

Edgar Filing: BRAVO FOODS INTERNATIONAL CORP - Form 10QSB

BRAVO FOODS INTERNATIONAL CORP  
Form 10QSB  
May 14, 2004

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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, 2004

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, 2004	Common Stock	40,296,574

Transitional Small Business Disclosure Format (Check One) YES  NO

BRAVO! FOODS INTERNATIONAL CORP.

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### BRAVO! FOODS INTERNATIONAL CORP. AND SUBSIDIARY

#### CONSOLIDATED BALANCE SHEETS

	December 31, 2003	March 31, 2004
	-----	-----
		(Unaudited)
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 58,859	\$ 85,476
Accounts receivable - net	25,921	20,044
Other receivables	6,331	6,331
Inventories	54,995	64,995
Prepaid expenses	201,617	444,379
	-----	-----
Total current assets	347,723	621,225
Furniture and equipment, net	68,623	63,351
License rights, net of accumulated amortization	24,065	191,482
Deferred product development costs	41,711	144,662
Deposits	10,736	10,736
	-----	-----

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Total assets	\$ 492,858	\$1,031,456
	=====	=====
Liabilities and Capital Deficit		
Current liabilities:		
Note payable to International Paper	\$ 187,743	\$ 187,743
Notes payable to Alpha Capital	100,000	100,000
Note payable to Mid-Am Capital LLC	150,000	150,000
Note payable to Jasper Products LLC	-	917,035
Note payable to Warner Brothers	147,115	147,115
Accounts payable	2,123,705	1,293,196
Deferred income	-	152,260
Accrued liabilities	610,665	781,614
	-----	-----
Total current liabilities	3,319,228	3,728,963
Dividends payable	582,823	676,291
Other notes payable	310,098	204,187
	-----	-----
Total liabilities	4,212,149	4,609,441
	-----	-----

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BRAVO! FOODS INTERNATIONAL CORP. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

	December 31, 2003	March 31, 2004
	-----	-----
Commitments and contingencies		
Capital 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	107,440
Series F convertible and redeemable preferred stock, stated value \$10.00 per share, 130,515 and 125,515 shares issued and outstanding	1,205,444	1,159,264
Series G convertible, 8% cumulative and redeemable preferred stock, stated value \$10.00 per share, 58,810 and 53,810 shares issued and outstanding	520,604	476,334
Series H convertible, 7% cumulative and redeemable preferred stock, stated value \$10.00 per share, 165,500 shares issued and outstanding	895,591	895,591
Series I convertible, 8% cumulative and redeemable		

(Unaudited)

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preferred stock, stated value \$10.00 per share, 30,000 shares issued and outstanding	72,192	72,192
Series J convertible, 8% cumulative and redeemable preferred stock, stated value \$10.00 per share, 200,000 shares issued and outstanding	1,854,279	1,854,279
Series K convertible, 8% cumulative and redeemable preferred stock, stated value \$10.00 per share, 80,000 shares issued and outstanding	-	800,000
Common stock, par value \$0.001 per share, 300,000,000 shares authorized, 28,047,542 and 32,092,588 shares issued and outstanding	28,045	32,093
Additional paid-in capital	21,144,896	21,547,321
Accumulated deficit	(29,548,471)	(30,523,188)
Translation adjustment	689	689
	-----	-----
Total capital deficit	(3,719,291)	(3,577,985)
	-----	-----
Total liabilities and capital deficit	\$ 492,858	\$ 1,031,456
	=====	=====

See accompanying notes.

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BRAVO! FOODS INTERNATIONAL CORP. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended March 31, 2003 ----- (Unaudited)	2004 ----- (Unaudited)
Revenue - unit sales	\$ 92,918	\$ 367,458
Revenue - net kit sales	2,737	-
Revenue - gross kit sales	301,775	70,748
	-----	-----
Total revenue	397,430	438,206
Cost of sales	(80,362)	(330,121)
	-----	-----
Gross margin	317,068	108,085
Selling expenses	361,075	253,038
Product development	494	3,645
General and administrative expense	772,470	700,966
	-----	-----
Loss from operations	(816,971)	(849,564)
Other income (expense)		
Interest expense	(2,044)	(31,685)
	-----	-----
Loss before income taxes	(819,015)	(881,249)
Provision for income taxes	-	-
	-----	-----

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Net loss	(819,015)	(881,249)
Dividends accrued for Series B preferred stock	(2,384)	(2,411)
Dividends accrued for Series G preferred stock	(13,799)	(10,864)
Dividends accrued for Series H preferred stock	(30,292)	(28,883)
Dividends accrued for Series I preferred stock	(5,918)	(5,984)
Dividends accrued for Series J preferred stock	(298,720)	(39,890)
Dividends accrued for Series K preferred stock	-	(5,436)
	-----	-----
Net loss applicable to common shareholders	\$ (1,170,128)	\$ (974,717)
	=====	=====
Weighted average number of common shares outstanding	25,843,743	31,001,544
	=====	=====
Basic and diluted loss per share	\$ (0.05)	\$ (0.03)
	=====	=====
Comprehensive loss and its components consist of the following:		
Net loss	\$ (819,015)	\$ (881,249)
Foreign currency translation adjustment	3,047	-
	-----	-----
Comprehensive loss	\$ (815,968)	\$ (881,249)
	=====	=====

See accompanying notes.

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BRAVO! FOODS INTERNATIONAL CORP. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31, 2003	2004
	----	----
	(Unaudited)	(Unaudited)
Cash flows from operating activities:		
Net loss	\$ (819,015)	\$ (881,249)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	26,202	59,100
Stock issuance for compensation and finder's fee	28,000	90,000
Loss on disposal of fixed assets	15,135	-
Increase (decrease) from changes in:		
Accounts receivable	65,187	5,877
Other receivable	(17,097)	-
Advance to vendors	11	-
Inventories	70	(10,000)
Prepaid expenses	(8,149)	(242,762)
Accounts payable and accrued expenses	158,340	409,736
Deferred product development costs	-	(202,952)
	-----	-----

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Net cash used in operating activities	(551,316)	(772,250)
	-----	-----
Cash flows from investing activities:		
Purchase of equipment	(4,429)	(1,133)
	-----	-----
Net cash used in investing activities	(4,429)	(1,133)
	-----	-----
Cash flows from financing activities:		
Proceeds of Series K preferred stock	-	800,000
Proceeds of Series J preferred stock	500,000	-
Payment of note payable, bank loan and license fee payable	(98,335)	-
	-----	-----
Net cash provided by financing activities	401,665	800,000
	-----	-----
Effect of changes in exchange rates on cash	3,047	-
	-----	-----
Net (decrease) increase in cash and cash equivalents	(151,033)	26,617
Cash and cash equivalents, beginning of period	224,579	58,859
	-----	-----
Cash and cash equivalents, end of period	\$ 73,546	\$ 85,476
	=====	=====

See accompanying notes.

