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BRAVO FOODS INTERNATIONAL CORP  
Form 10QSB  
May 15, 2003

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

FORM 10-QSB  
QUARTERLY OR TRANSITIONAL REPORT

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2003

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

Commission File Number 0-20549

BRAVO! FOODS INTERNATIONAL CORP.  
(Exact name of registrant as specified in its amended charter)

formerly  
China Premium Food Corporation

Delaware 62-1681831  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

11300 US Highway 1, North Palm Beach, Florida 33408 USA  
(Address of principal executive offices)

(561) 625-1411  
Registrant's telephone number

-----  
(Former name, former address and former fiscal year if  
changed since last report)

The number of shares outstanding of each of the issuer's classes of common  
stock, as of the latest practicable date is as follows:

| Date         | Class        | Shares Outstanding |
|--------------|--------------|--------------------|
| May 12, 2003 | Common Stock | 25,962,854         |

Transitional Small Business Disclosure Format (Check One)  
YES  NO

BRAVO! FOODS INTERNATIONAL CORP.

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## BRAVO! FOODS INTERNATIONAL CORP. AND SUBSIDIARIES

### CONSOLIDATED BALANCE SHEETS

|   | December 31,<br>2002<br>----- |
|---|-------------------------------|
| Assets  |                               |
| Current assets:                                 |                               |
| Cash and cash equivalents                       | \$ 224,579                    |
| Accounts receivable                             | 236,149                       |
| Other receivable                                | 14,662                        |
| Advance to vendor                               | 8,719                         |
| Inventories                                     | 55,062                        |
| Prepaid expenses                                | 7,605                         |
|   | -----                         |
| Total current assets                            | 546,776                       |
| Furniture and equipment, net                    | 89,602                        |
| License rights, net of accumulated amortization | 88,104                        |
| Deposits  | 15,000                        |
|   | -----                         |
| Total assets                                    | \$ 739,482<br>=====           |
| Liabilities and Shareholders' Deficit           |                               |

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|  |            |
|--|------------|
| Current liabilities:                   |            |
| Note payable to International Paper    | \$ 187,743 |
| Notes payable to individual lenders    | 100,000    |
| License fee payable to Warner Brothers | 270,053    |
| Accounts payables                      | 1,039,313  |
| Accrued liabilities                    | 409,615    |
|  | -----      |
| Total current liabilities              | 2,006,724  |
| Dividends payable                      | 266,666    |
|  | -----      |
| Total liabilities                      | 2,273,390  |
|  | -----      |

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BRAVO! FOODS INTERNATIONAL CORP. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

December 31,  
2002  
-----

Commitments and contingencies

Shareholders' Deficit (Note 2):

|   |              |
|---|--------------|
| Series B convertible, 9% cumulative, and redeemable preferred stock, stated value \$1.00 per share, 1,260,000 shares authorized, 107,440 shares issued and outstanding, redeemable at \$107,440 | 107,440      |
| Series F convertible and redeemable preferred stock, stated value \$10.00 per share, 130,515 shares issued and outstanding  | 1,205,444    |
| Series G convertible, 8% cumulative and redeemable preferred stock, stated value \$10.00 per share, 70,208 and 69,786 shares issued and outstanding   | 624,115      |
| Series H convertible, 7% cumulative and redeemable preferred stock, stated value \$10.00 per share, 175,500 shares issued and outstanding   | 939,686      |
| Series I convertible, 8% cumulative and redeemable preferred stock, stated value \$10.00 per share, 30,000 shares issued and outstanding  | 72,192       |
| Series J convertible, 8% cumulative and redeemable preferred stock, stated value \$10.00 per share, 100,000 and 150,000 shares issued and outstanding   | 854,279      |
| Common stock, par value \$0.001 per share, 50,000,000 shares authorized, 25,732,854 and 25,862,854 shares issued and outstanding  | 25,730       |
| Additional paid-in capital  | 20,266,463   |
| Accumulated deficit   | (25,629,016) |
| Translation adjustment  | (241)        |
|   | -----        |
| Total shareholders' deficit   | (1,533,908)  |
|   | -----        |

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Total liabilities and shareholders' deficit \$ 739,482  
=====

See accompanying notes to consolidated financial statements.

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BRAVO! FOODS INTERNATIONAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

|  | Three Months Ended March 31, |             |
|--|------------------------------|-------------|
|  | 2002                         | 2003        |
|  | -----                        | -----       |
|  | (Unaudited)                  | (Unaudited) |
| Revenue - unit sales                           | \$ -                         | \$ 92,918   |
| Revenue - net kit sales                        | 221,845                      | 2,737       |
| Revenue - gross kit sales                      | 26,376                       | 301,775     |
|  | -----                        | -----       |
| Total revenue                                  | 248,221                      | 397,430     |
| Cost of sales                                  | (4,483)                      | (80,362)    |
|  | -----                        | -----       |
| Gross margin                                   | 243,738                      | 317,068     |
| Selling expenses                               | 10,286                       | 361,075     |
| Product development                            | -                            | 494         |
| General and administrative expense             | 707,567                      | 772,470     |
|  | -----                        | -----       |
| Loss from operations                           | (474,115)                    | (816,971)   |
| Other income (expense)                         |                              |             |
| Interest expense, net                          | (9,737)                      | (2,044)     |
| Other expenses                                 | (1,368)                      | -           |
|  | -----                        | -----       |
| Loss before income taxes                       | (485,220)                    | (819,015)   |
| Income tax provision                           | -                            | -           |
|  | -----                        | -----       |
| Net loss                                       | (485,220)                    | (819,015)   |
| Dividends accrued for Series B preferred stock | (2,417)                      | (2,384)     |
| Dividends accrued for Series D preferred stock | (10,202)                     | -           |
| Dividends accrued for Series G preferred stock | (16,321)                     | (13,799)    |
| Dividends accrued for Series H preferred stock | (247,371)                    | (30,292)    |
| Dividends accrued for Series I preferred stock | -                            | (5,918)     |
| Dividends accrued for Series J preferred stock | -                            | (298,720)   |

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|   |              |                |
|---|--------------|----------------|
| Net loss applicable to common shareholders                      | \$ (761,531) | \$ (1,170,128) |
| Weighted average number of common shares outstanding            | 15,570,010   | 25,843,743     |
| Basic and diluted loss per share                                | \$ (0.05)    | \$ (0.05)      |
| Comprehensive loss and its components consist of the following: |              |                |
| Net loss  | \$ (485,220) | \$ (819,015)   |
| Foreign currency translation adjustment                         | 472          | 3,047          |
| Comprehensive loss  | \$ (484,748) | \$ (815,968)   |

See accompanying notes to consolidated financial statements.

