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BRAVO FOODS INTERNATIONAL CORP
Form 10QSB
November 12, 2002

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 September 30, 2002

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)

Check whether the issuer

- (1) filed all reports required to be filed by Section 13 or 15 (d) of the
Exchange Act during the past 12 months (or for such shorter period
that the registrant was required to file such reports), and
(2) has been subject to such filing requirements for the past 90 days.
Yes No

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
11/12/02	Common Stock	23,111,950

BRAVO! FOODS INTERNATIONAL CORP.

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BRAVO! FOODS INTERNATIONAL, CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31, 2001	September 30, 2002
Assets		
Current assets:		
Cash and cash equivalents	\$ 232,040	\$ 986,615
Accounts receivable	152,682	184,283
Other receivable	17,178	18,182
Advance to vendor	20,998	17,798
Inventories	91,403	90,799
Deferred charges	521	55,837
Prepaid expenses	23,585	41,904
	-----	-----
Total current assets	538,407	1,395,418
Furniture and equipment, net	123,099	92,854
License rights, net of accumulated		

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amortization of \$661,291 and \$1,036,684	433,709	291,036
Deposits	10,000	10,000
	-----	-----
Total assets	\$ 1,105,215	\$ 1,789,308
	=====	=====
Liabilities and Shareholders' Deficit		
Current liabilities:		
Notes payable	\$ 350,000	\$ 100,000
Note payable to International Paper	187,743	187,743
Note payable to Warner Brothers	473,750	378,674
Accounts payables	780,492	1,225,969
Accrued liabilities	575,019	518,758
	-----	-----
Total current liabilities	2,367,004	2,411,144
Dividends payable	280,370	221,483
	-----	-----
Long-term liabilities	280,370	221,484
	-----	-----
Total liabilities	2,647,374	2,632,627
	-----	-----

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BRAVO! FOODS INTERNATIONAL, CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

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 and 107,440 shares issued and outstanding, redeemable at \$107,440	107,440	107,440
Series D convertible, 6% cumulative and redeemable preferred stock, stated value \$10.00 per share, 87,500 and 0 shares issued and outstanding	853,432	-
Series F convertible and redeemable preferred stock, stated value \$10.00 per share, 174,999 and 174,999 shares issued and outstanding	1,616,302	1,616,302
Series G convertible, 8% cumulative and redeemable preferred stock, stated value \$10.00 per share, 93,335 and 75,072 shares issued and outstanding	829,704	667,353
Series H convertible, 7% cumulative and redeemable preferred stock, stated value \$10.00 per share, 105,500 and 175,500 shares issued and outstanding	465,200	939,686
Series I convertible, 8% cumulative and		

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redeemable preferred stock, stated value \$10.00 per share, 0 and 30,000 shares issued and outstanding	-	72,192
Series J convertible, 8% cumulative and redeemable preferred stock, stated value \$10.00 per share, 0 and 100,000 shares issued and outstanding	-	854,279
Common stock, par value \$0.001 per share, 50,000,000 shares authorized, 14,681,008 and 22,112,838 shares issued and outstanding	14,681	22,111
Additional paid-in capital	16,028,979	19,535,428
Accumulated deficit	(21,457,425)	(24,657,638)
Translation adjustment	(472)	(472)
	-----	-----
Total shareholders' deficit	(1,542,159)	(843,319)
	-----	-----
Total liabilities and shareholders' deficit	\$ 1,105,215	\$ 1,789,308
	=====	=====

See accompanying to consolidated financial statements.

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BRAVO! FOODS INTERNATIONAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001 ----- (Unaudited)	2002 ----- (Unaudited)	2001 ----- (Unaudited)	2002 ----- (Unaudited)
Sales	\$ 256,971	\$ 308,729	\$ 587,745	\$ 1,050,000
Cost of goods sold	23,444	56,516	166,875	130,000
	-----	-----	-----	-----
Gross margin	233,527	252,213	420,870	920,000
Selling expense	25,117	28,503	172,069	40,000
General and administrative expense	665,332	882,555	2,682,476	3,090,000
	-----	-----	-----	-----
Loss from operations	(456,922)	(658,845)	(2,433,675)	(2,210,000)
Other expense:				
Interest expense, net	(1,447)	922	(30,219)	(20,000)
	-----	-----	-----	-----
Net loss	(458,369)	(657,923)	(2,463,894)	(2,230,000)

