segment, Bunge recorded $7 million of restructuring charges related to employee termination benefit obligations for 62 plant and administrative employees in the oilseed processing operations as part of its restructuring plan. These restructuring charges were included in cost of goods sold for the year ended December 31, 2004 and in other current liabilities on the consolidated balance sheet at December 31, 2004. The restructuring plan is designed to streamline Bunge's costs and simplify its oilseed processing operations in Western Europe. Bunge's restructuring plan is expected to be finalized in 2005. Payments related to employee termination obligations are expected to be paid in 2005. The plan is expected to be funded by cash flows from operations. No significant unresolved issues exist related to the restructuring plan.

11. INVESTMENTS IN AFFILIATES

Bunge has investments in affiliates that are accounted for on the equity method of accounting. The most significant of these affiliates are the following companies:

THE SOLAE COMPANY Bunge owns 28% of The Solae Company (Solae), a soy ingredients joint venture with E.I. duPont de Nemours and Company (DuPont). In 2003, Bunge formed an alliance with DuPont to expand its agribusiness and soy ingredients businesses. In connection with the formation of Solae, DuPont contributed its Protein Technologies food ingredients business and Bunge contributed its North American and European ingredients operations. In exchange, Bunge received a 28% interest in Solae based on the fair value of its contribution. The carrying value of net assets contributed also equaled the fair value of $520 million. Bunge did not recognize any gain or loss on this transaction. In addition, in 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. Bunge has recorded a long-term investment in Solae in its consolidated balance sheets, which includes a deferred gain of $43 million, representing Bunge's 28% interest in Solae, as reduction in the carrying value of the investment in Solae. The deferred gain will only be recognized upon the sale or partial sale of the investment in Solae. During 2004, Bunge received capital returns of $17 million from Solae.

In May 2003, Solae was organized as a U.S. limited liability company that has elected to be taxed as a partnership. As a result, the parent companies, Bunge and DuPont 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.

SAIPOL S.A.S. Bunge has a 33.34% ownership interest in this joint venture which is engaged in oilseed processing and production of branded bottled vegetable oils in France.

TERMINAL 6 S.A. AND TERMINAL 6 INDUSTRIAL S.A. Bunge has a 40% and 50% ownership interest, respectively, in these joint ventures, which operate a port facility and oilseed processing facility in Argentina. In 2004, Bunge invested $16 million in Terminal 6 Industrial to build a new oilseed processing facility.

AGRI-BUNGE, LLC Bunge has a 50% voting interest and a 34% interest in the equity and earnings of this joint venture, which originates grain and operates Mississippi river terminals in the U.S.

FOSBRASIL S.A. Bunge has a 44.25% ownership interest in this joint venture, which operates a phosphoric acid production facility in Brazil.

EWICO S.P.O.O. Bunge has a 50% ownership interest in this joint venture, which manufactures edible oils in Poland. This joint venture was created in 2004 and Bunge invested $8 million.

HARINERA LA ESPIGA, S.A. DE C.V. Bunge has a 31.5% ownership interest in this joint venture which has wheat milling and bakery dry mix operations in Mexico.

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, 2004 and 2003 follows:

(US$ in millions)	2004	2003
Amounts recorded by Bunge:		
Investments (1)	$ 564	$ 537
Equity income	12	16
Combined results of operations:		
Revenues	$2,600	$2,070
Income before income tax and minority interest	42	60
Net income	39	58
Combined financial position:		
Current assets	$ 934	$ 767
Non-current assets	2,177	2,050
Total assets	$3,111	$2,817
Current liabilities	$ 582	$ 472
Non-current liabilities	682	569
Stockholders' equity	1,847	1,776
Total liabilities and stockholders' equity	$3,111	$2,817

(1) At December 31, 2004 and 2003, Bunge's investment exceeded its underlying equity in the net assets of Solae by $12 million and $16 million, respectively. Straight-line amortization of this excess against equity income amounted to $4 million and $3 million in 2004 and 2003, respectively. Amortization of the excess has been attributed to intangible assets of Solae, which are being amortized over five years.

12. OTHER CURRENT LIABILITIES

Other current liabilities consist of the following:

	December 31,	
(US$ in millions)	2004	2003
Accrued liabilities	$ 729	$ 608
Unrealized loss on derivative contracts	242	336
Advances on sales	158	146
Other	156	110
Total	$1,285	$1,200

13. 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. Asset retirement obligations in Bunge's fertilizer segment relate to restoration of land used in its mining operations and asset retirement obligations in its edible oil products segment relate to the removal of certain storage tanks associated with its edible oil refining facilities.

The carrying amount of the asset retirement obligation was $30 million and $25 million at December 31, 2004 and 2003, respectively. The change related to $2 million of accretion and $3 million of currency translation adjustment.

14. 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 pretax income (loss) before minority interest and discontinued operations are as follows:

	Year Ended December 31,		
(US$ in millions)	2004	2003	2002
United States	$ (44)	$ (23)	$ 45
Non-United States	948	746	436
Total	$ 904	$ 723	$ 481

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

	Year Ended December 31,		
(US$ in millions)	2004	2003	2002
Current:			
United States	$ (6)	$ (7)	$ 13
Non-United States	(339)	(211)	(121)
	(345)	(218)	(108)
Deferred:			
United States	23	20	1
Non-United States	33	(3)	3
	56	17	4
Total	$ (289)	$ (201)	$ (104)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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, 2004	2003	2002
Income from continuing operations before income tax and minority interests	$ 904	$ 723	$ 481
Income tax rate	35%	35%	35%
Income tax expense at the statutory rate	(316)	(253)	(168)
Adjustments to derive effective rate:			
Recognition of tax loss benefits on merger of foreign subsidiaries	60	–	–
Change in valuation allowance	(60)	16	(33)
Effect of tax free gain on sale of soy ingredients business	–	39	–
Adjustment resulting from the finalization of prior years' tax returns	–	3	20
Foreign exchange (expense) benefit	(22)	(40)	86
Earnings of subsidiaries taxed at different statutory rates	31	45	(16)
Benefits from U.S. export incentive	17	16	9
Basis difference in determining foreign taxable income	(17)	(23)	–
Foreign tax benefits	17	14	–
Other	1	(18)	(2)
Income tax expense	$ (289)	$ (201)	$ (104)

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 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-related legislation, Bunge was required to use the tax provisions of the Extraterritorial Income Act (ETI) legislation, which were substantially similar to the FSC-related legislation. The U.S. Congress has recently passed and the President has signed the American Jobs Creation Act of 2004 that ultimately repeals the ETI benefit. Under the new legislation, the ETI will be phased out with 100% of the otherwise available ETI benefit retained for 2004, 80% of the otherwise available ETI benefit retained for 2005, 60% of the otherwise available ETI benefit retained for 2006 and the ETI benefit phased out completely in 2007. The ETI benefit has been replaced with an income tax deduction intended to allocate benefits previously provided to U.S. exporters across all manufacturers when fully phased in. Although most of Bunge's U.S. operations qualify as "manufacturing," Bunge expects that this new tax legislation will be less beneficial to it than the prior one primarily due to Bunge's U.S. tax position.