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BRAVO! FOODS INTERNATIONAL, CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

|   | Three Months End |
|---|------------------|
|   | 2002             |
|   | (Unaudited)      |
| Cash flows from operating activities:                                       |                  |
| Net loss  | \$ (485,220)     |
| Adjustments to reconcile net loss to net cash used in operating activities: |                  |
| Depreciation and amortization   | 92,148           |
| Stock issuance for compensation   | -                |
| Options issued for compensation   | 4,051            |
| Amortization of deferred interest   | 521              |
| Loss on disposal of fixed assets  | -                |
| Increase (decrease) from changes in:  |                  |
| Accounts Receivable   | (39,891)         |
| Other receivable  | 544              |
| Advance to vendors  | -                |
| Inventories   | 604              |
| Prepaid expenses  | (7,197)          |
| Accounts payable and accrued expenses                                       | (68,267)         |
| Net cash used in operating activities                                       | (502,707)        |

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|   |           |
|---|-----------|
| Cash flows from investing activities:                       |           |
| Purchase of equipment                                       | -         |
|   | -----     |
| Net cash used in investing activities                       | -         |
|   | -----     |
| Cash flows from financing activities:                       |           |
| Proceeds of Series H preferred stock                        | 700,000   |
| Proceeds of Series J preferred stock                        | -         |
| Payment of note payable, bank loan and license fee payable  | (407,897) |
|   | -----     |
| Net cash provided by financing activities                   | 292,103   |
|   | -----     |
| Effect of changes in exchange rates on cash                 | 472       |
|   | -----     |
| Net decrease in cash and cash equivalents                   | (210,132) |
| Cash and cash equivalents, beginning of period              | 232,040   |
|   | -----     |
| Cash and cash equivalents, end of period                    | \$ 21,908 |
|   | -----     |
| Cash paid during the period:                                |           |
| Interest  | \$ 0      |
|   | -----     |
| Supplemental cash flow information                          |           |
| Non cash items of disclosure                                |           |
| Issuance of common stock for compensation                   | \$ -      |
| Accrual of preferred dividends:                             | 39,547    |
| Accrued dividends converted to common stock                 | 49,710    |
| Conversion of Series D preferred stock to common stock      | 279,109   |
| Conversion of Series G preferred stock to common stock      | 28,978    |
| Issuance of Warrants with Series H preferred stock issuance | 225,514   |
| Deemed dividends on Series H preferred stock                | 236,764   |
| Issuance of Warrants with Series J preferred stock issuance | -         |
| Deemed dividends on Series J preferred stock                | -         |

See accompanying notes to consolidated financial statements.

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BRAVO! FOODS INTERNATIONAL, CORP. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

Note 1 - Interim Periods

The accompanying unaudited consolidated financial statements include the accounts of Bravo! Foods International, Corp. and its wholly-owned subsidiary Bravo! Foods, Inc. (the "Company"). The Company is engaged in the co-production, marketing and distribution of branded dairy and snack food products in the People's Republic of China and the sale of flavored

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milk products and flavor ingredients in the United States, Canada and Mexico.

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10QSB and Article 10 of Regulation S-X. All significant inter-company accounts and transactions have been eliminated in consolidation. The consolidated financial statements are presented in U.S. dollars. Accordingly, the accompanying financial statements do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for fair presentation have been included. Operating results for the three-month period ended March 31, 2003 are not necessarily indicative of the results that may be expected for the year ending December 31, 2003. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report for the year ended December 31, 2002.

As shown in the accompanying consolidated financial statements, the Company has suffered operating losses and negative cash flow from operations since inception and has an accumulated deficit of \$26,799,144, negative equity of \$1,897,438, negative working capital of \$1,711,007 and is delinquent on certain of its debts at March 31, 2003. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management plans to improve gross profit margins in its U.S. and China operations and obtain additional financing. While there is no assurance that funding will be available or that the Company will be able to improve its profit margins, the Company is continuing to actively seek equity and/or debt financing. No assurances can be given that the Company will be successful in carrying out its plans. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### Revenue Recognition

The Company sells flavor ingredients and production rights (collectively referred to as "kits") to processor dairies in the U.S., China, Canada and Mexico and also sells flavored milk products in the U.S.. Revenue is recognized when the goods are shipped, and title and the risk and reward of ownership have been passed to the customer and possible return of goods can be reasonably estimated. The criteria to meet this guideline are: 1) persuasive evidence of an arrangement exists, 2) delivery has occurred or services have been rendered, 3) the price to the buyer is fixed or determinable and 4) collectibility is reasonably assured.

The Company follows the final consensus reached by the Emerging Issues Task Force (EITF) 99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent". Pursuant to EITF 99-19, sales of kits made directly to customers by the Company are reflected in the statement of operations on a gross basis, whereby the total amount billed to the customer is recognized as revenue. Sales of kits made through intermediaries, in which the Company's role is similar to that of an agent, are reflected on a net basis, which represents the amount earned by the Company in the transaction.

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## BRAVO! FOODS INTERNATIONAL, CORP. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

In September 2002, the Company entered into a program with two processor dairies pursuant to which the Company sells flavored milk products to retail stores (referred to as "unit sales"). The Company benefits from the difference between the prices charged by processor dairies to produce the product for the Company and the price paid by retail stores to purchase the product. The Company bears the responsibility for paying food brokers fees, transportation and delivery expenses. The Company recognizes revenue on the net basis and recognizes the aforementioned expenses as selling expenses. Expenses for samples, slotting fees and certain promotions are treated as a reduction of reported revenue.

### Stock-based Compensation

The Company has adopted the intrinsic value method of accounting for employee stock options as permitted by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-based Compensation" (SFAS No. 123) and discloses the pro forma effect on net loss and loss per share as if the fair value based method had been applied. For equity instruments, including stock options, issued to non-employees, the fair value of the equity instruments or the fair value of the consideration received, whichever is more readily determinable, is used to determine the value of services or goods received and the corresponding charge to operations.

The following table illustrates the effect on net loss and loss per share as if the Company had applied the fair value recognition provision of SFAS No. 123 to stock-based employee compensation.

|  | Three Months<br>Ended March 31, |                |
|--|---------------------------------|----------------|
|  | 2002                            | 2003           |
| Net loss: as reported  | \$ (761,531)                    | \$ (1,170,128) |
| Add: total stock based employee compensation<br>expense determined under fair value method for<br>all awards | -                               | (4,500)        |
| Pro forma net loss   | \$ (761,531)                    | \$ (1,174,628) |
| Loss per share:  |                                 |                |
| As reported  | \$ (0.05)                       | \$ (0.05)      |
| Pro forma  | \$ (0.05)                       | \$ (0.05)      |

### Note 2 - Transactions in Shareholders' Equity

On January 2, 2003, the Company issued 100,000 shares of common stock to an employee. This common stock will be issued under a Form S-8 registration statement to be filed in the second quarter of 2003. The Company recorded



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\$28,000 of compensation expense in January 2003 for this grant.

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### BRAVO! FOODS INTERNATIONAL, CORP. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

On January 2, 2003 the Company granted options for 100,000 shares of common stock to Mr. Toulan pursuant to an employment contract. These options vested immediately, expire on December 30, 2007 and have an exercise price of \$0.40 per share.

On January 2, 2003 the Company granted options for 100,000 shares of common stock to Mr. Toulan pursuant to an employment contract. These options vest on December 31, 2003, expire on December 30, 2008 and have an exercise price of \$0.40 per share.

On January 2, 2003 the Company granted options for 100,000 shares of common stock to Mr. Toulan pursuant to an employment contract. These options vest on December 31, 2004, expire on December 30, 2009 and have an exercise price of \$0.40 per share.