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BRAVO! FOODS INTERNATIONAL, CORP. AND SUBSIDIARY  
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 China Premium Food Corp (Shanghai) Co., Ltd.. (the "Company"). The Company is engaged in the sale of flavored milk products and flavor ingredients in the United States, Canada, Mexico and nine countries in the Middle East.

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 a fair presentation have been included. Operating results for the three-month period ended March 31, 2004 are not necessarily indicative of the results that may be expected for the year ending December 31, 2004. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report for the year

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ended December 31, 2003.

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 \$30,523,188, a capital deficit of \$3,577,985, negative working capital of \$3,107,738 and is delinquent on certain of its debts at March 31, 2004. Further, the Company's auditors stated in their report on the Company's Consolidated Financial Statements for the year ended December 31, 2003, that these conditions raise substantial doubt about the Company's ability to continue as a going concern. Management plans to increase gross profit margins in its U.S. business and obtain additional financing and is in the process of repositioning its products with the anticipated launch of four new product lines in the second quarter 2004. 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 and has raised \$1,350,000 in the fourth quarter 2003 and first quarter 2004. 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 recognizes revenue in the United States at the gross amount of its invoices for the sale of finished product to wholesale buyers. Commencing with the first quarter 2004, the Company will no longer use the sale of "kits" as a revenue event in the United States. Rather, the Company will take title to its branded flavored milks when they are shipped by the Company's third party processors and recognize as revenue the gross wholesale price charged to the Company's wholesale customers. Expenses for slotting fees and certain promotions are

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

treated as a reduction of reported revenue. The Company determines gross margin by deducting from the reported wholesale price the cost charged by the Company's third party processors to produce the branded milk products. The sale of "kits" will remain as the revenue model for the Company's international business

The Company recognizes revenue for its international business at the gross amount of its invoices for the sale of flavor ingredients and production rights (collectively referred to as "kits") at the time of shipment of flavor ingredients to processor dairies with whom the Company has production contracts 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 for the processors' purchase of flavor ingredients and fees charged by the Company to the processors for production rights. The Company formulates the price of production rights to cover its royalties under intellectual property licenses, which varies

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by licensor as a percentage 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 goods sold the cost of flavor ingredients paid by the processor dairies to 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. 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 statements of operations on a gross basis, whereby the total amount billed to the customer is recognized as 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.

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

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 Ended March 31,	
	2003	2004
	----	----
Net loss applicable to common shareholders as reported:	\$(1,170,128)	\$(947,717)
Add: total stock based employee compensation expense determined under fair value method for all awards	4,500	-
Pro forma net loss	\$(1,174,628)	\$(947,717)



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	=====	=====
Loss per share:		
As reported	\$ (0.05)	\$ (0.03)
Pro forma	\$ (0.05)	\$ (0.03)

Note 2 - Transactions in Capital Deficit

On February 1, 2004, the Company agreed to issue 750,000 shares of its common stock and warrants to purchase an additional 750,000 shares of common stock to Marvel Enterprises, Inc. The Company issued its equity in connection with the grant of an intellectual property license by Marvel on January 17, 2004, giving the Company the right to use certain Marvel Comics characters on the Company's Slammers(R) line of flavored milks. The warrants have an exercise price of \$0.10 per share for the first year and, upon the occurrence of certain conditions tied to the royalty performance under the license, can be extended for an additional year with an exercise price of \$0.14 per share. The Company made this private offering to Marvel Enterprises, an accredited investor, pursuant to Rule 506 of Regulation D and Section 4(2) of the Securities Act of 1933.

On February 12, 2004, the Company held a special meeting of shareholders at which the shareholders approved an increase of the Company's authorized common stock from 50,000,000 shares to 300,000,000 shares.

On February 17, 2004, the Company converted 875 shares of Series G Convertible Preferred Stock into 215,164 shares of common stock pursuant to a January 12, 2004 notice of conversion from Neshor, LP, at a conversion price of \$0.0407. The conversion did not include accrued and unpaid dividends on the converted preferred. The Company and the holder delayed processing this notice in light of the Company's special meeting of shareholders held February 12, 2004. The shares of common stock issued pursuant to this conversion were retired and cancelled on March 5, 2004 and issued to third parties on that date in accordance with the instructions of Neshor, LP.

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

On February 17, 2004, the Company converted 1,400 shares of Series G Convertible Preferred Stock into 343,980 shares of common stock pursuant to a January 12, 2004 notice of conversion from Talbiya Investments, Ltd., at a conversion price of \$0.0407. The conversion did not include accrued and unpaid dividends on the converted preferred. The Company and the holder delayed processing this notice in light of the Company's special meeting of shareholders held February 12, 2004. The shares of common stock issued pursuant to this conversion were retired and cancelled on March 5, 2004 and issued to third parties on that date in accordance with the instructions of Talbiya Investments, Ltd.

On February 17, 2004, the Company converted 700 shares of Series G Convertible Preferred Stock into 172,162 shares of common stock pursuant to a January 12, 2004 notice of conversion from The Keshet Fund, LP, at a

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conversion price of \$0.0407. The conversion did not include accrued and unpaid dividends on the converted preferred. The Company and the holder delayed processing this notice in light of the Company's special meeting of shareholders held February 12, 2004. The shares of common stock issued pursuant to this conversion were retired and cancelled on March 5, 2004 and issued to third parties on that date in accordance with the instructions of The Keshet Fund, LP.

On February 17, 2004, the Company converted 2,025 shares of Series G Convertible Preferred Stock into 497,951 shares of common stock pursuant to a January 12, 2004 notice of conversion from Keshet LP, at a conversion price of \$0.0407. The conversion did not include accrued and unpaid dividends on the converted preferred. The Company and the holder delayed processing this notice in light of the Company's special meeting of shareholders held February 12, 2004. The shares of common stock issued pursuant to this conversion were retired and cancelled on March 5, 2004 and issued to third parties on that date in accordance with the instructions of Keshet, LP.