In 2003, a new tax law was enacted in South America affecting exporters of certain products, including grains and oilseeds. The tax 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 tax effect of this new tax law was reflected in income tax expense in the consolidated statements of income for the years ended December 31, 2004 and 2003.

Certain Bunge subsidiaries had undistributed earnings amounting to approximately $541 million and $519 million at December 31, 2004 and 2003. 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 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, 2004	2003
Deferred income tax assets:		
Net operating loss carry-forwards	$ 482	$ 386
Excess of tax basis over financial statement basis of property, plant and equipment	55	65
Accrued retirement costs (pension and postretirement cost) and other accrued employee compensation	59	43
Other accruals and reserves not currently deductible for tax purposes	194	161
Tax credit carry-forwards	15	12
Other	51	63
Total deferred tax assets	856	730
Less valuation allowance	(177)	(107)
Net deferred tax assets	679	623
Deferred tax liabilities:		
Excess of financial statement basis over tax basis of property, plant and equipment	366	344
Undistributed earnings of affiliates	129	125
Other	86	76
Total deferred tax liabilities	581	545
Net deferred tax assets	$ 98	$ 78

At December 31, 2004, Bunge's gross tax loss carry-forwards totaled $1,510 million, of which $272 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 pretax income. The remaining tax loss carry-forwards expire at various periods beginning in 2005 through the year 2024.

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 relate to net operating loss carry-forwards in certain of its non-U.S. subsidiaries where there is an uncertainty regarding their realization and will more likely than not expire unused. In 2004, Bunge merged several European subsidiaries, which generated statutory tax losses and the recognition of $60 million of net operating loss carry-forwards. Bunge increased its valuation allowance by $60 million as it is more likely than not that the assets will not be realized. In 2003, Bunge decreased its valuation allowance by $16 million, which resulted 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 South American tax law.

In 2004, 2003 and 2002, Bunge paid income taxes, net of refunds, of $210 million, $112 million and $14 million, respectively. In addition, in 2004 Bunge offset income taxes payable of $95 million against recoverable taxes receivable in certain South American jurisdictions in accordance with the applicable local tax laws.

15. 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 marked-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, 2004 Carrying Value	2004 Fair Value	2003 Carrying Value	2003 Fair Value
Marketable securities	$ 14	$ 14	$ 13	$ 13
Long-term debt, including current portion	2,740	2,895	2,505	2,746

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

DERIVATIVE INSTRUMENTS In September 2004, Bunge entered into treasury rate lock agreements with an aggregate notional amount of $500 million at a 10-year treasury yield of 4.15% with a settlement date of March 2005. The treasury rate lock agreements were not designated as hedging instruments. In the fourth quarter of 2004, Bunge terminated these treasury rate lock agreements. Bunge recorded a gain in other income (expense)–net in the consolidated statements of income of approximately $10 million relating to the cash settlement received on these derivative agreements for the year ended December 31, 2004.

In June 2004, Bunge entered into various interest rate swap agreements to manage its interest rate exposure on a portion of its fixed rate debt. These swap agreements had an aggregate notional amount of $1 billion at weighted average fixed rates receivable of 4.375% and 5.35% and weighted average variable rates payable of 2.23% and 2.17%, with maturity dates of 2008 and 2014. These interest rate swap agreements were accounted for as fair value hedges. In September 2004, Bunge terminated the June 2004 swap agreements and received $60 million in cash, which was comprised of $8 million of accrued interest and a $52 million gain on the net settlement of the June 2004 swap agreements. The $8 million of accrued interest was recorded as a reduction of interest expense for the year ended December 31, 2004 in the consolidated statement of income and the $52 million gain was recorded as an adjustment to the carrying amount of the related debt in the consolidated balance sheet. The $52 million gain will be amortized to earnings over the remaining term of the debt, which ranges from four to nine years.

Concurrent with the September 2004 termination of the June 2004 swap agreements, Bunge entered into various new interest rate swap agreements to manage its interest rate exposure on a portion of its fixed rate debt. Bunge has accounted for these new swap agreements as fair value hedges.

The interest rate swaps used by Bunge as derivative hedging instruments have been recorded at fair value in other liabilities in the consolidated balance sheets with changes in fair value recorded currently in earnings. Additionally, the carrying amount of the associated debt is adjusted through earnings for changes in the fair value due to changes in interest rates. Ineffectiveness is recognized to the extent that these two adjustments do not offset. As of December 31, 2004, Bunge recognized no ineffectiveness related to the interest rate swap hedging instruments. The derivatives Bunge entered into for hedge purposes are assumed to be perfectly effective under the shortcut method of SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities.* The differential to be paid or received on changes in interest rates is recorded as an adjustment to interest expense. The interest rate swaps settle every six months until expiration. Bunge recorded $6 million of accrued interest as a reduction of interest expense in the consolidated statement of income for the year ended December 31, 2004.

The following table summarizes Bunge's outstanding interest rate swap agreements as of December 31, 2004.

	Maturity			Fair Value December 31,
(US$ in millions)	2008	2014	Total	2004
Receive fixed/pay variable notional amount	$ 500	$ 500	$1,000	$ (12)
Weighted average variable rate payable (1)	3.28%	3.15%		
Weighted average fixed rate receivable	4.375%	5.35%		

(1) Interest is payable in arrears based on a forecasted rate of six-month LIBOR plus a spread.

In connection with obtaining debt financing in 2002, Bunge entered into treasury rate lock contracts to hedge interest rate variability risk associated with changes in U.S. Treasury rates. Bunge accounted for these derivative contracts in other comprehensive income (loss) as cash flow hedges of forecasted issuances of debt. These hedges were terminated upon issuance of the related debt. The $17 million remaining in accumulated other comprehensive income (loss) is commensurate with the actual debt issued and is being amortized over 10 years. In 2004 and 2003, Bunge reclassified approximately $2 million in both years from other comprehensive income (loss) to interest expense

in the consolidated statements of income, relating to these derivative contracts. Bunge expects to reclassify approximately $2 million to interest expense in 2005.

16. SHORT-TERM DEBT AND CREDIT FACILITIES

Short-term borrowings consist of the following:

(US$ in millions)	December 31, 2004	2003
Commercial paper with an average interest rate of 2.37% at December 31, 2004	$ 401	$ 426
Lines of credit:		
Unsecured variable interest rates from 1.39% to 10.5%	140	460
Other	–	3
Total short-term debt	$ 541	$ 889

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, 2004 and 2003 was 4.2% and 2.36%, respectively.

In connection with the financing of readily marketable inventories, Bunge recorded interest expense on debt financing readily marketable inventories of $46 million, $34 million and $31 million for the years ended December 31, 2004, 2003 and 2002, respectively.