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Dividends accrued for Series B preferred stock	(2,417)	(2,471)	(7,251)	(
Dividends accrued for Series D preferred stock	(16,538)	(1,393)	(49,614)	(1
Dividends accrued for Series G preferred stock	(20,000)	(14,205)	(60,000)	(4
Dividends accrued for Series H preferred stock	-	(16,810)	-	(28
Dividends accrued for Series I preferred stock	-	(1,476)	-	(29
Dividends accrued for Series J preferred stock	-	(305,721)	-	(30
	-----	-----	-----	-----
Net loss applicable to common shareholders	\$ (497,324)	\$ (999,999)	\$ (2,580,759)	\$ (3,20
	=====	=====	=====	=====
Weighted average number of common shares outstanding	13,578,551	21,365,343	13,195,048	18,15
	=====	=====	=====	=====
Basic and diluted loss per share	\$ (0.04)	\$ (0.05)	\$ (0.20)	\$
	=====	=====	=====	=====
Comprehensive loss and its components consist of the following:				
Net loss	\$ (458,369)	\$ (999,999)	\$ (2,463,894)	\$ (3,20
Foreign currency translation adjustment	293	-	8,553	
	-----	-----	-----	-----
Comprehensive loss	\$ (458,076)	\$ (999,999)	\$ (2,455,341)	\$ (3,20
	=====	=====	=====	=====

See accompanying notes to consolidated financial statements.

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BRAVO! FOODS INTERNATIONAL, CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30,	
	2001	2002
	-----	-----
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Net loss	\$ (2,463,894)	\$ (2,245,699)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	290,779	457,436
Stock compensation	77,320	516,204

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Amortization of deferred interest	28,500	-
Increase (decrease) from changes in:		
Accounts receivable	(121,586)	(31,601)
Other receivable	4,985	(1,004)
Prepaid expenses and other deferred charges	(1,766)	(22,175)
Advance to vendors	(2,326)	3,200
Inventories	96,772	604
License rights	-	(282,721)
Accounts payable and accrued liabilities	530,268	389,216
	-----	-----
Net cash used in operating activities	(1,560,948)	(1,216,540)
	-----	-----
Cash flows from investing activities		
Purchase of equipment and machinery	(5,125)	(1,797)
Note receivable	716,000	-
	-----	-----
Net cash provided by (used in) investing activities	710,785	(1,797)
	-----	-----
Cash flows from financing activities		
Proceeds from stock subscription	970,000	-
Proceeds from issuance of Preferred Series H	-	700,000
Proceeds from issuance of Preferred Series I	-	287,988
Proceeds from issuance of Preferred Series J	-	1,000,000
Proceeds from exercise of stock options	-	330,000
Repayments of note payable	(148,750)	(345,076)
	-----	-----
Net cash provided by financing activities	821,250	1,972,912
	-----	-----
Effect of exchange rate changes on cash	8,553	-
	-----	-----
Net increase (decrease) in cash and cash equivalents	(20,270)	754,575
Cash and cash equivalents, beginning of period	35,376	232,040
	-----	-----
Cash and cash equivalents, end of period	\$ 15,106	\$ 986,615
	=====	=====
Cash paid during the period:		
Interest	\$ -	\$ -
	=====	=====

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

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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 food products in the People's Republic of China and the United States. All significant intercompany balances and transactions have been eliminated.

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 10-Q 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 nine-month period ended September 30, 2002 are not necessarily indicative of the results that may be expected for the year ending December 31, 2002. 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, 2001.

The accompanying unaudited consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As previously reported, the Company has suffered recurring losses from operations and has negative working capital and a stockholders' deficit. These factors raise substantial doubt about the Company's ability to continue as a going concern.

Note 2 - Transactions in Shareholders' Equity

On January 2, 2002, the Company issued options for 3,714 shares of common stock having an exercise price of \$0.35 and exercisable for five years, pursuant to an employment agreement.