On February 21, 2002, the Company issued 50,000 shares of non-voting Series J 8% Convertible Preferred stock, having a stated value of \$10.00 per Preferred J share, and common stock warrants to Mid-Am Capital, L.L.C. ("Mid-AM") for the aggregate purchase price of \$500,000. Each preferred share is convertible to 40 shares of the Company's common stock of at a per common share conversion price of \$0.25, representing 2,000,000 shares of common stock underlying the preferred. The issued warrants entitle the holder to purchase 33.33 shares of common stock for each share of Series J Convertible Preferred stock issued at an exercise price of \$0.30 per common stock share, representing 1,666,667 shares of common stock underlying the warrants. The warrants are exercisable for a five-year period. The February 21, 2003 closing market trading price was \$0.23 per share. This private offering was made to Mid-Am, an accredited investor, pursuant to Rule 506 of Regulation D and Section 4(2) of the Securities Act of 1933. In accordance with EITF 00-27, the Company recorded a deemed dividend of \$274,721 related to a beneficial conversion feature.

On February 24, 2003, the Company issued 30,000 shares of common stock to Keshet, LP, upon the conversion of 422 shares of Series G Convertible Preferred stock.

#### Note 3 - Adoption of New Accounting Standards

In November 2002, the FASB issued Interpretation No. 45 ("FIN No. 45"), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN No. 45 expands on the accounting guidance of Statements No. 5, 57, and 107 and incorporates without change the provisions of FASB Interpretation No. 34, which is being superseded. FIN No. 45 will affect leasing transactions involving residual guarantees, vendor and manufacturer guarantees, and tax and environmental indemnities. All such guarantees will need to be disclosed in the notes to the financial statements starting with the period ending after December 15, 2002. For guarantees issued after December 31, 2002, the fair value of the obligation must be reported on the balance sheet. Existing guarantees will be grandfathered and will not be recognized on the balance sheet. There was no impact on our financial position and results of operations due to the application of FIN No. 45.

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In January 2003, FASB issued FASB Interpretation No. 46 (FIN No. 46), "Consolidation of Variable Interest Entities," an interpretation of Accounting Research Bulletin No. 51, "Consolidated Financial Statements." FIN No. 46 explains how to identify variable interest entities and how an enterprise assesses its interest in a variable entity to decide whether to consolidate that entity. FIN No. 46 requires existing unconsolidated variable interest entities to be consolidated by their primary beneficiaries if the entities do not effectively disperse risks among parties involved. FIN No. 46 is effective immediately for variable

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### BRAVO! FOODS INTERNATIONAL, CORP. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

interest entities after January 31, 2003, and to variable interest entities in which an enterprise obtained an interest after that date. FIN No. 46 applies in the first fiscal year or interim period beginning after June 15, 2003, to variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003. The adoption of FIN No. 46 did not have a material effect on the Company's financial position and results of operations.

#### Note 4 - Business Segment and Geographic Information

The Company operates principally in one industry segment. The following sales information was based on customer location rather than subsidiary location.

The allocation of the cost of equipment, the current year investment in new equipment and depreciation expense have been made on the basis of the primary purpose for which the equipment was acquired. The following furniture and equipment information was based on where the furniture and equipment was used.

#### Geographic Area Information:

| 3 Months ended<br>March 31, 2003 | United<br>States<br>----- | Canada<br>----- | Mexico<br>----- | China<br>----- | Total<br>Company<br>----- |
|----------------------------------|---------------------------|-----------------|-----------------|----------------|---------------------------|
| Revenue - unit sales             | \$ 92,918                 | \$ -            | \$ -            | \$ -           | \$ 92,918                 |
| Revenue - net kit sales          | 2,737                     | -               | -               | -              | 2,737                     |
| Revenue - gross kit sales        | 205,945                   | 35,966          | 59,864          | -              | 301,775                   |
|                                  | -----                     | -----           | -----           | -----          | -----                     |
| Total revenue                    | 301,600                   | 35,966          | 59,864          | -              | 397,430                   |
| Cost of goods sold               | (51,989)                  | (10,403)        | (17,970)        | -              | (80,362)                  |
|                                  | -----                     | -----           | -----           | -----          | -----                     |
| Gross margin                     | \$249,611                 | \$ 25,563       | \$ 41,894       | \$ -           | \$317,068                 |
|                                  | =====                     | =====           | =====           | =====          | =====                     |
| Furniture and equipment, net     | \$ 60,410                 | \$ -            | \$ -            | \$ 8,293       | \$ 68,703                 |
|                                  | =====                     | =====           | =====           | =====          | =====                     |

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| 3 Months ended<br>March 31, 2002 | United<br>States<br>----- | Canada<br>----- | Mexico<br>----- | China<br>----- | Total<br>Company<br>----- |
|----------------------------------|---------------------------|-----------------|-----------------|----------------|---------------------------|
| Revenue - net kit sales          | \$210,753                 | \$ -            | \$ -            | \$ -           | \$210,753                 |
| Revenue - gross kit sales        | 11,092                    | -               | 20,125          | 6,251          | 37,468                    |
|                                  | -----                     | -----           | -----           | -----          | -----                     |
| Total revenue                    | 221,845                   | -               | 20,125          | -              | 248,221                   |
| Cost of goods sold               | -                         | -               | -               | (4,483)        | (4,483)                   |
|                                  | -----                     | -----           | -----           | -----          | -----                     |
| Gross margin                     | \$221,845                 | \$ -            | \$ 20,125       | \$ 1,768       | \$243,738                 |
|                                  | =====                     | =====           | =====           | =====          | =====                     |
| Furniture and equipment, net     | \$ 80,215                 | \$ -            | \$ -            | \$ 9,387       | \$ 89,602                 |
|                                  | =====                     | =====           | =====           | =====          | =====                     |

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BRAVO! FOODS INTERNATIONAL, CORP. AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 (UNAUDITED)

Note 5 - Subsequent Events

On April 17, 2003, the Company issued 50,000 shares of common stock to Keshet, LP, upon the conversion of 520 shares of Series G Convertible Preferred stock.

On April 22, 2003, the Company issued 50,000 shares of common stock to The Keshet Fund, LP, upon the conversion of 519 shares of Series G Convertible Preferred stock.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - THREE MONTHS ENDED MARCH 31, 2003

FORWARD-LOOKING STATEMENTS

Statements that are not historical facts, including statements about the Company's prospects and strategies and the Company's expectations about growth contained in this report are "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 represent the present expectations or beliefs concerning future events. The Company cautions that such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among other things, the uncertainty as to the Company's future profitability; the uncertainty as to whether the Company's new business model can be implemented successfully; the accuracy of the Company's performance projections; and the Company's ability to obtain

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financing on acceptable terms to finance the Company's operations until profitability.

### OVERVIEW

The Company's business model includes obtaining license rights from Warner Brothers, Inc., granting production and marketing rights to regional dairies to produce Looney Tunes(TM) flavored milk and generating revenue primarily through the sale of "kits" to these dairies. The price of the "kits" consists of an invoiced price for a fixed amount of flavor ingredients per kit used to produce the flavored milk and a fee charged to the dairies for the production, promotion and sales rights for the branded flavored milk. In the United States, the Company also generates revenue from the unit sales of finished Looney Tunes(TM) flavored milks to retail consumer outlets.