At December 31, 2004, Bunge had a $600 million commercial paper program facility to fund working capital requirements. At December 31, 2004, Bunge had approximately $199 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.

17. LONG-TERM DEBT

Long-term obligations are summarized below:

(US$ in millions)	December 31, 2004	2003
Payable in U.S. Dollars:		
Senior notes, fixed interest rates of 4.38% to 7.80%, maturing 2007 through 2014	$2,023	$1,486
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	129	136
Trust certificates, fixed interest rates of 8.61%, payable 2005	18	18
Note collateralized by future export commodity contracts, fixed interest rate of 8.09%, payable through 2006	34	54
Other notes payable, fixed interest rates from 3.47% to 5.87%, payable through 2009	93	76
Long-term debt, variable interest rates indexed to LIBOR (1) plus 1.38% to 4.02%, payable through 2014	36	302
Other	3	7
Payable in Brazilian Reais:		
BNDES (2) loans, variable interest rate indexed to IGPM (3) plus 6.5% to 7.9%, payable through 2008	134	152
Other	20	24
	2,740	2,505
Less: Installments due within one year	(140)	(128)
Total long-term debt	$2,600	$2,377

(1) LIBOR as of December 31, 2004 and 2003 was 1.54% and 1.16%, 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, 2004 and 2003 was 12.42% and 8.71%, respectively.

In April 2004, Bunge completed the sale of $500 million aggregate principal amount of unsecured senior notes bearing interest at a rate of 5.35% per year that mature in April 2014. The senior notes were issued by Bunge's wholly owned finance subsidiary, Bunge Limited Finance Corp., and are fully and unconditionally guaranteed by Bunge. Interest on the senior notes is payable semi-annually in arrears in April and October of each year, commencing in October 2004. Bunge used the net proceeds of this offering of approximately $496 million for the repayment of other outstanding indebtedness.

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At December 31, 2004, Bunge had approximately $1,297 million of unused and available borrowing capacity under its committed long-term credit facilities with a number of lending institutions.

Certain land, property, equipment and investments in consolidated subsidiaries having a net carrying value of approximately $633 million at December 31, 2004 have been mortgaged or otherwise collateralized against long-term debt of $178 million at December 31, 2004.

Principal maturities of long-term debt at December 31, 2004 are as follows:

(US$ in millions)	
2005	$ 140
2006	173
2007	152
2008	525
2009	70
Later years	1,680
Total	$2,740

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, 2004.

In 2004, 2003 and 2002, Bunge paid interest, net of interest capitalized, of $162 million, $152 million and $134 million, respectively.

18. ACCOUNTS RECEIVABLE SECURITIZATION

During 2002, Bunge established, through its wholly-owned U.S. operating subsidiary, an accounts receivable securitization facility. In addition, through the acquisition of Cereol, Bunge assumed an additional 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 approximately $150 million. Collections reduce accounts receivable included in the pools, and are used to purchase new receivables, which become part of the pools. One of the facilities expires in 2005, with an option to renew and the other facility expires in 2007. The effective yield rates approximate the 30-day commercial paper rate plus annual commitment fees ranging from 29.5 to 40 basis points.

During 2004 and 2003, the outstanding undivided interests averaged $115 million and $125 million, respectively. Bunge retains collection and administrative responsibilities for the receivables in the pools. Bunge recognized $2 million and $3 million in related expenses for the years ended December 31, 2004 and 2003, respectively, which are included in selling, general and administrative expenses in Bunge's consolidated statements of income.

In addition, Bunge retains interests in the pools of accounts receivable 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 receivable has been retained in Bunge's consolidated balance sheets since collections of all pooled accounts receivable are first utilized to reduce the outstanding undivided interests. At December 31, 2004, there were no undivided interests in the pooled accounts receivable outstanding. Accounts receivable at December 31, 2003 were net of $125 million representing the outstanding undivided interests in pooled accounts receivable.

19. 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 postretirement 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.

PLAN AMENDMENTS In 2004, certain non-qualified key executive plans were created and the related past service costs reflected in the benefit obligations as of December 31, 2004. In addition, effective January 1, 2004, the qualified defined benefit pension plans for all non-union U.S. employees were merged into one plan and that plan was amended to include certain hourly employees, to introduce unreduced early retirement benefits at age 62 and to redefine salary to include a portion of variable compensation. In addition, certain postretirement healthcare benefit plans were amended, which reduced Bunge's liability related to future retirees. These pension and postretirement healthcare benefit plan amendments were reflected in the benefit obligations as of December 31, 2003.

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 certain U.S. employees.

The following table sets forth in aggregate a reconciliation of the changes in the defined benefit pension and the postretirement healthcare benefit plans benefit obligations, assets and funded status at December 31, 2004 and 2003 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, 2004 was used for all plans.

	Pension Benefits		Postretirement Healthcare Benefits	
	December 31,		December 31,	
(US$ in millions)	2004	2003	2004	2003
Change in benefit obligations:				
Benefit obligation as of beginning of year	$ 318	$ 269	$ 27	$ 42
Service cost	10	8	–	1
Interest cost	19	16	1	2
Actuarial losses, net	9	40	–	3
Acquisition and purchase accounting adjustments	–	(9)	–	(3)
Plan amendments	3	9	–	–
Curtailment/settlement (gains)	(1)	(10)	–	(16)
Benefits paid	(20)	(12)	(2)	(2)
Impact of foreign exchange rates	4	7	–	–
Benefit obligation as of end of year	$ 342	$ 318	$ 26	$ 27
Change in plan assets:				
Fair value of plan assets as of beginning of year	$ 205	$ 183	$ –	$ –
Actual return on plan assets	21	27	–	–
Employer contributions	19	6	2	2
Benefits paid	(20)	(12)	(2)	(2)
Impact of foreign exchange rates	2	1	–	–
Fair value of plan assets as of end of year	$ 227	$ 205	$ –	$ –
Funded status and net amounts recognized:				
Plan assets less than benefit obligation	$ (115)	$ (113)	$ (26)	$ (26)
Contribution adjustment	4	2	–	–
Unrecognized prior service cost	14	12	–	–
Unrecognized net actuarial losses	65	63	1	1
Unrecognized net transition asset	(1)	(2)	–	–
Net liability recognized in the balance sheet	$ (33)	$ (38)	$ (25)	$ (25)
Amounts recognized in the balance sheet consist of:				
Prepaid benefit costs	$ 8	$ 10	$ –	$ –
Accrued benefit cost	(89)	(92)	(25)	(25)
Intangible asset	12	11	–	–
Accumulated other comprehensive income	36	33	–	–
Net liability recognized	$ (33)	$ (38)	$ (25)	$ (25)

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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, 2004, the $342 million projected benefit obligation includes plans with projected benefit obligations of $328 million, which was in excess of the fair value of related plan assets of $209 million. At December 31, 2003, the $318 million projected benefit obligation includes plans with projected benefit obligations of $304 million, which were in excess of the fair value of related plan assets of $188 million.