On January 18, 2002, the Company issued 238,334 shares of common stock to Austinvest Anstalt Balzers, upon the conversion of 5,000 shares of Series D Convertible Preferred.

On January 18, 2002, the Company issued 238,334 shares of common stock to Esquire Trade & Finance, Inc., upon the conversion of 5,000 shares of Series D Convertible Preferred.

On January 28, 2002, the Company issued 40,000 shares of common stock to The Keshet Fund LP, upon the conversion of 883 shares of Series G Convertible Preferred.

On January 28, 2002, the Company issued 136,038 shares of common stock to AMRO International, S.A., upon the conversion of 2,840 shares of Series D Convertible Preferred.

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BRAVO! FOODS INTERNATIONAL, CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

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Note 2 - Transactions in Shareholders' Equity (Continued)

On January 30, 2002, the Company issued 15,000 shares of its Series H convertible preferred stock, having a conversion price of \$0.40 per share of common stock, and warrants for 375,000 shares at \$0.50 per share. The Series H convertible preferred stock and warrants were priced at \$10.00 per unit, and resulted in proceeds of \$150,000 in cash. In accordance with EITF 00-27, the Company recorded a deemed dividend of \$65,357 related to a beneficial conversion feature.

On February 4, 2002, the Company issued 206,700 shares of common stock to Austinvest Anstalt Balzers, upon the conversion of 4,375 shares of Series D Convertible Preferred.

On February 4, 2002, the Company issued 206,700 shares of common stock to Esquire Trade & Finance, Inc., upon the conversion of 4,375 shares of Series D Convertible Preferred.

On February 5, 2002, the Company issued 20,000 shares of common stock to The Keshet Fund LP, upon the conversion of 492 shares of Series G Convertible Preferred.

On February 15, 2002, the Company issued 5,000 shares of its Series H convertible preferred stock, having a conversion price of \$0.40 per share of common stock, and warrants for 125,000 shares at \$0.50 per share to a sophisticated and accredited investor. The Series H convertible preferred stock and warrants were priced at \$10.00 per unit, and resulted in proceeds of \$50,000 in cash. In accordance with EITF 00-27, the Company recorded a deemed dividend of \$15,582 related to a beneficial conversion feature.

On February 20, 2002, the Company issued 35,000 shares of common stock to The Keshet Fund LP, upon the conversion of 832 shares of Series G Convertible Preferred.

On February 29, 2002, the Company issued 279,795 shares of common stock to AMRO International, S.A, upon the conversion of 7,160 shares of Series D Convertible Preferred.

On March 1, 2002, the Company issued 20,000 shares of common stock to The Keshet Fund LP, upon the conversion of 536 shares of Series G Convertible Preferred.

On March 1, 2002, the Company issued warrants for 25,000 shares of common stock, having an exercise price of \$0.40 per share. The warrants are immediately exercisable and have an expiration date of February 28, 2007. These warrants were issued to the lender in connection with a December 27, 2001 loan of \$250,000 to the Company.

On March 15, 2002, the Company issued 20,000 shares of common stock to The Keshet Fund LP, upon the conversion of 532 shares of Series G Convertible Preferred.

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BRAVO! FOODS INTERNATIONAL, CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Note 2 - Transactions in Shareholders' Equity (Continued)

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On March 18, 2002, the Company issued 50,000 shares of its Series H convertible preferred stock, having a conversion price of \$0.40 per share of common stock, and warrants for 1,250,000 shares at \$0.50 per share to a sophisticated and accredited investor. The Series H convertible preferred stock and warrants were priced at \$10.00 per unit, and resulted in proceeds of \$500,000 in cash. In accordance with EITF 00-27, the Company recorded a deemed dividend of \$155,824 related to a beneficial conversion feature.

On April 19, 2002, the Company issued 10,000 shares of common stock to The Keshet Fund LP, upon the conversion of 252 shares of Series G Convertible Preferred.

On April 19, 2002, the Company issued 10,000 shares of common stock to The Keshet Fund LP, upon the conversion of 234 shares of Series G Convertible Preferred.