The Company's new product introduction and growth expansion continues to be expensive and the Company reported a net loss of \$819,015 for the period ended March 31, 2003. As shown in the accompanying financial statements, the Company has suffered operating losses and negative cash flows from operations since inception and at March 31, 2003 has an accumulated deficit, negative equity, is delinquent on certain debts and negative working capital. These conditions give rise to substantial doubt about the Company's ability to continue as a going concern. As discussed herein, the Company plans to work toward profitability in the Company's U.S. and China operations in 2003 and obtain additional financing. While there is no assurance that funding will be available or that the Company will be able to improve the Company's operating results, the Company is continuing to seek equity and/or debt financing. No assurances can be given, however, that the Company will be successful in carrying out the Company's plans.

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### CRITICAL ACCOUNTING POLICIES

#### Estimates

This discussion and analysis of the Company's consolidated financial condition and results of operations are based on the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires the Company to make estimates and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, the Company evaluates the Company's estimates, including those related to reserves for bad debts and valuation allowance for deferred tax assets. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the result of which forms the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from these estimates under different assumptions or conditions. The Company's use of estimates, however, is quite limited as the Company has adequate time to process and record actual results from operations.

#### Revenue recognition

##### Pre 2002

-----

Prior to 2002, the Company recognized revenue on a net basis, when it

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received net kit revenues from Quality Chek'd. The Company did not record cost of sales under this model because it benefited only by the net amount received, and the Company did not have the discretion unilaterally to determine the price of kits sold. This model has been in existence from the third quarter of 2000 up to 2002 and was phased out during the third quarter of 2002. As of the fourth quarter of 2002, this business model no longer exists.

United States - Production Agreements with Jasper Products and Shamrock Farms  
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In the fourth quarter of 2001, the Company recognized revenue on a gross basis for the kits sold in Mexico because the Company purchased the inventory for the customer. This was the only instance in which the Company reported the revenue at gross in 2001. The Company, however, has always reported revenue generated in China at gross as it has ownership of inventory.

Commencing in the first quarter 2002, the Company recognized revenue in the United States at the gross amount of its invoices for the sale of kits at the shipment of flavor ingredients to processor dairies with whom the Company has production contacts for extended shelf life and aseptic long life milk. This recognition is based upon the Company's role as the principal in these transactions, its discretion in establishing kit prices (including the price of flavor ingredients and production right fees), its development and refinement of flavors and flavor modifications, its discretion in supplier selection and its credit risk to pay for ingredients if processors do not pay ingredient suppliers. The revenue generated by the production contracts under this model is allocated as follows: 95% of the revenue is for the processors' purchase of

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flavor ingredients; the balance of 5% represents fees charged by the Company to the processors for production rights. The price of production rights is formulated to cover the Company's cost of the Warner Bros. Looney Tunes(TM) intellectual property licenses, which in the U.S. is 5% of the total cost of a kit sold to the processor dairy under the production agreement. The Company recognizes revenue on the gross amount of "kit" invoices to the dairy processors and simultaneously records as cost of good sold the cost of flavor ingredients paid by the processor dairies to the ingredients supplier. The recognition of revenue generated from the sale of production rights associated with the flavor ingredients is complete upon shipment of the ingredients to the processor, given the short utilization cycle of the ingredients shipped.

Jasper Products and Shamrock Farms, the processor dairies, charge the Company with the cost of producing Looney Tunes(TM) flavored milk. The Company is responsible for freight charges from processor dairies to retail destinations, promotion costs and product returns of product owing to defects and out of date products. In addition, the Company pays the fee charged by food brokers retained by the Company to generate sales of the Looney Tunes(TM) flavored milk products to retail outlets. In return, the Company is entitled to keep the difference between the cost charged by processor dairies and the wholesale price determined by the Company and charged to retail outlets. The Company treats this second earning event as "product sales revenue" when the revenue is realized or realizable and accrue any estimated expenses which are related to the Company's revenue at the end of each reporting period. Because the Company benefits only from the price difference and does not own the inventory, it recognizes the revenue generated through this model at net.

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International Sales and U.S. Sales to Parmalat  
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The Company sells "kits" to processors in Mexico, Canada, China and to Parmalat in the United States, which kits include the cost of flavor ingredients and rights to produce, market, distribute and sell the Looney Tunes(TM) flavored milk to retail outlets. As a matter of convenience, processors purchase the flavor ingredients for the kits directly from a designated ingredients supplier and are invoiced by the Company for the full price of the "kits" with a credit for the cost of flavor ingredients purchased by the processors. The Company is directly responsible for the administration of this model, including the collection of kit receivables. Under this model, dairy processors are responsible for production, marketing, distribution and sales of the Looney Tunes(TM) flavored milk to retail outlets. The normal production cycle for processors' utilization of purchased flavor ingredients has ranged from 6 weeks in Mexico, 4 weeks for Parmalat (U.S.) and 3 weeks for Canada. This model was initiated at the end of 2001 with Mexico; Parmalat and Canada were added in the third quarter of 2002.

The Company recognizes revenue at the gross amount of kit invoices after shipment of flavor ingredients based upon the Company's role as the principal in these transactions, its discretion in establishing kit prices (including the price of flavor ingredients and production right fees), its development and refinement of flavors and flavor modifications, its discretion in supplier selection and the Company's credit risk to pay for ingredients if processors do not pay ingredient suppliers. The Company attributes the majority of the kit price to the sale of flavor ingredients (95% in the U.S., for example) and the balance (5% in the U.S.) to the Company's grant of production rights to processor dairies. In this regard, the price of production rights is formulated to cover the Company's costs of the Warner Bros. Looney Tunes(TM) intellectual

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property licenses, which currently amount to 5% of the total cost of kits sold to the processor dairies under the production agreements for the U.S., 7% for Mexico, 5% for Canada and 3% for China. The Company's recognition of revenue generated from the sale of production rights associated with the flavor ingredients is upon shipment of the ingredients to the processor, given the short utilization cycle of the ingredients shipped.

### RESULTS OF OPERATIONS

Financial Condition at March 31, 2003  
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As of March 31, 2003, we had an accumulated deficit of \$26,779,144 and cash on hand of \$73,546 and reported total shareholders' deficit of \$1,897,438.

For this same period of time, we had revenue of \$397,430 and general and administrative expenses of \$772,470.

After net interest expenses of \$2,044, cost of goods sold of \$80,362, product development of \$494 and selling expenses of \$361,075 incurred in the operations of the Company and its Chinese subsidiary, we had a net loss of \$819,015.