The accumulated benefit obligation for the defined benefit pension plans was $309 million and $291 million at December 31, 2004 and 2003, respectively.

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

	December 31,	
(US$ in millions)	**2004**	2003
Projected benefit obligation	$ 328	$ 304
Accumulated benefit obligation	294	277
Fair value of plan assets	209	188

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, 2004 and 2003 was $48 million and $44 million, respectively. At December 31, 2004 and 2003, Bunge also recognized an intangible asset of $12 million and $11 million, respectively, related to unamortized prior service costs for which a minimum pension liability was recorded. At December 31, 2004 and 2003, Bunge recorded $36 million and $33 million, respectively, of the excess of the additional minimum pension liability over the amount recognized as an intangible asset in other accumulated comprehensive income (loss). Bunge recorded an increase in additional minimum pension liability of $3 million and $17 million for the years ended December 31, 2004 and 2003, respectively, which is included in other comprehensive income (loss).

The components of net periodic costs are as follows:

	Pension Benefits			Postretirement Healthcare Benefits		
	Year Ended December 31,			Year Ended December 31,		
(US$ in millions)	**2004**	2003	2002	**2004**	2003	2002
Service cost	$ 10	$ 8	$ 5	$ –	$ 1	$ 1
Interest cost	19	16	11	2	2	2
Expected return on plan assets	(17)	(16)	(11)	–	–	–
Amortization of unrecognized prior service cost	1	1	1	–	–	–
Recognized net loss	3	1	–	–	–	–
Amortization of transition obligation	(1)	(1)	(1)	–	–	–
Net periodic benefit costs	$ 15	$ 9	$ 5	$ 2	$ 3	$ 3

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

	December 31, 2004	2003
Discount rate	5.7%	6.0%
Increase in future compensation levels	3.3%	3.4%

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

	Year Ended December 31, 2004	2003	2002
Discount rate	6.0%	6.8%	7.5%
Increase in future compensation levels	3.4%	4.5%	5.0%
Expected long-term rate of return on assets	8.0%	8.4%	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, 2004, for measurement purposes, a 6% annual rate of increase in the per capita cost of covered healthcare benefits was assumed for 2005 and forward. At December 31, 2003, for measurement purposes, an 8% annual rate of increase in the per capita cost of covered healthcare benefits was assumed for 2004, decreasing to 6% for 2005, remaining at that level thereafter.

A one-percentage point change in assumed healthcare cost trend rates would have the following effects at December 31, 2004:

(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 as of the measurement date for 2004 and 2003, by category, are as follows:

	Plan Assets 2004	2003
Asset Category		
Equities	61%	58%
Fixed income securities	34%	41%
Cash	5%	1%
Total	100%	100%

The objectives of the Plans' trust funds are to sufficiently diversify plan assets 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. Bunge retains investment managers who select investment fund managers to implement the investment strategy, such that the investments approximate the target asset allocation. Bunge's policy is not to invest plan assets in Bunge Limited shares.

Bunge expects to contribute $17 million to its defined benefit pension plans and $2 million to its postretirement healthcare benefit plans in 2005.

The following benefit payments, which reflect future service as appropriate, are expected to be paid:

(US$ in millions)	**Pension Benefits**	**Postretirement Healthcare Benefits**
2005	$ 15	$ 2
2006	15	2
2007	15	2
2008	16	2
2009	18	2
2010–2014	108	11

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

EMPLOYEE DEFINED CONTRIBUTION Bunge also makes contributions to qualified defined contribution plans for eligible employees. Contributions to these plans amounted to $9 million, $7 million and $4 million in 2004, 2003 and 2002, respectively.

MULTI-EMPLOYER PLAN In addition, certain salaried employees of Bunge's Brazilian fertilizer operations participate in a multi-employer defined benefit pension plan, Fundação Petrobras de Securidade Social (Petros), to which Bunge makes contributions. Contributions to this plan were $1 million, $1 million and $1 million in 2004, 2003 and 2002, respectively.

20. RELATED PARTY TRANSACTIONS

MUTUAL INVESTMENT LIMITED In July 2004, Bunge purchased a wheat mill in Brazil from Mutual Investment Limited, its former shareholder, for approximately $2 million. No goodwill was recognized on this transaction by Bunge. In June 2003, Bunge received $55 million from 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 Bunge's shareholders' equity at December 31, 2002. Bunge recorded interest income of $1 million and $3 million in 2003 and 2002, respectively, pertaining to the related party receivable. In December 2003, Bunge sold an inactive Netherlands subsidiary to Mutual Investment Limited for $64 thousand 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 its direct and indirect costs of providing the services. In 2004 and 2003, Mutual Investment Limited paid Bunge $623 thousand and $661 thousand, respectively, under this agreement.

NOTES RECEIVABLE In connection with the 2003 sale of Lesieur, a French producer of branded bottled vegetable oil, to Saipol, Bunge's oilseed processing joint venture with Sofiproteol (the financial arm of the French oilseed farmers' association), Bunge holds a note receivable from Saipol having a carrying value of $39 million at December 31, 2004. The note receivable matures in July 2009 with interest payable annually at a variable rate of 5.55%. Bunge has recognized in its consolidated statements of income interest income of approximately $2 million and $1 million for the years ended December 31, 2004 and 2003, respectively. Bunge has a 33.34% ownership interest in the Saipol joint venture, which is accounted for under the equity method (see Note 11).

In addition, in 2004, Bunge entered into financing agreements with EWICO, its 50% owned joint venture in Poland, to finance EWICO's working capital and acquisition requirements. The EWICO notes receivable mature no earlier than June 30, 2005, at Bunge's option, with interest payable annually at variable rates of one or six-month Warsaw Interbank Borrowing Rate (WIBOR) plus 2.5%. The carrying value of the EWICO notes receivable, totaled approximately $14 million at December 31, 2004 and are included in other non-current assets in the consolidated balance sheets. Bunge also recognized interest income in the amount of $3 million in other interest income in the consolidated statement of income for the year ended December 31, 2004.

OTHER Bunge sells soybean meal and fertilizer products to Seara Alimentos S.A. (Seara), a subsidiary of Mutual Investment Limited engaged in the business of meat and poultry production. These sales were $10 million, $6 million and $4 million for the years ended December 31, 2004, 2003 and 2002, respectively. In the third quarter of 2004, Mutual Investment Limited signed an agreement to sell its interest in Seara to a third party. This sale closed in the first quarter of 2005.

In addition, Bunge purchased soybeans, related soybean commodity products and other commodity products from its unconsolidated joint ventures (primarily Solae and its other North American joint ventures), which totaled $457 million and $62 million for the years ended December 31, 2004 and 2003, respectively. Bunge also sold soybean commodity products and other commodity products to these joint ventures, which totaled $92 million and $62 million for the years ended December 31, 2004 and 2003, respectively. Bunge believes these transactions are recorded at values similar to those with third parties.