On March 1, 2004, the Company issued 80,000 shares of non-voting Series K 8% Convertible Preferred stock, to Mid-Am Capital, LLC, having a stated value of \$10.00 per Preferred K share, for the aggregate purchase price of \$800,000. Each preferred share is convertible to 100 shares of the Company's common stock at a conversion price of \$0.10, representing 8,000,000 shares of common stock underlying the preferred. In addition, the following adjustments were made to prior issued warrants for the purpose of facilitating future fund raising by the Company arising out of the exercise of the warrants by Holder. The purchase price, as defined in the Warrant No. 2003-B-002, has been reduced to \$0.10, subject to further adjustment as described in the warrant. The expiration date, as defined in the warrant, remains as stated. 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.

On March 1, 2004, the Company issued 750,000 shares of its common stock to Knightsbridge in compensation for services to be rendered, pursuant to a November 2003 engagement letter with Knightsbridge Holdings, LLC for business and operational consulting services. The Company delayed the issuance of these shares owing to the necessity of a special meeting of shareholders to increase the Company's authorized shares, which took place in

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

February 2004. On March 1, 2004, Knightsbridge commenced its services and the Company issued the shares of common stock.

On March 9, 2004, the Company converted 5,000 shares of Series F Convertible Preferred Stock into 1,315,789 shares of common stock pursuant to a January 8, 2004 notice of conversion from Esquire Trade & Finance Inc., at a conversion price of \$0.038. The conversion did not include accrued and unpaid dividends on the converted preferred. The Company and the holder delayed processing this notice in light of the Company's special meeting of shareholders held February 12, 2004. The shares of common stock issued pursuant to this conversion were issued to third parties in accordance with the instructions of Esquire Trade & Finance Inc.

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### Note 3 - Adoption of New Accounting Standards

#### Adoption of SFAS 150

In May 2003, Statement of Financial Accounting Standards ("SFAS") No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity," was issued effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. This statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). The adoption of SFAS No. 150 did not result in the reclassification of any financial instruments in the Company's financial statements.

#### Adoption of SFAS 149

In April 2003, SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities," was issued effective for contracts entered into or modified after June 30, 2003, with certain exceptions. This statement amends and clarifies financial accounting and reporting for derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activity." The Company does not currently engage in hedging activities, and the adoption of this statement did not have any effect on its financial statements.

### 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.

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

#### Geographic Area Information:

Period Ended	United States	Canada	Mexico	China	Total Company
March 31, 2004	-----	-----	-----	-----	-----
Revenue - unit sales	\$ 367,458	\$ -	\$ -	\$ -	\$ 367,458
Revenue - net kit sales	-	-	-	-	-
Revenue - gross kit sales	44,380	-	26,368	-	70,748
	-----	-----	-----	-----	-----

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Total revenue	411,838	-	26,368	-	438,206
Cost of goods sold	(322,343)	-	(7,778)	-	(330,121)
	-----	-----	-----	-----	-----
Gross margin	\$ 89,495	\$ -	\$ 18,590	\$ -	\$ 108,085
	=====	=====	=====	=====	=====

Period Ended	United States	Canada	Mexico	China	Total Company
March 31, 2003	-----	-----	-----	-----	-----
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
	=====	=====	=====	=====	=====

Note 5 - Subsequent Events

On April 1 2004, the Company converted 5,000 shares of Series F Convertible Preferred Stock into 1,315,789 shares of common stock pursuant to a January 27, 2004 notice of conversion from Austinvest Anstalt Balzers, at a conversion price of \$0.038. The conversion did not include accrued and unpaid dividends on the converted preferred. The Company and the holder delayed processing this notice in light of the Company's special meeting of shareholders held February 12, 2004. The shares of common stock issued pursuant to this conversion were issued to third parties on that date in accordance with the instructions of Austinvest Anstalt Balzers.

On April 2, 2004, the Company and Mid-Am Capital, LLC entered into Supplement No.1 to the Series K Convertible Preferred Subscription Agreement, by which the Company sold an additional 15,000 shares of its Series K Convertible Preferred Stock utilizing the proceeds from a certain promissory note issued by the Company to Mid-Am in the face amount of \$150,000. With the consummation of this sale, the \$150,000 promissory note was deemed paid in full by the Company.

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

On April 8, 2004, the Company converted 4,862 shares of Series G Convertible Preferred Stock into 700,000 shares of common stock pursuant to a March 25, 2004 notice of conversion from Neshor, LP, at a conversion price of \$0.0853. The conversion included accrued and unpaid dividends of \$11,089 on the preferred converted.

On April 8, 2004, the Company converted 4,478 shares of Series G Convertible Preferred Stock into 650,000 shares of common stock pursuant to

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a March 25, 2004 notice of conversion from Talbiya B. Investments, Ltd., at a conversion price of \$0.0853. The conversion included accrued and unpaid dividends of \$10,662 on the preferred converted.

On April 8, 2004, the Company converted 1,919 shares of Series G Convertible Preferred Stock into 275,000 shares of common stock pursuant to a March 25, 2004 notice of conversion from The Keshet Fund, LP, at a conversion price of \$0.0853. The conversion included accrued and unpaid dividends of \$4,265 on the preferred converted.

On April 8, 2004, the Company converted 7,677 shares of Series G Convertible Preferred Stock into 1,100,000 shares of common stock pursuant to a March 25, 2004 notice of conversion from Keshet, LP, at a conversion price of \$0.0853. The conversion included accrued and unpaid dividends of \$17,060 on the preferred converted.

On April 20, 2004, the Company entered into a Subscription Agreement with Longview Fund, LP and Alpha Capital Aktiengesellschaft for the issuance of two convertible 10% notes in the amount of \$250,000 each and five-year warrants for the purchase of, in the aggregate, 3,000,000 shares of common stock, at \$0.15 per share. The notes are convertible into shares of common stock of the Company at \$0.10 per common share. Conversions are limited to a maximum ownership of 9.99% of the underlying common stock at any one time. The notes are payable in ten equal monthly installments, commencing November 1, 2004. The installment payments consist of principal and a "premium" of 20% of the principal paid per installment. The Company has the option to defer such payment until the note's maturity date on October 1, 2005, if the Company's common stock trades above \$0.20 for the five trading days prior to the due date of an installment payment. In connection with this transaction, the Company issued two additional notes in the aggregate amount of \$50,000, upon identical terms as the principal notes, as a finder's fee. The Company also paid \$20,000 in legal fees. The common stock underlying all notes and warrants carry registration rights.