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Three Months Ended March 31, 2003 Compared to Three Months Ended March 31, 2002  
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### Consolidated Revenue

We had revenues for the three months ended March 31, 2003 of \$397,430, with cost of sales of \$80,362, resulting in a gross margin of \$317,068. Of the \$397,430, \$298,863 was from sales in the U.S. operation, \$59,864 from sales in Mexico and \$35,966 from sales in Canada. We did not have revenue for this period in China. Our revenue for the three months ended March 31, 2003 increased by \$149,209 a 60% increase compared to revenue of \$248,221 for the same period in 2002. This increase is the result of greater market penetration and distribution of Looney Tunes(TM) flavored milk products, as well as the introduction of new branded products in the United States and Mexico during 2002. In addition, the Company expanded its sales territories to include Canada, which accounted for approximately 9% of sales for the three months ended March 31, 2003.

### Consolidated Cost of Sales

We incurred cost of goods sold of \$80,362 for the three months ended March 31, 2003, \$51,989 of which was incurred in our U.S. operation, \$17,970 in Mexico and \$10,403 in Canada. Our cost of goods sold in 2003 increased by \$75,879, a 1,693% increase compared to \$4,483 for the same period in 2002. The increase in cost of goods sold reflects the full implementation of the "kit" sales model in 2002 and the concomitant increase in kit sales.

In Mexico, Canada, China and the United States, the Company's revenue is generated in part by the sale of kits to dairy processors. Each kit consists of flavor ingredients for the Company's Slammers Looney Tunes(TM) flavored milks and production rights to manufacture and sell the milks. In line with the Company's revenue recognition policies, the Company recognizes

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the full invoiced kit price as revenue and credits the processor dairies with the cost of the raw flavor ingredients, which the Company records as cost of goods sold. In addition to kit sales revenue, in the United States the Company is responsible for the sale of finished Slammers and Slim Slammers Looney Tunes(TM) flavored milk (referred to as "units sales") to retail outlets. For these unit sales, the Company also recognizes as revenue the difference between the prices charged by the processor dairies to produce the milks and the price that the Company charges to the retail outlets that purchase the milks directly from the processor dairies. Since the Company benefits from only the difference between two prices, it does not record any costs of goods sold against this revenue event.

### Segmented revenues and costs of sales

The following table presents revenue by source and type against costs of goods sold, as well as combined gross revenues and gross margins. Revenues from Canada are generated by kit sales to Farmers Dairy, a Halifax dairy processor. Revenues from Mexico are generated from kit sales to Neolac, a dairy processor in central Mexico. In the United States, revenues are generated by kit sales to Parmalat, which is responsible for marketing and sales, and kit sales to two dairy processors that produce extended shelf life and aseptic long life Slammers Looney Tunes(TM) product. Revenues from these sales are recorded under "US Kit Sales" on

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the accompanying table.

Kit sales revenues have two components: flavored ingredients and production rights. The Company reports and presents these components separately for revenue recognition purposes as "Kit Sales Revenue (Ingredients)" and "Kit Sales Revenue (Production Rights)" in the table.

The Company's sale of ESL and aseptic product generates revenue recorded as "US Unit Sales" on the following table. Finally, the table designation "US QC Sales" represents net revenues that the Company recognizes from the Company's association with Quality Chek'd, a national dairy cooperative that administered the initial Looney Tunes(TM) flavored milk program for the Company.

| March 31, 2003                           | Bravo! Foods International |          |                 |                  |             | Total Bravo!<br>Sales |
|--|----------------------------|----------|-----------------|------------------|-------------|-----------------------|
|  | Canada                     | Mexico   | US Kit<br>Sales | US Unit<br>Sales | US QC Sales |                       |
| Kit Sales Revenue<br>(Ingredients)       | \$34,168                   | \$55,674 | \$195,648       | -                | 2,600       | \$288,090             |
| Kit Sales Revenue<br>(Production rights) | 1,798                      | 4,190    | 10,297          | -                | 137         | 16,422                |
| Unit sales & QC<br>Revenue (net sales)   | -                          | -        | -               | 92,918           | -           | 92,918                |
| Gross sales<br>revenue (total)           | 35,966                     | 59,864   | 205,945         | 92,918           | 2,737       | 397,430               |
| Cost of sales                            | 10,403                     | 17,970   | 51,989          | -                | -           | 80,362                |
| Gross margin                             | \$25,563                   | \$41,894 | \$153,956       | \$92,918         | \$2,737     | \$317,068             |

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| March 31, 2002                           | Bravo! Foods International Corp |          |                 |                  |             | Total Bravo!<br>Sales |
|--|---------------------------------|----------|-----------------|------------------|-------------|-----------------------|
|  | Canada                          | Mexico   | US Kit<br>Sales | US Unit<br>Sales | US QC Sales |                       |
| Kit Sales Revenue<br>(Ingredients)       | -                               | \$19,119 | -               | -                | \$          | \$ 19,119             |
| Kit Sales Revenue<br>(Production rights) | -                               | 1,006    | -               | -                | 11,092      | 12,098                |
| Unit sales & QC<br>Revenue (net sales)   | -                               | -        | -               | -                | 210,753     | 210,753               |

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|                             |   |          |   |   |           |           |
|-----------------------------|---|----------|---|---|-----------|-----------|
| Gross sales revenue (total) | - | 20,125   | - | - | 221,845   | 241,970   |
| Cost of sales               | - | -        | - | - | -         | -         |
| Gross margin                | - | \$20,125 | - | - | \$221,845 | \$241,970 |

United States (Jasper, Shamrock and Parmalat Sales)

Revenues for the period ended March 31, 2003 from kit sales in the United States in which the Company was directly involved increased from \$0 for the same period in 2002 to approximately \$205,945. Prior to the second quarter of 2002, the Company sold kits primarily through Quality Chek'd Diaries and did not recognize gross revenues from kit sales. In the period ended March 31, 2002, the Company recognized \$221,845 from net sales through Quality Chek'd. In the same period in 2003, the Company recognized revenue of approximately \$2,737 from sales through Quality Chek'd, a 98.7% decrease from revenue of \$221,845 generated in 2002.

In addition to kit sales, in the period ended March 31, 2003, the Company had revenues of approximately \$92,918 from selling finished product unit sales to retail outlets. There were no comparable unit sales for the same period in 2002.

Revenues from direct kit sales and unit sales since March 31, 2002 were the result of the implementation of a refined business plan under which the Company took control of all sales on a kit level and, in the United States, on a unit sales level. The decrease in revenues from kit sales through Quality Chek'd was the result of the phasing out of the Company's relationship with Quality Chek'd and the implementation of a refined business plan.

The Company incurred cost of sales of approximately \$80,362, attributable to kit sales in the period ended March 31, 2003. The Company did not have costs of sales for direct kit sales in the period ended March 31, 2002. While the Company did have revenue from kit sales through Quality Chek'd, there are no costs of sales associated with that net revenue. Similarly, revenues

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from unit sales to retail outlets are on a net basis and do not have an associated cost sales expenses.

In the period ended March 31, 2003, the Company's gross margin for U.S. sales of approximately \$248,611, increased by \$27,766, or by 12.5%, from \$221,845 for the same period in 2002. The increase in gross margin was the result of the increase in the Company's kit sale revenue and the increase of unit sales revenue. Ultimately the increase in gross margin is due to the Company's implementation of a new business plan that gave the Company greater control over the sales, marketing and promotion of the flavored milks.