21. 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, 2004 and 2003 are the following accrued liabilities:

(US$ in millions)	December 31, 2004	2003
Tax claims	$ 153	$ 112
Labor claims	112	79
Civil and other	78	67
Total	$ 343	$ 258

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.

OLEINA HOLDING ARBITRATION Bunge is involved in arbitration proceedings at the ICC International Court of Arbitration with Cereol's former joint venture partner over the final purchase price of Oleina Holding S.A. 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 to be determined by arbitration.

In July 2004, the arbitration tribunal determined the purchase price to be approximately $108 million. Bunge filed a recourse for annulment of the arbitral award issued in July 2004 with the Federal Court of Lausanne, Switzerland. In January 2005, the recourse for annulment of the arbitral award was denied by the federal court. Proceedings for enforcement of the arbitral award are currently pending in the Court of Appeal of the Hague in The Netherlands. Bunge is entitled to be indemnified by Edison S.p.A., from whom it purchased Cereol, for any portion of the final purchase price that exceeds $39 million. As of December 31, 2004, Bunge has recorded an obligation of $81 million to Cereol's former joint venture partner and a receivable in the amount of $74 million from Edison relating to its indemnity. Edison has informed Bunge that it is currently evaluating whether the conditions precedent to this indemnification have been satisfied. Bunge has assessed the collectibility of this receivable under the terms of its agreement with Edison and believes this amount is fully collectible under the agreement.

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 the acquired Cereol business. 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.

ANTITRUST APPROVAL OF MANAH ACQUISITION In April 2000, Bunge acquired Manah S.A., a Brazilian fertilizer company that had an indirect participation in Fosfertil S.A. 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 operational agreement have not been finalized, Bunge does not expect them to have a material adverse impact on its business or financial results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GUARANTEES Bunge has issued or was a party to the following guarantees at December 31, 2004:

(US$ in millions)	Maximum Potential Future Payments
Operating lease residual values [1]	$ 69
Unconsolidated affiliates financing [2]	22
Customer financing [3]	166
Total	$ 257

(1) 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 were deferred and recognized ratably over the initial lease terms. Bunge has the option under each lease to purchase the barges or railcars at fixed amounts, based on estimated fair values or to sell the assets. If Bunge elects to sell, it will receive proceeds up to fixed amounts specified in the agreements. If the proceeds of such sales are less than the specified fixed amounts, Bunge would be obligated under a guarantee to pay supplemental rent for the deficiency in proceeds up to a maximum of approximately $69 million at December 31, 2004. 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.

(2) 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 2009. There are no recourse provisions or collateral that would enable Bunge to recover any amounts paid under this guarantee.

(3) 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, 2004, $64 million of these financing arrangements were collateralized by tangible property. Bunge has determined the fair value of these guarantees to be immaterial at December 31, 2004.

In addition, Bunge has issued parent level guarantees for the repayment of certain of senior notes and senior credit facilities, which were issued or entered into by its wholly owned subsidiaries, with a carrying amount of $2,278 million at December 31, 2004. All outstanding debt related to these guarantees is included in the consolidated balance sheets at December 31, 2004 (see Note 17). There are no significant restrictions on the ability of Bunge Limited Finance Corp. or any other Bunge subsidiary to transfer funds to Bunge.

Also, 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 was $327 million as of December 31, 2004, of which $6 million was outstanding as of such date.

FREIGHT SUPPLY AGREEMENTS In the ordinary course of business, Bunge enters into purchase commitments for time on ocean freight vessels and freight service on railroad lines for the purpose of transporting agricultural commodities. In addition, Bunge sells the time on these ocean freight vessels when excess freight capacity is available. These agreements typically range from two months to six years, in the case of ocean freight vessels, depending on market conditions and 10 to 23 years in the case of railroad services. Future minimum payments due under these agreements are $547 million, $348 million, $256 million, $266 million and $284 million, for the years 2005 to 2009, respectively, and $4,182 million thereafter. Actual amounts paid under these contracts may differ due to the variable components of these agreements and the amount of income earned on the sales of excess capacity. The cost of Bunge's freight supply agreements is passed through to its customers in the ordinary course of business and as a result such cost is expected to be fully recovered.

22. REDEEMABLE PREFERRED STOCK

In 2000, Bunge First Capital Limited (First Capital), a consolidated subsidiary of Bunge, issued 170,000 $.01 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 were entitled to receive cumulative variable rate cash dividends paid quarterly. The amount of the dividend was calculated based on alternative benchmark financing rates, certain actual expenses and a return. If more than one quarterly dividend went unpaid, and on the occurrence of certain other events, the preferred shareholders were entitled to 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 is a separate legal entity from Bunge and has separate assets and liabilities. First Capital retained the right to redeem the preferred stock, in whole or in part, for the issue price plus accrued and unpaid dividends. In November 2004, First Capital exercised its right and redeemed the 170,000 redeemable preferred shares for $170 million plus accrued

and unpaid preferred dividends through October 31, 2004 of approximately $1 million. The redemption was financed by the prepayment of an outstanding term loan due First Capital from one of Bunge's subsidiaries. First Capital has been released of any future obligations related to these redeemable preferred shares. The carrying value and subsequent redemption of these preferred shares was reflected in minority interest in the consolidated balance sheets at December 31, 2004 and 2003.

23. SHAREHOLDERS' EQUITY

In June 2004, Bunge completed a public offering of 9,775,000 of its common shares for net proceeds of $331 million, after underwriting discounts, commissions and expenses. Bunge used the net proceeds of the offering to acquire the additional 17% of the total outstanding shares of Bunge Brasil, its publicly traded Brazilian subsidiary that it did not already own, for $314 million in cash (see Note 2).

In March 2002, Bunge sold 16,093,633 common shares in a public offering. Proceeds from this offering 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 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, 2002	$ (695)	$ 5	$ –	$ –	$ –	$ (690)
Other comprehensive (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)
Other comprehensive income (loss)	217	12	2	(2)	–	229
Balance, December 31, 2004	$ (392)	$ 5	$ (17)	$ (23)	$ –	$ (427)

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).

24. 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, restricted stock unit awards and convertible notes 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 unit awards and convertible notes, 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, Bunge accounts for the effect of the convertible notes on its diluted earnings per share computation using the if-converted method. Under this method, the convertible notes are assumed to be converted and the interest expense, net of tax related to the convertible notes is added back to earnings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The computation of diluted earnings per common share for the years ended December 31, 2004, 2003 and 2002 include the weighted average common shares that would be issuable upon conversion of Bunge's 3.75% convertible notes due 2022, having a $250 million aggregate principal amount. The convertible 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. The initial conversion rate is 31.1137 common shares of Bunge Limited for each $1,000 principal amount of notes converted.

The following table sets forth the computation of basic and diluted earnings per share for the years ended December 31, 2004, 2003 and 2002.