On April 30, 2004, the Company converted 20,000 shares of Series F Convertible Preferred Stock into 1,945,525 shares of common stock pursuant to an April 27, 2004 notice of conversion from Esquire Trade & Finance Inc., at a conversion price of \$0.1028. The conversion did not include accrued and unpaid dividends on the converted preferred.

On April 30, 2004, the Company converted 20,000 shares of Series F Convertible Preferred Stock into 1,945,525 shares of common stock pursuant to an April 27, 2004 notice of conversion from Austinvest Anstalt Balzers, at a conversion price of \$0.1028. The conversion did not include accrued and unpaid dividends on the converted preferred.

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

On April 30, 2004, the Company converted 2,500 shares of Series F Convertible Preferred Stock into 243,191 shares of common stock pursuant to an April 27, 2004 notice of conversion from Esquire Trade & Finance Inc., at a conversion price of \$0.1028. The conversion did not include accrued and unpaid dividends on the converted preferred.

On April 30, 2004, the Company converted 2,500 shares of Series F Convertible Preferred Stock into 243,191 shares of common stock pursuant to

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an April 27, 2004 notice of conversion from Austinvest Anstalt Balzers, at a conversion price of \$0.1028. The conversion did not include accrued and unpaid dividends on the converted preferred.

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### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - THREE MONTHS ENDED MARCH 31, 2004

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

#### OVERVIEW

The Company's business model includes the development and marketing of a Company owned Slammers(R) trademarked brand, the obtaining of license rights from third party holders of intellectual property rights to other trademarked brands, logos and characters and the granting of production and marketing rights to processor dairies to produce branded flavored milk. The Company generates revenue in its international (non-US) business 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 generates revenue from the unit sales of finished branded 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 \$881,249 for the three-month period ended March 31, 2004. 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, 2004 has an accumulated deficit, a capital deficit, is delinquent on certain debts and has 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 international business 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 management will be successful in carrying out the Company's plans.

CORPORATE GOVERNANCE

The Board of Directors

The Company's board has positions for nine directors that are elected as Class A or Class B directors at alternate annual meetings of the Company's shareholders. The Company presently has two mid-term vacancies on the board. Six of the seven current directors of the Company's board are independent. The Company's chairman and chief executive officer are separate. The board meets regularly, at least four times a year, and all directors have access to the information necessary to enable them to discharge their duties. The board, as a whole, and the audit committee in particular, reviews the Company's financial condition and performance on an estimated vs. actual basis and financial projections as a regular agenda item at scheduled periodic board meetings, based upon separate reports submitted by the Company's chief executive officer and chief financial officer. Directors are elected by the Company's shareholders after nomination by the board or are appointed by the board when a vacancy arises prior to an election. This year the Company has adopted a nomination procedure based upon a rotating nomination committee made up of those members of the director Class not up for election. The board presently is examining whether this procedure, as well as the make up of the audit and compensation committees, should be the subject of an amendment to the by-laws.

Audit Committee

The Company's audit committee is composed of three independent directors and functions to assist the board in overseeing the Company's accounting and reporting practices. The Company's financial information is booked in house by the Company's CFO's office, from which the Company prepares financial reports. These financial reports are audited or reviewed by Lazar Levine & Felix LLP, independent certified accountants and auditors. The Company's chief financial officer reviews the preliminary financial and non-financial information prepared in house with the Company's securities counsel and the auditors. The committee reviews the preparation of the Company's audited and unaudited periodic financial reporting and internal control reports prepared by the Company's chief financial officer. The committee reviews significant changes in accounting policies and addresses issues and recommendations presented by the Company's internal and external certified accountants as well as the Company's auditors. Currently, there is one vacancy on the audit committee.

Compensation Committee

The Company's compensation committee is composed of three independent directors who reviews the compensation structure and policies concerning executive compensation. The committee develops proposals and recommendations for executive compensation and presents those recommendations to the full board for consideration. The committee periodically reviews the performance of the Company's other members of management and the recommendations of the chief executive officer with respect to the compensation of those individuals. Given the size of the Company, all such employment contracts are periodically reviewed by the board. The board must approve all compensation packages that involve the issuance of the Company's stock or stock options. Currently, there is one vacancy on the compensation committee.

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Nominating Committee

The nominating committee was established in the second quarter 2002 and consists of those members of the director Class not up for election. The committee is charged with determining those individuals who will be presented to the shareholders for election at the next scheduled annual meeting. The full board fills any mid term vacancies by appointment.

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

United States - Production Agreement with Jasper Products

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The Company recognizes revenue in the United States at the gross amount of its invoices for the sale of kits at the time of shipment of flavor ingredients to processor dairies with whom the Company has production contracts 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: 90% to 95% of the revenue is for the processors' purchase of flavor ingredients; the balance of 5% to 10% represents fees charged by the Company to the processors for production rights. The price of production rights is formulated to cover the Company's intellectual property licenses, which varies by licensor as a percentage 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 goods sold the cost of flavor ingredients paid by the processor dairies to ingredients supplier. The recognition of revenue generated from the sale of production rights associated with the flavor ingredients is



complete

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upon shipment of the ingredients to the processor, given the short utilization cycle of the ingredients shipped.

Jasper Products and Shamrock Farms, processor dairies for the Company's products in 2003, charge the Company with the cost of producing the Company's branded 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 branded 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 "unit sales revenue" when the revenue is realized or realizable and accrues 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.

Commencing with the first quarter 2004, the Company will no longer use the sale of "kits" as a revenue event in the United States. Rather, the Company will take title to its branded flavored milks when they are shipped by the Company's third party processors and recognize as revenue the gross wholesale price charged to the Company's wholesale customers. The Company's gross margin will be determined by the reported wholesale price less the cost charged by the Company's third party processors to produce the branded milk products. The sale of "kits" will remain as the revenue model for the Company's international business.

#### International Sales

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The Company recognizes revenue in its international (non US) business at the gross amount of its invoices for the sale of kits at the time of shipment of flavor ingredients to processor dairies with whom the Company has production contracts 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 consists of the cost of the processors' purchase of flavor ingredients and fees charged by the Company to the processors for production rights. The price of production rights is formulated to cover the Company's intellectual property licenses, which varies by licensor as a percentage 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 goods sold the cost of flavor ingredients paid by the processor dairies to 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.

RESULTS OF OPERATIONS

Financial Condition at March 31, 2004  
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As of March 31, 2004, we had an accumulated deficit of \$30,523,188 and cash on hand of \$85,476 and reported total capital deficit of \$3,577,985.

For this same period of time, we had revenue of \$438,206 and general and administrative expense of \$700,966.