Mexico and Canada

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Revenues for the period ended March 31, 2003 from kit sales in Mexico increased 197% from approximately \$20,125 for the same period in 2002 to approximately \$59,864 in 2003. The increase was the result of greater market penetration and brand awareness in Mexico. Canada sales commenced subsequent to the period ended March 31, 2002 and generated revenue of approximately \$35,966 for the period ended March 31, 2003.

The Company did not record cost of sales for the period ended March 31, 2002 in connection with its Mexico sales. The Company recorded costs of sales of \$10,403 for Mexico and \$17,970 for Canada for the period ended March 31, 2003.

For the period ended March 31, 2003, the Company's gross profit of approximately \$41,894 for sales in Mexico increased by \$21,769, or 108%, from approximately \$20,125 for the same period in 2002. The increase in gross profit was consistent with the increase in sales volume.

China

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The Company did not have sales in its China operation for the period ended March 31, 2003. The lack of sales was the result of the set up of a new processing plant by our third party dairy processor in Beijing. The advent of SARS in Beijing has contributed to the delayed commencement of production at this new processing facility.

### Consolidated Operating Expenses

The Company incurred selling expenses of \$361,075 for the period ended March 31, 2003, all of which was incurred in the Company's North America Bravo! operations. The Company's selling expense for this period increased by approximately \$350,789, a 3410% increase compared to selling expense of approximately \$10,286 for the same period in 2002, of which approximately \$3,000 was incurred in the Company's North America Bravo! operations and approximately \$7,286 was incurred in China. The increase in selling expenses in the current period was due mainly to the fact that the Company adopted the refined business plan in the U.S. for the Company's North America Bravo! operations.

Of the increase of \$350,789, approximately \$119,417 was incurred for freight and delivery expense, approximately \$29,412 was related to food brokerage fees, approximately

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\$37,393 was related to marketing, approximately \$46,867 for sample expenses, \$112,765 for reclamation of product approaching sell by dates and \$10,563 for advertising expense due to the ramp-up of the national United States sales program. As a percentage of total revenue, the Company's selling expense increased from approximately 4.1% of total revenue for the period ended March 31, 2002, to approximately 90.9% of total revenue for the current period in 2003. The high reclamation costs have resulted from the rapid expansion of sales and distribution into new markets for the Company's Slammers milk products. In those markets where sales have not met initial expectations, the Company reclaims product for disposition as the product approaches "sell by" dates. As markets mature, the Company believes that reclamation costs will significantly decrease.

The Company incurred general and administrative expenses for the

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period ended March 31, 2003 of approximately \$772,470, consisting of \$709,535 in its North America Bravo! operations and \$62,935 in its China operations. The Company's general and administrative expenses for this period increased by approximately \$64,903, a 9.2% increase compared to approximately \$707,567 for the same period in 2002, of which \$690,585 was incurred in the Company's North America Bravo! operations and approximately \$16,982 was incurred in China. The increase of approximately \$18,950 in general and administrative expenses in the Company's North America Bravo! operations for the current period in 2003 is the result mainly of additional expenses incurred in the administration of marketing, sales and distribution issues appurtenant to an expanding market base. In the Company's China operation, the total general and administrative expenses increased by approximately \$45,953, due mainly to additional travel, telephone, postage and other office supplies associated with the attempts to launch a school based sales program with a third party processor located in Beijing.

As a percentage of total revenue, the Company's general and administrative expenses decreased from 285% in the period ended March 31, 2002, to 194.5% for the current period in 2003, due to the fact that revenue increased by 60% for the current period in 2003 from the period ended March 31, 2002. The Company anticipates a reduction of these expenses through cost cutting efforts and the refinement of business operations.

### Interest Expense

The Company incurred net interest expense for the period ended March 31, 2003 of approximately \$2,044, consisting of approximately \$2,000 in its U.S. operations and \$44 in its China operations. The Company's interest expense decreased by approximately \$7,693, a 79% decrease, compared to approximately \$9,737 for the same period in 2002, almost all of which was incurred in the U.S. The decrease was due to the fact that the Company paid a loan of \$250,000 in the US in 2002.

### Loss Per Share

The Company accrued dividends payable of approximately \$351,113, including deemed dividends, to various series of preferred stock during the period ended March 31, 2003. The Company's accrued dividends increased for this period by approximately \$74,802 due to deemed dividends of approximately \$298,720 that are related to the issuance of Series J preferred stock in 2003. With the increase in net loss before accrued dividends of approximately \$351,113, the

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Company's current period loss per share was \$0.05, compared to loss per share of \$0.05 for the same period in 2002

### LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2003, the Company reported that net cash used in operating activities was approximately \$551,316, net cash provided by financing activities was approximately \$401,665 and net cash used in investing activities was \$4,429. The Company had a negative working capital of approximately \$ 1,711,007 as of March 31, 2003.

Compared to approximately \$502,707 of net cash used in operating activities in the period ended March 31, 2002, the Company's current year

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net cash used in operating activities increased by approximately \$48,609 to \$551,316 due mainly to the fact that the Company did not use its equity to pay service providers in lieu of cash payments in this current period. Included in the net loss in this current period were depreciation and amortization and stock compensation of approximately \$54,202, compared to approximately \$96,199 for the same period in 2002. This decrease was due to the decrease in the Warner Bros. license rights amortization.

Changes in accounts receivable in this current period in 2003 resulted in a cash increase of approximately \$65,187, compared to a cash decrease in receivables of approximately \$39,891 for the same period in 2002, having a net result of an increase of approximately \$105,078. The changes in accounts payable and accrued liabilities in the period ended March 31, 2002 contributed to a cash decrease of approximately \$68,267, whereas the changes in accounts payable and accrued liabilities for the current period in 2003 amounted to an increase of approximately \$158,340. The Company has adopted and will keep implementing cost cutting measures to lower the Company's cost and expense and to pay the Company's accounts payable and accrued liabilities by using cash and equity instruments. The Company's cash flow generated through operating activities was inadequate to cover all of the Company's cash disbursement needs in the period ended March 31, 2003, and the Company had to rely on equity financing to cover expenses.

The Company's cash used in investing activities for furniture and equipment was approximately \$4,429 for computer equipment in the U.S. Compared to disbursements in the same period in 2002, the \$4,429 expenditure was insignificant.

The Company's net cash provided by financing activities for the period ended March 31, 2003 was approximately \$401,665. New cash provided by financing activities for the same period in 2002 was approximately \$292,103 for a net increase of approximately \$109,562. The increase was due to issuing Series J preferred stock with total proceeds of approximately \$500,000 in this current period. The Company paid approximately \$98,335 for Warner Bros.' guaranteed royalty payments during this current period in 2003.

The remaining proceeds were used for working capital purposes. Notwithstanding total cash proceeds of approximately \$500,000, the Company owed approximately \$171,718 as of March 31, 2003 for Warner Bros. license guaranteed royalty payments. The Company has proposed a concession on the remaining \$147,115 guaranteed royalty payments to Warner Bros. for the Company's China license owing, in part, to the lack of success in introducing Looney

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Tunes(TM) characters through cartoons and movies to consumers in mainland China. In addition, the Company has arranged for the payment of the outstanding balance due on the Mexico license. From December 31, 2002 through March 31, 2003, the Company reduced its indebtedness to Warner Bros. by approximately \$98,335.