On April 24, 2002 the Company's Board of Directors voted to extend options for 1,383,705 shares of common stock issued on April 29 and April 30, 1997 to Tamarind Management, Ltd. (an affiliate of Mr. Paul Downes, a founder of the Company) and options for 700,000 shares of common stock issued on April 30, 1997 to Mr. Dale Reese (a founder of the Company), for services rendered to the Company. These extended options, which had original expiration dates of April 29 and April 30, 2002, respectively, retain an exercise price of \$1.00 and are exercisable upon the following conditions: The expiration dates for these options are extended for a two year period, commencing upon the effective date of a registration statement for the resale of the common stock underlying the options; the options will not be exercised during a one year lockup period commencing on the 1st day after the Company's common stock trades during a 90 day period at a moving average of at least \$1.00; the Company has the option to call the options commencing on the 1st day after the Company's common stock trades during a 90 day period at a moving average of at least \$2.00. As a result, the Company recorded a deferred charge of \$47,409, which will be amortized for a two-year period commencing on the effective date of a registration statement.

On May 3, 2002, the Company issued 52,730 shares of common stock to Amro International, S.A, upon the conversion of 1,000 shares of Series D Convertible Preferred.

On May 7, 2002, the Company issued 10,000 shares of common stock to The Keshet Fund LP, upon the conversion of 215 shares of Series G Convertible Preferred.

On May 13, 2002, the Company issued 10,000 shares of common stock to The Keshet Fund LP, upon the conversion of 158 shares of Series G Convertible Preferred.

On May 13, 2002, the Company issued 10,000 shares of common stock to The Keshet Fund LP, upon the conversion of 158 shares of Series G Convertible Preferred.

On May 13, 2002, the Company issued 20,000 shares of common stock to Keshet LP, upon the conversion of 316 shares of Series G Convertible Preferred.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

On May 13, 2002, the Company issued 15,000 shares of common stock to Keshet LP, upon the conversion of 237 shares of Series G Convertible Preferred.

On May 17, 2002, the Company issued 131,239 shares of common stock to Amro International, S.A, upon the conversion of 2,000 shares of Series D Convertible Preferred.

On May 17, 2002, the Company issued 278,498 shares of common stock to Amro International, S.A, upon the conversion of 4,000 shares of Series D Convertible Preferred.

On May 20, 2002, the Company issued 10,000 shares of common stock to Keshet LP, upon the conversion of 158 shares of Series G Convertible Preferred.

On May 20, 2002, the Company issued 10,000 shares of common stock to Keshet LP, upon the conversion of 131 shares of Series G Convertible Preferred.

On May 22, 2002, the Company issued options for 1,710,000, in the aggregate, as compensation to three consultants to assist us in management and strategic planning issues, pursuant to consulting agreements of the same date. These options were issued pursuant to a Form S-8 registration statement filed June 6, 2002 and are exercisable for a one-year period. Of the 1,710,000 options, 1,150,000 options have an exercise price of \$0.33 per share and 560,000 options have an exercise price of \$0.50 per share. We have the ability to compel the exercise of these options if the trading price of our common stock equals or exceeds \$1.00 for thirty consecutive trading days. As a result of issuing these options, the Company recorded consulting expense of \$124,859.

On May 23, 2002, the Company issued 63,454 shares of common stock to Austinvest Anstalt Balzers, upon the conversion of 1,000 shares of Series D Convertible Preferred.

On May 23, 2002, the Company issued 63,454 shares of common stock to Esquire Trade & Finance, Inc., upon the conversion of 1,000 shares of Series D Convertible Preferred.

On May 24, 2002, the Company issued 15,000 shares of common stock to Keshet LP, upon the conversion of 237 shares of Series G Convertible Preferred.

On May 24, 2002, the Company issued 15,000 shares of common stock to The Keshet Fund LP, upon the conversion of 157 shares of Series G Convertible Preferred.

On May 29, 2002, the Company issued 652,178 shares of common stock to Amro International, S.A, upon the conversion of 9,642 shares of Series D Convertible Preferred.

On May 29, 2002, the Company issued 652,178 shares of common stock to Esquire Trade & Finance, Inc., upon the conversion of 9,642 shares of Series D Convertible Preferred.