After interest expenses of \$31,685, cost of goods sold of \$330,121, product development costs of \$3,645 and selling expenses of \$253,038 incurred in the operations of the Company, we had a net loss of \$881,249.

Three Months Ended March 31, 2004 Compared to  
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Three Months Ended March 31, 2003  
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Consolidated Revenue

We had revenues for the three months ended March 31, 2004 of \$438,206, with cost of sales of \$330,121, resulting in a gross margin of \$108,085. Of the \$438,206, \$411,838 was from sales in the U.S. operation and \$26,368 from sales in Mexico. We did not have revenue for this period in Canada or China. Our revenue for the three months ended March 31, 2004 increased by \$40,776, a 10.26% increase compared to revenue of \$397,430 for the same period in 2003. This increase is the result of a change in the Company's method of revenue recognition in the United States, as well as the phasing out of the Company's Looney Tunes(TM) flavored milk products and the development of four new branded product lines in the United States, which commenced during this period.

Consolidated Cost of Sales

We incurred cost of goods sold of \$330,121 for the three months ended March 31, 2004, \$322,343 of which was incurred in our U.S. operation and \$7,778 in Mexico. Our cost of goods sold in 2004 increased by \$249,759, a 310.79% increase compared to \$80,362 for the same period in 2003. The increase in cost of goods sold reflects the change in the Company's method of revenue recognition during this period.

In countries except the United States, the Company's revenue is generated by the sale of kits to dairy processors. Each kit consists of flavor ingredients for the Company's Slammers(R) flavored milks and production rights to manufacture and sell the milks. In line with the Company's revenue recognition policies, the Company recognizes 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 the United States, the Company is responsible for the sale of finished Slammers(R) flavored milk (referred to as "unit sales") to retail outlets. For these unit sales, the Company recognizes as revenue the invoiced wholesale prices that the Company charges to the retail outlets that purchase the Slammers(R) flavored milks. The Company reports as cost of goods sold

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the price charged to it by Jasper Products, a third party processor under contract with the Company, for producing the finished Slammers(R) products.

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 Mexico are generated from kit sales to Neolac, a dairy processor in central Mexico. In the United States, revenues for the period ended March 31, 2004 were generated by kit sales to Parmalat, which is responsible for marketing and sales. These sales were the result of orders placed with the Company prior to December 31, 2003 but shipped subsequent to that date. Sales of "kits" to Parmalat will not continue beyond the current reported quarter. The Company recorded revenues from these sales are under "gross kit sales" on the accompanying table.

The Company's revenue from the sale of Slammers(R) finished product to retail outlets is recorded as "unit sales" on the following table. Going forward, revenue from the Company's United States business will be from unit sales only.

Period Ended March 31, 2004	United States -----	Canada -----	Mexico -----	China -----	Total Company -----
Revenue - unit sales	\$ 367,458	\$ -	\$ -	\$ -	\$ 367,458
Revenue - net kit sales	-	-	-	-	-
Revenue - gross kit sales	44,380	-	26,368	-	70,748
	-----	-----	-----	-----	-----
Total revenue	411,838	-	26,368	-	438,206
Cost of goods sold	(322,343)	-	(7,778)	-	(330,121)
	-----	-----	-----	-----	-----
Gross margin	\$ 89,495	\$ -	\$ 18,590	\$ -	\$ 108,085
	=====	=====	=====	=====	=====
Period Ended March 31, 2003	United States -----	Canada -----	Mexico -----	China -----	Total Company -----
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
	=====	=====	=====	=====	=====

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### United States (Jasper and Parmalat Sales)

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Revenues for the period ended March 31, 2004 from kit sales in the United States decreased from \$205,945 for the same period in 2003 to approximately \$44,380, a 78.4% decrease. The kit sales for the current period were from orders placed prior to December 31, 2003 but shipped subsequent to that date. The decrease is the result of the transition from the

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Looney Tunes(TM) product line to the Company's four new product lines during this period and the elimination of kit sales in the Company's United States business.

In addition to kit sales, in the period ended March 31, 2004, the Company had revenues of \$367,458 from selling finished product unit sales to retail outlets, compared to \$92,918 for the same period in 2003, for an increase of \$274,540, or 295.46%. The increase was the result of the continuation of the initial phasing in of the original unit sales model in the first quarter of 2003.

In the period ended March 31, 2004, the Company's gross margin for U.S. sales of \$89,495, decreased by \$160,116, or by 64%, from \$249,611 for the same period in 2003. The decrease in gross margin was the result of the phasing out of the Company's Looney Tunes(TM) product line and the development of four new product lines by the Company utilizing newly licensed and directly owned branded trademarks. The Company launched the new product lines, as scheduled, in the second quarter 2004.

### Mexico and Canada

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Revenues for the period ended March 31, 2004 from kit sales in Mexico decreased \$33,496 or 55.9% from \$59,864 for the same period in 2003 to \$26,368 in 2004. The decrease in gross margin was the result of the phasing out of the Company's Looney Tunes(TM) product line and the development of four new product lines by the Company utilizing newly licensed and directly owned branded trademarks. The Company did not report sales from Canada for the period ended March 31, 2004, compared with revenue of \$35,966 for the period ended March 31, 2003.

The Company recorded \$7,778 in cost of sales in Mexico for the period ended March 31, 2004, a decrease of \$10,192 or 56.7% from \$17,970 for the same period in 2003.

For the period ended March 31, 2004, the Company's gross profit of \$18,590 for sales in Mexico decreased by \$23,304, or 55.63%, from \$41,849 for the same period in 2003. The decrease in gross profit was consistent with the decrease in sales volume for this period.

### Consolidated Operating Expenses

The Company incurred selling expenses of \$253,038 for the period ended March 31, 2004, all of which the Company incurred in its United States operations. The Company's selling expense for this period decreased by \$108,037, a 29.92% decrease compared to selling expense of \$361,075 for

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the same period in 2003. The decrease in selling expenses in the current period was due to decreased freight and promotional charges associated with the Company's transition away from its Looney Tunes(TM) product line and the development of four new product lines by the Company, utilizing newly licensed and directly owned branded trademarks.

The Company incurred general and administrative expenses for the period ended March 31, 2004 of \$700,966, all of which the Company incurred in its United States business operations. The Company's general and administrative expenses for this period decreased by \$71,504, a 9.3% decrease compared to \$772,470 for the same period in 2003, \$709,535 of which the Company incurred in its United states operations and \$62,935 in China in 2003. The

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decrease of \$71,504 in general and administrative expenses for the current period in 2004 is the result of a continued reduction in overhead expenses, including management salaries, travel and other cost saving measures.