Going forward, the Company's primary requirements for cash consist of (1) the continued development of the Company's business model in the United States and on an international basis; (2) general overhead expenses for personnel to support the new business activities; and (3) payments of guaranteed royalty payments to Warner Bros. under existing licensing

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agreements. The Company estimates that the Company's need for financing to meet the Company's cash needs for operations will continue to the fourth quarter of 2003, when cash supplied by operating activities will enable us to meet the anticipated cash requirements for operation expenses. The Company anticipates the need for additional financing in 2003 to reduce the Company's liabilities and to improve shareholders' equity status. No assurances can be given that the Company will be able to obtain additional financing or that operating cash flows will be sufficient to fund the Company's operations.

The Company currently has monthly working capital needs of approximately \$240,000. In the third quarter 2002, the Company anticipated that the Company's total revenues would reach \$1,750,000 through the year ended December 31, 2002. While the Company realized that goal, it incurred and continues to incur significant selling and other expenses in order to derive more revenue in retail markets. Certain of these expenses, such as slotting fees and freight charges, will be reduced as a function of unit sales costs as the Company expands its sales markets and increases its sales within established markets. Freight charges will be reduced as the Company is able to ship more full truck-loads of product given the reduced per unit cost associated with full truck loads versus less than full truck loads. Similarly, slotting fees, which are paid to warehouses or chain stores as initial set up or shelf space fees, are essentially one-time charges per new customer. Slotting fees and promotional discounts reduced the Company's unit sales revenue for the period ended March 31, 2003 by \$23,719 and the Company's kit sales revenue from Parmalat by approximately \$25,296. A continued increase in sales to existing customers increases the Company's gross margins on those sales. The Company believes that along with the increase in the Company's unit sales volume, the average unit selling expense and associated costs will decrease, resulting in gross margins sufficient to mitigate the Company's cash needs. In addition, the Company is actively seeking additional financing to support its operational needs and to develop an expanded promotional program for the Company's products.

The Company is continuing to explore new points of sale for Looney Tunes(TM) flavored milk. Presently, the Company is aggressively pursuing this market through trade/industry shows and individual direct contacts. The implementation of such a school base program, if viable, could have an impact on the level of the Company's revenue during 2003. Similarly, the Company expects that the greater control over sales resulting from its refined business model and the cost-wholesale price differential source of revenue will continue to have a positive impact on revenues.

In June 2000, the Company executed an exclusive aseptic tetra-brik production agreement with a division of Parmalat USA Corp. for Looney Tunes(TM) flavored milk, as well as the Company's new Slammers Fortified Reduced Fat Milk(TM). The Company launched this new aseptic tetra-brik product in September 2002 and launched Slim Slammers, a low fat, no sugar

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added version of this product in November 2002. The Company expects this product to have a continued positive impact upon the Company's revenues in 2003.

### DEBT STRUCTURE

The Company holds five licenses for Looney Tunes(TM) characters and names from Warner Bros. Each license is structured to provide for the

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payment of guaranteed royalty payments to Warner Bros. The Company accounts for these guaranteed payments as debt and licensing rights as assets. The following is a summary of guaranteed royalty payments due to Warner Bros. as of March 31, 2003.

| License<br>----- | Guaranty<br>----- | Balance Due<br>----- | Amount<br>Past Due<br>----- | Expiration<br>Date<br>----- |
|------------------|-------------------|----------------------|-----------------------------|-----------------------------|
| U.S. License     | \$500,000         | \$ -                 | \$ -                        | 12/31/03                    |
| U.S. TAZ         | \$250,000         | \$ -                 | \$ -                        | N/A                         |
| China            | \$400,000         | \$147,115            | \$147,115                   | 06/30/03                    |
| Mexico           | \$145,000         | \$ 21,250            | \$ 21,250*                  | 05/31/04                    |
| Canada           | \$ 32,720         | \$ -                 | \$ -                        | 03/31/04                    |

### International Paper -----

During the process of acquiring from American Flavors China, Inc. the 52% of equity interest in Hangzhou Meilijian, the Company issued an unsecured promissory note to assume the American Flavors' debt owed to a supplier, International Paper. The face value of that note was \$282,637 at an interest rate of 10.5% per annum, without collateral. The note has 23 monthly installment payments of \$7,250 with a balloon payment of \$159,862 at the maturity date of July 15, 2000. On July 6, 2000, International Paper agreed to extend the note to July 1, 2001, and the principal amount was adjusted due to different interest calculation. International Paper imposed a charge of \$57,000 to renegotiate the note owing the failure of Hangzhou Meilijian to pay for certain packing material, worth more than \$57,000 made to order in 1999. The current outstanding balance on this note is \$187,743. The Company is delinquent in its payments under this note.

### Individual Loans -----

On November 6 and 7, 2001, respectively, the Company received the proceeds of two loans aggregating \$100,000 from two offshore lenders. The two promissory notes, one for \$34,000 and the other for \$66,000, were payable February 1, 2002 and bear interest at the annual rate of 8%. These loans are secured by a general security interest in all the Company's assets. On February 1, 2000, the parties agreed to extend the maturity dates until the completion of the anticipated Series H financing. On June 18, 2002, the respective promissory note maturity dates were extended by agreement of the parties to December 31, 2002. On June 18, 2002, the Company agreed to extend the expiration dates of warrants issued in connection with the Company's Series D and F preferred until June 17, 2005 and to reduce the exercise price of

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certain of those warrants to \$1.00, in partial consideration for the maturity date extension. The holders of these notes have agreed to extend the maturity dates to July 1, 2003.

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### EFFECTS OF INFLATION

The Company believes that inflation has not had any material effect on its net sales and results of operations.

### EFFECT OF FLUCTUATION IN FOREIGN EXCHANGE RATES

The Company's Shanghai subsidiary is located in China. It buys and sells products in China using Chinese renminbi as the functional currency. Based on Chinese government regulation, all foreign currencies under the category of current account are allowed to freely exchange with hard currencies. During the past two years of operation, there were no significant changes in exchange rates. However, there is no assurance that there will be no significant change in exchange rates in the near future.

### NEW ACCOUNTING ANNOUNCEMENTS NOT ADOPTED YET

In November 2002, the FASB issued Interpretation No. 45 ("FIN No. 45"), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN No. 45 expands on the accounting guidance of Statements No. 5, 57, and 107 and incorporates without change the provisions of FASB Interpretation No. 34, which is being superseded. FIN No. 45 will affect leasing transactions involving residual guarantees, vendor and manufacturer guarantees, and tax and environmental indemnities. All such guarantees will need to be disclosed in the notes to the financial statements starting with the period ending after December 15, 2002. For guarantees issued after December 31, 2002, the fair value of the obligation must be reported on the balance sheet. Existing guarantees will be grandfathered and will not be recognized on the balance sheet. The Company's Certificate of Incorporation provides that the Company "shall be empowered to indemnify" to the full extent of its power to do so, all directors and officers, pursuant to the applicable provisions of the Delaware General Corporation Law. The Company will indemnify its officers and directors to the full extent permitted under Section 145 of the Delaware General Corporation Law. The Company has determined that there has been no impact due to the application of FIN No. 45 on our financial position and results of operations.