	Year Ended December 31,		
(US$ in millions, except for share data)	**2004**	2003	2002
Income from continuing operations–basic	$ 469	$ 418	$ 275
Interest on convertible notes, net of tax	5	5	1
Interest from continuing operations–diluted	$ 474	$ 423	$ 276
Weighted average number of common shares outstanding:			
Basic	106,015,869	99,745,825	95,895,338
Effect of dilutive shares:			
–stock options and awards	1,879,762	1,129,777	753,791
–convertible notes	7,778,425	7,778,425	745,876
Diluted	115,674,056	108,654,027	97,395,005
Income from continuing operations per share:			
Basic	$ 4.42	$ 4.19	$ 2.87
Diluted	$ 4.10	$ 3.89	$ 2.83

25. STOCK–BASED COMPENSATION

EQUITY INCENTIVE PLAN In 2001, Bunge established its Equity Incentive Plan which is a shareholder approved plan. Under the plan, the compensation committee of the board of directors may award equity-based compensation to officers, employees, consultants and independent contractors. Awards under the plan may be in the form of stock options (statutory or non-statutory), restricted stock units (performance-based or time-vested) or other awards.

STOCK OPTION AWARDS Generally, stock options to purchase Bunge Limited common shares are non-statutory and granted at not less than fair market value on the date of grant, as determined under the Equity Incentive 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 certain circumstances such as a change in control of Bunge.

RESTRICTED STOCK UNITS Performance-based restricted stock units and time-vested restricted stock units are granted to a limited number of key employees. The performance-based restricted stock units are awarded at the beginning of a three-year performance period and vest following 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) or segment operating profit (for awards granted to employees of operating companies) 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 Bunge's 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 or the segment operating profit 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 for the 2002 and 2003 grants and 200% of the grant for cumulative EPS performance or segment operating profit in excess of the maximum target for the 2004 grants. Performance-based restricted stock unit awards may be paid out, at the participant's election, subject

to the discretion of Bunge's compensation committee, in cash, in Bunge Limited common shares or a combination thereof, 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 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 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 $25 million, $9 million and $7 million for the years ended December 31, 2004, 2003 and 2002, respectively, for grants of restricted stock unit awards.

At December 31, 2004 and 2003, there were 763,208 and 452,862, respectively, of primarily performance-based restricted stock units granted that had not yet vested. During 2004, Bunge issued approximately 74,894 shares with a weighted average fair value of $38.52 per share primarily 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 (Directors' Plan). The Directors' Plan is a shareholder approved plan. The Directors' Plan provides for awards of non-statutory stock options to non-employee directors. The options vest and are exercisable on the January 1st following the date of grant, assuming the director continues service as a member of the Board of Directors of Bunge until such date. Vesting may be accelerated in certain situations such as a change in control of Bunge.

AVAILABLE OPTIONS Bunge has reserved 11,067,145 and 553,357 common shares for grants of stock options and other stock awards under the Equity Incentive Plan and the Directors' Plan, respectively. At December 31, 2004, 5,322,918 and 166,357 common shares were available for grant under the Equity Incentive Plan and Directors' Plan, respectively. The Equity Incentive Plan and the 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 Equity Incentive 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, 2002	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
Granted	801,600	36.93
Exercised	(913,238)	19.09
Forfeited	(43,300)	26.00
Expired	–	–
Options outstanding at December 31, 2004	3,720,302	$24.40
Exercisable options:		
December 31, 2002	973,378	$17.09
December 31, 2003	1,726,865	$18.28
December 31, 2004	1,950,706	$19.49

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Information regarding stock options outstanding and exercisable at December 31, 2004, was as follows:

	Range of Exercise Prices			
	$15.88–$16.00	$18.88–$21.61	$21.62–$25.22	$35.46–$37.08
Options outstanding:				
Number	781,812	1,179,344	966,146	793,000
Weighted average exercise price	$ 15.97	$ 20.88	$ 25.22	$ 36.93
Weighted average remaining contractual life in years	5.8	6.7	8.1	9.2
Options exercisable:				
Number	781,812	852,546	316,348	–
Weighted average exercise price	$ 15.97	$ 20.60	$ 25.22	$ –

26. 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, 2004 were as follows:

(US$ in millions)	
2005	$ 92
2006	78
2007	66
2008	58
2009	51
Thereafter	111
Total	$ 456

Rent expense under non-cancelable operating leases was $89 million, $62 million and $52 million for 2004, 2003 and 2002, respectively.

27. ARGENTINA

In 2002, Bunge commenced recording, and continues to record, an allowance 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 this allowance 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, 2004 and 2003, this allowance for recoverable taxes was $27 million and $25 million, respectively. In the year ended December 31, 2004, Bunge increased this allowance in the amount of $2 million as a result of increased purchases of commodity inventories in the first half of the 2004 year. In the year ended December 31, 2003, Bunge decreased this allowance in the amount of $39 million as a result of either cash recoveries by Bunge or compensation against taxes owed by Bunge to the Argentine government.

28. OPERATING SEGMENTS AND GEOGRAPHIC AREAS

During 2004, Bunge reclassified certain consumer product lines from the agribusiness segment to the edible oil products segment. As a result, amounts for the year ended December 31, 2003 have been reclassified to conform to the current 2004 presentation.

With the completion of the sale of the Brazilian soy ingredients business in 2003, Bunge has four reporting segments: agribusiness, fertilizer, edible oil 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, inter-segment 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 "Inter-segment revenues."

OPERATING SEGMENT INFORMATION

(US$ in millions)	Agribusiness	Fertilizer	Edible Oil Products	Milling Products	Other	Unallocated	Total
2004							
Net sales to external customers	$ 17,911	$ 2,581	$ 3,872	$ 804	$ –	$ –	$ 25,168
Intersegment revenues	1,433	–	50	17	–	(1,500)	–
Gross profit (1)	936	601	257	92	–	–	1,886
Foreign exchange gain (loss)	(17)	(32)	5	–	–	13	(31)
Interest income	21	50	6	3	–	23	103
Interest expense	(111)	(50)	(32)	(8)	–	(13)	(214)
Segment operating profit	358	372	79	41	–	–	850
Depreciation, depletion and amortization expense	(89)	(70)	(41)	(12)	–	–	(212)
Investments in affiliates	17	8	64	20	–	455	564
Total assets	5,690	2,428	1,512	328	–	949	10,907
Capital expenditures	$ 211	$ 158	$ 59	$ 9	$ –	$ –	$ 437
2003							
Net sales to external customers	$ 16,224	$ 1,954	$ 3,184	$ 751	$ 52	$ –	$ 22,165
Intersegment revenues	623	–	66	22	–	(711)	–
Gross profit (2) (3)	549	373	284	81	18	–	1,305
Foreign exchange gain (loss)	89	(20)	–	–	(1)	24	92
Interest income	26	53	6	–	–	17	102
Interest expense	(80)	(35)	(24)	(8)	(2)	(66)	(215)
Segment operating profit (4)	252	242	86	30	8	–	618
Depreciation, depletion and amortization expense	(77)	(57)	(37)	(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 (2)	783	293	151	77	34	–	1,338
Foreign exchange gain (loss)	(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

(1) In 2004, Bunge recorded pretax long-lived asset impairment charges of $7 million in its edible oil segment, related to its refining and packaging operations in North and South America. In addition, in 2004, Bunge recorded a $10 million long-lived asset impairment charge and a $7 million restructuring charge in its agribusiness segment, related to its oilseed operations in Western Europe. These charges are included in cost of goods sold in Bunge's consolidated statement of income (see Note 10).