As a percentage of total revenue, the Company's general and administrative expenses decreased from 194.4% in the period ended March 31, 2003, to 160% for the current period in 2004. The Company anticipates a continued reduction of these expenses through cost cutting efforts and the refinement of business operations.

### Interest Expense

The Company incurred interest expense for the period ended March 31, 2004 of \$31,685. The Company's interest expense increased by \$29,641, a 1450% increase compared to approximately \$2,044 for the same period in 2003. The increase was due to additional loans in 2003.

### Loss Per Share

The Company accrued dividends payable of \$93,468 to various series of preferred stock during the period ended March 31, 2004. The Company's accrued dividends decreased for this period by \$257,645, or 73.3%, from \$351,113 for the same period in 2003. The increase in net loss before accrued dividends of \$62,234, from \$819,015 for the period ended March 31, 2003 to \$881,249 for the current period, was offset by the 73.3% decrease in accrued dividends, resulting in a decrease in the Company's current period loss per share from \$0.05 for the same period in 2003, compared to loss per share of \$0.03 for the current period.

### LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2004, the Company reported that net cash used in operating activities was \$772,250, net cash provided by financing activities was \$800,000 and net cash used in investing activities was \$1,133. The Company had a negative working capital of \$ 3,107,738 as of March 31, 2004.

Compared to \$551,316 of net cash used in operating activities in the period ended March 31, 2003, the Company's current year net cash used in operating activities increased by \$220,934 to \$772,250 due 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 \$149,100, compared to \$54,202 for the same period in 2003.

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Changes in accounts receivable in this current period in 2004 resulted in a cash increase of \$5,877, compared to a cash increase in receivables of \$65,187 for the same period in 2003, having a net result of a decrease of \$59,310. The changes in accounts payable and accrued liabilities in the period ended March 31, 2003 contributed to a cash increase of \$158,340, whereas the changes in accounts payable and accrued liabilities for the current period in 2004 amounted to an increase of \$409,736. The Company has adopted and will keep implementing cost cutting measures to lower its costs and expenses and to pay the Company's accounts

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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 its cash disbursement needs in the period ended March 31, 2004, and the Company had to rely on equity financing to cover expenses.

The Company's cash used in 2004 in investing activities for furniture and equipment was \$1,133 for computer equipment in the U.S. Compared to disbursements in the same period in 2003, the \$1,133 expenditure was insignificant.

The Company's net cash provided by financing activities for the period ended March 31, 2004 was \$800,000. New cash provided by financing activities for the same period in 2003 was \$401,665, for a net increase of \$398,335. The increase was due to issuing Series K preferred stock with total proceeds of approximately \$800,000 in this current period.

The Company used the proceeds of the Series K issue for working capital purposes. Notwithstanding total cash proceeds of \$800,000, the Company owed approximately \$917,000 as of March 31, 2004 for the note to Jasper Products.

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) development, launch and marketing costs for the Company's line of new aseptic branded flavored milk products. The Company estimates that its need for financing to meet cash needs for operations will continue to the fourth quarter of 2004, when cash supplied by operating activities will approach the anticipated cash requirements for operation expenses. The Company anticipates the need for additional financing in 2004 to reduce the Company's liabilities, assist in marketing 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 \$220,000. The Company will continue to incur significant selling and other expenses in 2004 in order to derive more revenue in retail markets, through the introduction and ongoing support of its new products. 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

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up or shelf space fees, are essentially one-time charges per new customer. 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 its branded flavored milk. Presently, the Company is aggressively pursuing the school and vending 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 2004.

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Similarly, the Company expects that the greater control over sales resulting from its refined business model and the anticipated expansion into bodega stores as well as national chains, such as 7-Eleven, will have a positive impact on revenues in the second quarter of 2004.

In the third quarter 2003, the Company commenced an analysis of the Looney Tunes(TM) brand performance within the context of the possible renewal of its Warner Bros. licenses for United States, Mexico, China and Canada. In the fourth quarter 2003, the Company concluded that, as a function of the sales of flavored milks, the Looney Tunes(TM) brand has not supported the guaranteed royalty structure required by Warner Bros. for its licenses. In the fourth quarter 2003, the Company decided not to renew its license agreements with Warner Bros., and began to develop new products in anticipation of the consummation of other license relationships with Marvel Comics and MoonPie for co-branded flavored milk, as well as a new single Slammers(R) brand. The Company has developed new aseptic products in anticipation of these licenses and its own singular brand. The Company plans to launch the following new products in the second quarter 2004.

Brand	Marvel-Slammers	Moon Pie-Slammers	Slim Slammers	Pro-Slammers
Item	Ultimate Milkshake	Flavored milk; reduced fat 2% milk	Low calorie, no sugar added, low carb 1% milk	Protein Shake
Licensed Property	Marvel Super Hero comic book characters and Slammers mark (owned by Bravo! Foods)	MoonPie logo and trade dress, and Slammers mark (owned by Bravo! Foods)	Slim Slammers trademark (owned by Bravo! Foods)	Extreme Sports athletes, and Pro-Slammers mark (owned by Bravo! Foods)
Packaging	16 oz bottles; 11.2 oz Tetra Prisma	16 oz bottles; 11.2 oz Tetra Prisma	16 oz bottles	16 oz bottles; 11.2 oz Tetra Prisma

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Description	Whole milk shake; 5 flavors; vitamin fortification matches Marvel Super Hero powers	Chocolate and banana flavors; fortified with 10 essential vitamins	Chocolate Fudge and French Vanilla; calcium added	Double protein shake; 4 flavors; fortified with essential vitamins
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Coincident with these new licenses, the Company executed a production agreement with Saudia Dairy & Foodstuff Company (SADAFCO), one of the largest Middle East dairy processors, headquartered in Jeddah, Saudi Arabia. SADAFCO will process the Company's Slammers (R) branded flavored milks, including the Marvel line, for distribution in nine Middle East countries. SADAFCO has the capacity to process the Company's branded milk products for distribution throughout the European Community. The Company's international business is

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facilitated by AsheTrade, the Company's international agent, with offices in Miami, FL and Jeddah, Saudi Arabia.