In January 2003, FASB issued FASB Interpretation No. 46 (FIN No. 46), "Consolidation of Variable Interest Entities," an interpretation of Accounting Research Bulletin No. 51, "Consolidated Financial Statements." FIN No. 46 explains how to identify variable interest entities and how an enterprise assesses its interest in a variable entity to decide whether to consolidate that entity. FIN No. 46 requires existing unconsolidated variable interest entities to be consolidated by their primary beneficiaries if the entities do not effectively disperse risks among parties involved. FIN No. 46 is effective immediately for variable interest entities after January 31, 2003, and to variable interest entities in which an enterprise obtained an interest after that date. FIN No. 46 applies in the first fiscal year or interim period beginning after June 15, 2003, to variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003. The adoption of FIN No. 46 is not expected to have a material effect on the Company's financial position and result of operations.

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### Item 2. Changes in Securities and Use of Proceeds

On January 2, 2003, the Company entered into an employment agreement with Mr. Roy Toulan, who was appointed as the Company's vice-president and general counsel. Pursuant to this employment agreement, the Company granted Mr. Toulan 100,000 shares of common stock with the approval of the Board of Directors. This common stock will be issued under a Form S-8 registration statement to be filed in the second quarter of 2003. The Company recorded \$28,000 of compensation expense in January 2003 for this grant.

On January 2, 2003 the Company granted options for 100,000 shares of common stock to Mr. Toulan pursuant to an employment contract. These options vested immediately, expire on December 30, 2007 and have an exercise price of \$0.40 per share.

On January 2, 2003 the Company granted options for 100,000 shares of common stock to Mr. Toulan pursuant to an employment contract. These options vest on December 31, 2003, expire on December 30, 2008 and have an exercise price of \$0.40 per share.

On January 2, 2003 the Company granted options for 100,000 shares of common stock to Mr. Toulan pursuant to an employment contract. These options vest on December 31, 2004, expire on December 30, 2009 and have an exercise price of \$0.40 per share.

On February 21, 2003, the Company issued 50,000 shares of non-voting Series J 8% Convertible Preferred stock, having a stated value of \$10.00 per Preferred J share, and common stock warrants to Mid-Am Capital, L.L.C. ("Mid-Am") for the aggregate purchase price of \$500,000. Each preferred share is convertible to 40 shares of the Company's common stock of at a per common share conversion price of \$0.25, representing 2,000,000 shares of common stock underlying the preferred. The issued warrants entitle the holder to purchase 33.33 shares of common stock for each share of Series J Convertible Preferred stock issued at an exercise price of \$0.30 per common stock share, representing 1,666,667 shares of common stock underlying the warrants. The warrants are exercisable for a five-year period. The February 21, 2003 closing market trading price was \$0.23 per share. This private offering was made to Mid-Am, an accredited investor, pursuant to Rule 506 of Regulation D and Section 4(2) of the Securities Act of 1933. In accordance with EITF 00-27, the Company recorded a deemed dividend of \$274,721 related to a beneficial conversion feature for this issuance.

On February 4, 2003, the Company issued 30,000 shares of common stock to Keshet, LP, upon the conversion of 422 shares of Series G Convertible Preferred, at a conversion price of \$0.1960.

#### Subsequent Events

On April 17, 2003, the Company issued 50,000 shares of common stock to Keshet, LP, upon the conversion of 520 shares of Series G Convertible Preferred, at a conversion price of \$0.1480.

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On April 22, 2003, the Company issued 50,000 shares of common stock to The Keshet Fund, LP, upon the conversion of 519 shares of Series G Convertible Preferred, at a conversion price of \$0.1480.

Item 6. Exhibits and Reports on Form 8-K



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(a) Exhibits - Required by Item 601 of Regulation S-B: None

99.1 Certification pursuant to 18 U.S.C. Section 1350,  
as adopted pursuant to Section 906 of the Sarbanes-  
Oxley Act of 2002

99.2 Certification pursuant to 18 U.S.C. Section 1350,  
as adopted pursuant to Section 906 of the Sarbanes-  
Oxley Act of 2002

(b) Reports on Form 8-K

Form 8-K concerning matters discussed at open telephonic conference  
in connection with annual report, filed on April 30, 2003

CONTROLS AND PROCEDURES

a) Evaluation of Disclosure Controls and Procedures. The Company's Chief Executive Officer and the Company's principal financial officer, after evaluating the effectiveness of the Company's disclosure controls and procedures (as defined in the Securities Exchange Act of 1934 Rules 13a-14(c) and 15d-14(c) as of a date within 90 days of the filing date of this report on Form 10-KSB (December 31, 2002), have concluded that as of the Evaluation Date, the Company's disclosure controls and procedures were adequate and effective to ensure that material information relating to the Company and the Company's consolidated subsidiaries would be made known to them by others within those entities, particularly during the period in which this quarterly report on Form 10-Q was being prepared.

b) Changes in Internal Controls. There were no significant changes in the Company's internal controls or in other factors that could significantly affect the Company's disclosure controls and procedures subsequent to the Evaluation Date, nor any significant deficiencies or material weaknesses in such disclosure controls and procedures requiring corrective actions. As a result, no corrective actions were taken.

SIGNATURES

In accordance with the requirements of the Exchange Act of 1934, the registrant caused this report to be signed on its behalf of the undersigned, duly authorized.

BRAVO! FOODS INTERNATIONAL CORP. (Registrant)

Date: May 15, 2003

/s/Roy G. Warren

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Roy G. Warren, Chief Executive Officer

In accordance with the Securities Exchange Act of 1934, China Peregrine Food Corporation has caused this amended report to be signed on its behalf by the undersigned in the capacities and on the dates stated.

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| Signature<br>-----   | Title<br>-----                          | Date<br>---- |
|----------------------|---|--------------|
| /s/ Roy G. Warren    | Chief Executive Officer<br>and Director | May 15, 2003 |
| /s/ Michael L. Davis | Chief Financial Officer                 | May 15, 2003 |

CERTIFICATION

I, Roy G. Warren, certify that:

1. I have reviewed this report on Form 10-QSB of Bravo! Foods International Corp.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to the Company by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this report (the "Evaluation Date"); and
  - c) presented in this report the Company's conclusions about the effectiveness of the disclosure controls and procedures based on the Company's evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on the Company's most recent evaluation, to the registrant's auditors and the audit

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committee of registrant's board of directors (or persons performing the equivalent function):

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- a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of the Company's most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

May 15, 2003

By /s/ Roy G. Warren

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Roy G. Warren  
Chief Executive Officer

### CERTIFICATION

I, Michael L. Davis, certify that:

1. I have reviewed this report on Form 10-QSB of Bravo! Foods International Corp.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to the Company by others within those entities, particularly during the period in which this report is being prepared;

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- b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this report (the "Evaluation Date"); and
  - c) presented in this report the Company's conclusions about the effectiveness of the disclosure controls and procedures based on the Company's evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on the Company's most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
- a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of the Company's most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

May 15, 2003

By /s/ Michael L. Davis

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Michael L. Davis