(2) In the fourth quarter of 2003, Bunge recorded in cost of goods sold in its consolidated statements 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 10). In the fourth quarter of 2002, Bunge recorded in cost of goods sold in its consolidated statements of income a pretax impairment charge of $5 million, relating to its U.S. edible oil bottling facilities.

(3) 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.

(4) 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 selling, general and administrative expenses (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

Segment operating profit, a measure of segment profitability, includes an allocation of 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.

A reconciliation of income from continuing operations before income tax and minority interest to total consolidated segment operating profit follows:

(US$ in millions)	Year Ended December 31, 2004	2003	2002
Income from continuing operations before income tax and minority interest	$ 904	$ 723	$ 481
Unallocated (income) expense–net [1]	(54)	6	40
Gain on sale of ingredients business	–	(111)	–
Segment operating profit	$ 850	$ 618	$ 521

(1) Unallocated (income) expense–net included interest income, interest expense, foreign exchange 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:

(US$ in millions)	Year Ended December 31, 2004	2003	2002
Agricultural commodities products	$ 17,911	$ 16,224	$ 10,483
Fertilizer products	2,581	1,954	1,384
Edible oil products	3,872	3,184	1,279
Wheat milling products	479	500	399
Corn milling products	325	251	229
Soy ingredient products	–	52	108
Total	$ 25,168	$ 22,165	$ 13,882

Geographic area information for net sales to external customers, determined based on the location of the subsidiary making the sale, and long-lived assets follows:

(US$ in millions)	Year Ended December 31, 2004	2003	2002
Net sales to external customers:			
United States	$ 6,783	$ 6,129	$ 4,482
Brazil	4,939	3,894	3,253
Argentina	262	275	452
Canada	1,160	1,216	203
Europe	8,777	7,176	4,232
Asia	3,225	3,451	1,229
Rest of world	22	24	31
Total	$ 25,168	$ 22,165	$ 13,882

(US$ in millions)	December 31, 2004	2003	2002
Long-lived assets [1]:			
United States	$ 1,021	$ 1,052	$ 726
Brazil	1,759	1,323	1,002
Argentina	113	80	53
Europe	410	302	394
Rest of world	120	110	98
Unallocated [2]	–	–	89
Total	$ 3,423	$ 2,867	$ 2,362

(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 8).

29. QUARTERLY FINANCIAL INFORMATION

(US$ in millions, except per share data)	Quarter First	Second	Third	Fourth	Year End
2004					(Unaudited)
Volumes (in millions of metric tons)	23.6	29.6	28.9	26.8	108.9
Net sales	$ 5,739	$ 6,657	$ 6,560	$ 6,212	$ 25,168
Gross profit (1)	365	496	553	472	1,886
Income before cumulative effect of change in accounting principles	70	112	182	105	469
Net income	$ 70	$ 112	$ 182	$ 105	$ 469
Earnings per common share–basic					
Income before cumulative effect of change in accounting principles	$ .70	$ 1.08	$ 1.65	$ .95	$ 4.42
Net income per share (6)	$ .70	$ 1.08	$ 1.65	$ .95	$ 4.42
Earnings per common share–diluted					
Income before cumulative effect of change in accounting principles	$ .65	$ 1.00	$ 1.53	$ .89	$ 4.10
Net income per share (2) (6)	$ .65	$ 1.00	$ 1.53	$ .89	$ 4.10
Weighted average number of shares outstanding–basic	100,016,833	103,434,409	110,080,027	110,438,941	106,015,869
Weighted average number of shares outstanding–diluted (2)	109,565,699	112,891,787	119,624,913	120,279,197	115,674,056
Market price:					
High	$ 40.22	$ 41.27	$ 40.98	$ 57.08	
Low	$ 32.99	$ 34.07	$ 36.96	$ 38.80	
2003					
Volumes (in millions of metric tons)	22.3	28.1	28.8	27.0	106.2
Net sales	$ 4,842	$ 5,181	$ 5,784	$ 6,358	$ 22,165
Gross profit (3)	273	269	369	394	1,305
Discontinued operations (4)	(1)	(1)	(2)	(3)	(7)
Income before cumulative effect of change in accounting principles (5)	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	$ .38	$ 1.68	$ .83	$ .94	$ 3.83
Net income per share (2)	$ .38	$ 1.68	$ .83	$ .94	$ 3.83
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 (2)	108,280,555	108,701,887	109,002,275	108,840,169	108,654,027
Market price:					
High	$ 27.30	$ 30.35	$ 30.95	$ 33.00	
Low	$ 23.90	$ 24.73	$ 27.37	$ 26.29	

(1) In the first quarter of 2004, Bunge recorded in cost of goods sold in its consolidated statements of income a pretax long-lived asset impairment charge of $3 million in its edible oil segment in North America related to its refining and packaging operations. In the fourth quarter of 2004, Bunge recorded long-lived asset impairment charges of $10 million in its agribusiness segment related to the oilseed operations in Western Europe and $4 million in its edible oil segment related to the refining and packaging operations in South America. In addition, Bunge recorded a restructuring charge of $7 million in its agribusiness segment related to the oilseed operations in Western Europe (see Note 10).

(2) Effective for the year ended December 31, 2004, Bunge has adopted EITF Issue No. 04-08 and in accordance with Issue No. 04-08, has restated diluted earnings per share and diluted weighted average shares outstanding for all prior periods presented to include the 7,778,425 common shares that are issuable upon the conversion of convertible notes and related interest expense in the calculation of diluted earnings per share (see Note 24). Net income per share–diluted as previously reported for the first, second, third and fourth quarters of 2003 and for the year end was $.40, $1.80, $.88, $.99 and $4.07, respectively.

(3) 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 10). In the fourth quarter of 2002, Bunge recorded in cost of goods sold in its consolidated statements of income a pretax impairment charge of $5 million, relating to its U.S. edible oil bottling facilities.

(4) 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 have been reclassified to reflect this transaction.

(5) In the second quarter of 2003, Bunge sold its Brazilian soy ingredients operations to Solae, its 28% joint venture with DuPont, for $251 million in cash, net of expenses of $5 million. Consequently, Bunge recognized a non-taxable gain on sale of $111 million in 2003 that was included in gain on sale of soy ingredients business in the consolidated statements of income for the year ended December 31, 2003 (see Note 11).