DEBT STRUCTURE

As of March 31, 2004, the Company held two licenses for Looney Tunes(TM) characters and names from Warner Bros. The Company accounts for the guaranteed royalty payments under these licenses as debt and licensing rights as assets. The following is a summary of the balances owed as of March 31, 2004 and the license expiration dates:

License	Guaranty	Balance Due	Amount Past Due	Expiration Date
U.S. License	\$500,000	\$ -	\$ -	12/31/03
U.S. TAZ	\$250,000	\$ -	\$ -	N/A
China	\$400,000	\$147,115	\$147,115	10/29/03
Mexico	\$145,000	\$ -	\$ -	05/31/04
Canada	\$ 32,720	\$ -	\$ -	03/31/04

The China license had been extended to October 29, 2003 by agreement of the parties, and the Company did not seek another license from Warner Bros. for China. This decision was based upon the lack of sales in the Company's China markets and what the Company perceived to be the licensor's continuing overall lack of brand support in China. The Company and Warner Bros. dispute the contractual necessity of the payment of the balance owed on the China license as a result of the above circumstances.

International Paper



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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 had 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 a different interest calculation. International Paper imposed a charge of \$57,000 to renegotiate the note owing to 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

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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, 2002, 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

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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 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 and the notes are now payable on a demand basis.

On August 27, 2003, the Company received the proceeds of a loan from Mid-Am Capital, L.L.C., in the amount of \$150,000. The note was payable November 25, 2003 and bears interest at the annual rate of 10%. This loan is secured by a general security interest in all the Company's assets. On April 2, 2004, this note was paid and cancelled.

On January 28, 2004, the Company converted accounts payable in the amount of \$1,128,385 by the issuance of a 10% short term promissory note to Jasper Products, LLC, dated January 1, 2004, in the principal amount of \$1,128,385 for amounts owed to Jasper in connection with Jasper's processing and sale of the Company's products. As of March 31, 2004, the Company paid \$200,000 in principal and was credited an additional \$11,350. On April 20, 2004, the Company paid an additional \$200,000. On May 7, 2004, the Company paid \$718,368 in full payment of the note's principal and accrued interest.

On May 6, 2004, the Company issued a secured promissory note to Mid-Am Capital LLC in the principal amount of \$750,000. The note provides for 8% interest and has a maturity date of September 4, 2004. The Company issued warrants to purchase 3,000,000 shares of the Company's common stock to Mid-Am in connection with this promissory note. The warrants are exercisable for one year from issue at an exercise price of \$0.25 per share. The Company used the proceeds of this promissory note to pay the

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promissory note issued to Jasper Products in January 2004.

### EFFECTS OF INFLATION

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

### ITEM 3. 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-QSB (September 30, 2003), 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-QSB 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

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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.

### PART II - OTHER INFORMATION

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

On February 1, 2004, the Company agreed to issue 750,000 shares of its common stock and warrants to purchase an additional 750,000 shares of common stock to Marvel Enterprises, Inc. The Company issued its equity in connection with the grant of an intellectual property license by Marvel on January 17, 2004, giving the Company the right to use certain Marvel Comics characters on the Company's Slammers(R) line of flavored milks. The warrants have an exercise price of \$0.10 per share for the first year and, upon the occurrence of certain conditions tied to the royalty performance under the license, can be extended for an additional year with an exercise price of \$0.14 per share. The Company made this private offering to Marvel Enterprises, an accredited investor, pursuant to Rule 506 of Regulation D and Section 4(2) of the Securities Act of 1933.

On February 12, 2004, the Company held a special meeting of shareholders at which the shareholders approved an increase of the Company's authorized common stock from 50,000,000 shares to 300,000,000 shares.

On February 17, 2004, the Company converted 875 shares of Series G Convertible Preferred Stock into 215,164 shares of common stock pursuant to a January 12, 2004 notice of conversion from Neshor, LP, at a conversion price of \$0.0407. The conversion did not include accrued and unpaid

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dividends on the converted preferred. The Company and the holder delayed processing this notice in light of the Company's special meeting of shareholders held February 12, 2004. The shares of common stock issued pursuant to this conversion were retired and cancelled on March 5, 2004 and issued to third parties on that date in accordance with the instructions of Neshor, LP.

On February 17, 2004, the Company converted 1,400 shares of Series G Convertible Preferred Stock into 343,980 shares of common stock pursuant to a January 12, 2004 notice of conversion from Talbiya Investments, Ltd., at a conversion price of \$0.0407. The conversion did not include accrued and unpaid dividends on the converted preferred. The Company and the holder delayed processing this notice in light of the Company's special meeting of shareholders held February 12, 2004. The shares of common stock issued pursuant to this conversion were retired and cancelled on March 5, 2004 and issued to third parties on that date in accordance with the instructions of Talbiya Investments, Ltd.

On February 17, 2004, the Company converted 700 shares of Series G Convertible Preferred Stock into 172,162 shares of common stock pursuant to a January 12, 2004 notice of conversion from The Keshet Fund, LP, at a conversion price of \$0.0407. The conversion did not include accrued and unpaid dividends on the converted preferred. The Company and the holder delayed processing this notice in light of the Company's special meeting of shareholders

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held February 12, 2004. The shares of common stock issued pursuant to this conversion were retired and cancelled on March 5, 2004 and issued to third parties on that date in accordance with the instructions of The Keshet Fund, LP.

On February 17, 2004, the Company converted 2,025 shares of Series G Convertible Preferred Stock into 497,951 shares of common stock pursuant to a January 12, 2004 notice of conversion from Keshet LP, at a conversion price of \$0.0407. The conversion did not include accrued and unpaid dividends on the converted preferred. The Company and the holder delayed processing this notice in light of the Company's special meeting of shareholders held February 12, 2004. The shares of common stock issued pursuant to this conversion were retired and cancelled on March 5, 2004 and issued to third parties on that date in accordance with the instructions of Keshet, LP.

On March 1, 2004, the Company issued 80,000 shares of non-voting Series K 8% Convertible Preferred stock, to Mid-Am Capital, LLC, having a stated value of \$10.00 per Preferred K share, for the aggregate purchase price of \$800,000. Each preferred share is convertible to 100 shares of the Company's common stock at a conversion price of \$0.10, representing 8,000,000 shares of common stock underlying the preferred. In addition, the following adjustments were made to prior issued warrants for the purpose of facilitating future fund raising by the Company arising out of the exercise of the warrants by Holder. The purchase price, as defined in the Warrant No. 2003-B-002, has been reduced to \$0.10, subject to further adjustment as described in the warrant. The expiration date, as defined in the warrant, remains as stated. 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.