(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, 2004 does not equal the total computed for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. SUBSEQUENT EVENTS

On February 25, 2005, Bunge announced that it will pay a regular quarterly cash dividend of $.13 per share on May 31, 2005 to shareholders of record on May 17, 2005. In addition, on February 28, 2005, Bunge paid a regular quarterly cash dividend of $.13 per share to shareholders of record on February 14, 2005.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Bunge Limited's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Bunge Limited's internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to further periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

Under the supervision and with the participation of management, including its principal executive officer and principal financial officer, Bunge Limited's management assessed the design and operating effectiveness of internal control over financial reporting as of December 31, 2004 based on the framework in *Internal Control–Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on Bunge Limited's assessment under the framework in *Internal Control–Integrated Framework* issued by COSO, management concluded that Bunge Limited's internal control over financial reporting was effective as of December 31, 2004. Management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2004 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Alberto Weisser
Chief Executive Officer

William M. Wells
Chief Financial Officer
March 7, 2005

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF BUNGE LIMITED

We have audited management's assessment, included in the accompanying "Management's Report on Internal Control Over Financial Reporting," that Bunge Limited and its Subsidiaries (the "Company") maintained effective internal control over financial reporting as of December 31, 2004, based on the criteria established in Internal Control–Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

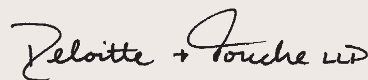
We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects, based on the criteria established in Internal Control–Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on the criteria established in Internal Control–Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of December 31, 2004 and for the year then ended of the Company and our report dated March 7, 2005 expressed an unqualified opinion on those financial statements.



New York, New York
March 7, 2005

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF BUNGE LIMITED

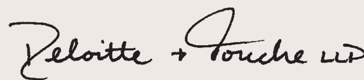
We have audited the accompanying consolidated balance sheets of Bunge Limited and Subsidiaries (the "Company") as of December 31, 2004 and 2003, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2004. These 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 the standards of the Public Company Accounting Oversight Board (United States). 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, such consolidated financial statements present fairly, in all material respects, the financial position of Bunge Limited and Subsidiaries at December 31, 2004 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 7 and 13 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 Board No. 142 and changed its method of accounting for asset retirement obligations to conform to Statement of Financial Accounting Standards No. 143.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2004, based on the criteria established in Internal Control–Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 7, 2005 expressed an unqualified opinion on management's assessment of the effectiveness of the Company's internal control over financial reporting and an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.



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Corporate and Investor Relations
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Jorge Born, Jr. *Deputy Chairman*

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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

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INVESTOR INFORMATION
Copies of the company's annual report, filed with the Securities and Exchange Commission (SEC) on Form 10-K, 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.

Alberto Weisser and William Wells have provided certifications to the Securities and Exchange Commission as required by Section 302 of the Sarbanes-Oxley Act of 2002. These certifications are included as exhibits to Bunge's Annual Report on Form 10-K for the year ended December 31, 2004.

As required by the New York Stock Exchange (NYSE), on January 20, 2005, Alberto Weisser submitted his certification to the NYSE that stated he was not aware of any violation of the NYSE corporate governance listing standards.

ANNUAL MEETING
The annual meeting will be held on May 27, 2005, 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

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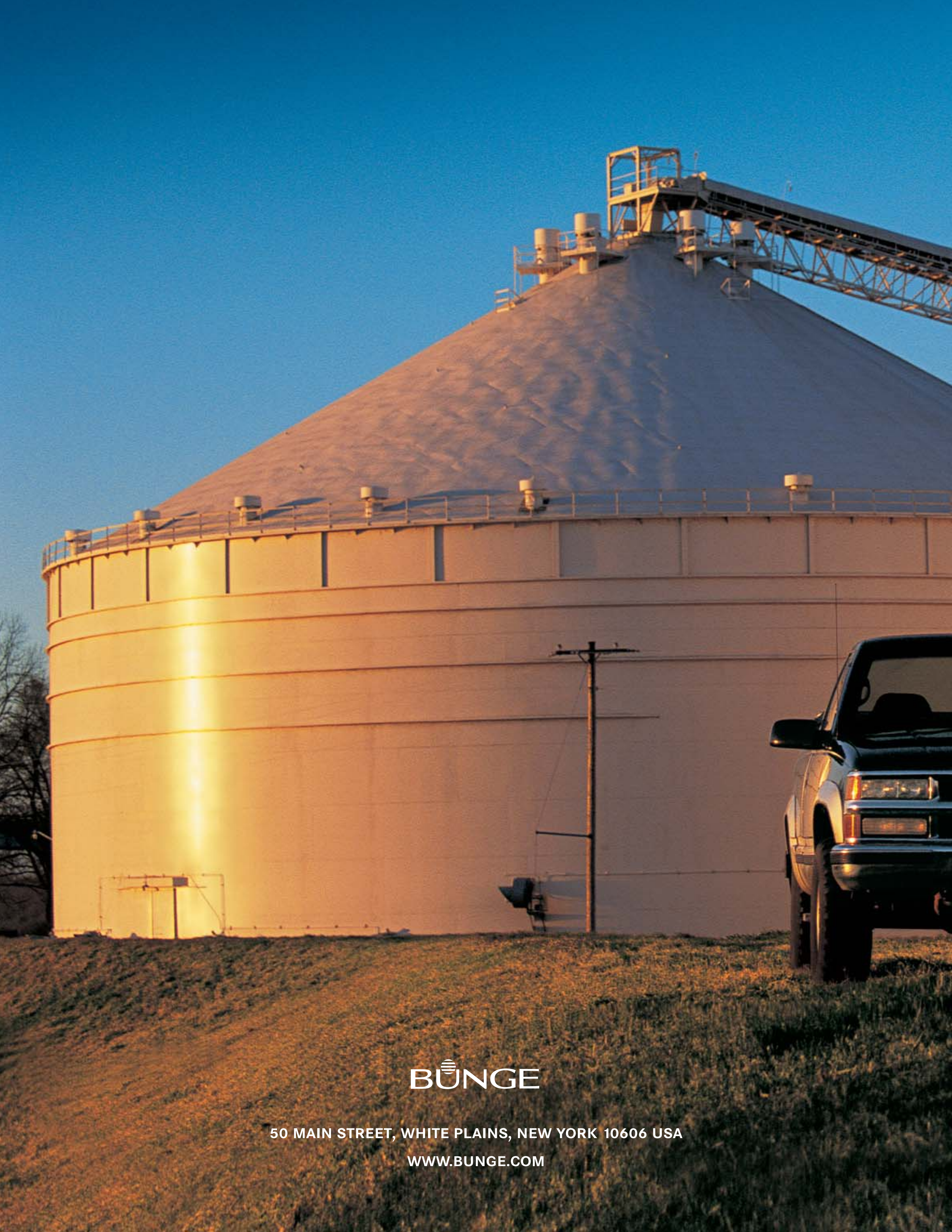
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