On March 1, 2004, the Company issued 750,000 shares of its common

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stock to Knightsbridge in compensation for services to be rendered, pursuant to a November 2003 engagement letter with Knightsbridge Holdings, LLC for business and operational consulting services. The Company delayed the issuance of these shares owing to the necessity of a special meeting of shareholders to increase the Company's authorized shares, which took place in February 2004. On March 1, 2004, Knightsbridge commenced its services and the Company issued the shares of common stock.

On March 9, 2004, the Company converted 5,000 shares of Series F Convertible Preferred Stock into 1,315,789 shares of common stock pursuant to a January 8, 2004 notice of conversion from Esquire Trade & Finance Inc., at a conversion price of \$0.038. The conversion did not include accrued and unpaid dividends on the converted preferred. The Company and the holder delayed processing this notice in light of the Company's special meeting of shareholders held February 12, 2004. The shares of common stock issued pursuant to this conversion were issued to third parties in accordance with the instructions of Esquire Trade & Finance Inc.

### Subsequent Events

On April 1 2004, the Company converted 5,000 shares of Series F Convertible Preferred Stock into 1,315,789 shares of common stock pursuant to a January 27, 2004 notice of conversion from Austinvest Anstalt Balzers, at a conversion price of \$0.038. The conversion did not include accrued and unpaid dividends on the converted preferred. The Company and the

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holder delayed processing this notice in light of the Company's special meeting of shareholders held February 12, 2004. The shares of common stock issued pursuant to this conversion were issued to third parties on that date in accordance with the instructions of Austinvest Anstalt Balzers.

On April 2, 2004, the Company and Mid-Am Capital, LLC entered into Supplement No.1 to the Series K Convertible Preferred Subscription Agreement, by which the Company sold an additional 15,000 shares of its Series K Convertible Preferred Stock utilizing the proceeds from a certain promissory note issued by the Company to Mid-Am in the face amount of \$150,000. With the consummation of this sale, the \$150,000 promissory note was deemed paid in full by the Company.

On April 8, 2004, the Company converted 4,862 shares of Series G Convertible Preferred Stock into 700,000 shares of common stock pursuant to a March 25, 2004 notice of conversion from Neshor, LP, at a conversion price of \$0.0853. The conversion included accrued and unpaid dividends of \$11,089 on the preferred converted.

On April 8, 2004, the Company converted 4,478 shares of Series G Convertible Preferred Stock into 650,000 shares of common stock pursuant to a March 25, 2004 notice of conversion from Talbiya B. Investments, Ltd., at a conversion price of \$0.0853. The conversion included accrued and unpaid dividends of \$10,662 on the preferred converted.

On April 8, 2004, the Company converted 1,919 shares of Series G Convertible Preferred Stock into 275,000 shares of common stock pursuant to a March 25, 2004 notice of conversion from The Keshet Fund, LP, at a conversion price of \$0.0853. The conversion included accrued and unpaid dividends of \$4,265 on the preferred converted.

On April 8, 2004, the Company converted 7,677 shares of Series G

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Convertible Preferred Stock into 1,100,000 shares of common stock pursuant to a March 25, 2004 notice of conversion from Keshet, LP, at a conversion price of \$0.0853. The conversion included accrued and unpaid dividends of \$17,060 on the preferred converted.

On April 20, 2004, the Company entered into a Subscription Agreement with Longview Fund, LP and Alpha Capital Aktiengesellschaft for the issuance of two convertible 10% notes in the amount of \$250,000 each and five-year warrants for the purchase of, in the aggregate, 3,000,000 shares of common stock, at \$0.15 per share. The notes are convertible into shares of common stock of the Company at \$0.10 per common share. Conversions are limited to a maximum ownership of 9.99% of the underlying common stock at any one time. The notes are payable in ten equal monthly installments, commencing November 1, 2004. The installment payments consist of principal and a "premium" of 20% of the principal paid per installment. The Company has the option to defer such payment until the note's maturity date on October 1, 2005, if the Company's common stock trades above \$0.20 for the five trading days prior to the due date of an installment payment. In connection with this transaction, the Company issued two additional notes in the aggregate amount of \$50,000, upon identical terms as the principal notes, as a finder's fee, and \$20,000 in legal fees. The common stock underlying all notes and warrants carry registration rights.

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On April 30, 2004, the Company converted 20,000 shares of Series F Convertible Preferred Stock into 1,945,525 shares of common stock pursuant to an April 27, 2004 notice of conversion from Esquire Trade & Finance Inc., at a conversion price of \$0.1028. The conversion did not include accrued and unpaid dividends on the converted preferred.

On April 30, 2004, the Company converted 20,000 shares of Series F Convertible Preferred Stock into 1,945,525 shares of common stock pursuant to an April 27, 2004 notice of conversion from Austinvest Anstalt Balzers, at a conversion price of \$0.1028. The conversion did not include accrued and unpaid dividends on the converted preferred.

On April 30, 2004, the Company converted 2,500 shares of Series F Convertible Preferred Stock into 243,191 shares of common stock pursuant to an April 27, 2004 notice of conversion from Austinvest Esquire Trade & Finance Inc., at a conversion price of \$0.1028. The conversion did not include accrued and unpaid dividends on the converted preferred.

On April 30, 2004, the Company converted 2,500 shares of Series F Convertible Preferred Stock into 243,191 shares of common stock pursuant to an April 27, 2004 notice of conversion from Austinvest Anstalt Balzers, at a conversion price of \$0.1028. The conversion did not include accrued and unpaid dividends on the converted preferred.

### Item 6. Exhibits and Reports on Form 8-K

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

(b) Reports on Form 8-K

Form 8-K concerning Marvel license, transition from Warner Bros., intention to close China operation, and special meeting of shareholders, filed on February 18, 2004

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Form 8-K concerning production agreement with SADAFCO, filed on March 15, 2004

Form 8-K concerning resignation and change of accountants, filed on March 17, 2004

Amended Form 8-K concerning resignation and change of accountants, filed on March 26, 2004

Form 8-K concerning marketing plans, filed on April 20, 2004

Form 8-K concerning business update, filed on April 29, 2004

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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 14, 2004

/s/ Roy G. Warren  
Roy G. Warren, Chief Executive Officer

In accordance with the Securities Exchange Act of 1934, Bravo! Foods International Corp. has caused this amended report to be signed on its behalf by the undersigned in the capacities and on the dates stated.

Signature -----	Title -----	Date -----
/S/ Roy G. Warren	Chief Executive Officer and Director	May 14, 2004
/S/ Tommy E. Kee	Chief Financial Officer	May 14, 2004

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