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BRAVO! FOODS INTERNATIONAL, CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(UNAUDITED)

Note 2 - Transactions in Shareholders' Equity (Continued)

On May 30, 2002, the Company issued 652,178 shares of common stock to Austinvest Anstalt Balzers, upon the conversion of 9,642 shares of Series D Convertible Preferred.

On June 10, 2002, the Company issued 425,000 shares of common stock to a consultant, upon the exercise of options issued pursuant to a consulting agreement, as compensation for management consulting and strategic planning services provided to the Company. These shares were issued pursuant to a Form S-8 registration statement filed on June 6, 2002.

On June 10, 2002, the Company issued 425,000 shares of common stock to a consultant, upon the exercise of options issued pursuant to a consulting agreement, as compensation for management consulting and strategic planning services provided to the Company. These shares were issued pursuant to a Form S-8 registration statement filed on June 6, 2002.

On June 10, 2002, the Company issued 150,000 shares of common stock to a consultant, upon the exercise of options issued pursuant to a consulting agreement, as compensation for management consulting and strategic planning services provided to the Company. These shares were issued pursuant to a Form S-8 registration statement filed on June 6, 2002.

On June 13, 2002, the Company issued 10,000 shares of common stock to The Keshet Fund LP, upon the conversion of 126 shares of Series G Convertible Preferred.

On June 13, 2002, the Company issued 10,000 shares of common stock to The Keshet Fund LP, upon the conversion of 130 shares of Series G Convertible Preferred.

On June 17, 2002, the Company issued 30,000 shares of its Series I convertible preferred stock and warrants for 2,000,000 shares at \$0.50 per share, exercisable three years from issue, to two sophisticated and accredited investors, pursuant to Rule 506, Regulation D and Section 4(2) of the Securities Act of 1933. The conversion of the preferred into common stock shall be at a per common share conversion price of either \$0.40 or 75% of the average of the three lowest closing bid prices for the thirty day period immediately preceding conversion, at the option of the holder. The conversion price is subject to a maximum of \$0.50 per share and a minimum of \$0.30 per share, which minimum conversion price shall govern for the 270 days immediately following the issue date of the Series I preferred shares. The minimum conversion price shall be extended indefinitely upon the occurrence of certain defined events, including the effectiveness of a registration statement for the resale of the common stock underlying the preferred and a trading price of the Company's common stock at \$0.50 or higher for fifteen consecutive days. The Series I convertible preferred stock and warrants were priced at \$10.00 per unit, and resulted in gross cash proceeds of \$300,000, less expenses of \$12,012. According to GAAP, the Company allocated \$215,796 to the 2 million warrants and \$72,192 to the underlying preferred stock Series I and deemed dividends of \$294,793.

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 certain of those warrants to \$1.00. In consideration for this warrant modification, the holders of two promissory notes executed by the Company aggregating \$100,000, dated November 6 and 7, 2001,

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BRAVO! FOODS INTERNATIONAL, CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Note 2 - Transactions in Shareholders' Equity (Continued)

respectively, agreed to extend the maturity dates of the notes to December 31, 2002. In addition, the holders of the Company's Series D and F preferred stock agreed to waive all potential penalties associated with the Series D and F preferred, including the abandonment of a certain SB-2 registration statement filed in connection with the resale of the common stock underlying the Series D and F preferred. Below is a table containing the warrant modifications.

WARRANTHOLDER	(Series)	WARRANT ISSUE DATE	COMMON SHARES PURCHASABLE UPON EXERCISE	UNMODIFIED PURCHASE PRICE
Austinvest Anstalt Balzers	(D)	03-09-99	16,250	\$2.96
Austinvest Anstalt Balzers	(D)	04-23-99	8,125	\$2.96
Austinvest Anstalt Balzers	(D)	02-01-00	422,500	\$0.625*
Austinvest Anstalt Balzers	(F)	04-07-00	1,000,000	\$1.00
Austinvest Anstalt Balzers	(F)	10-13-00	38,259	\$0.9825*
Esquire Trade & Finance, Inc.	(D)	03-09-99	16,250	\$2.96
Esquire Trade & Finance, Inc.	(D)	04-23-99	8,125	\$2.96
Esquire Trade & Finance, Inc.	(D)	02-01-00	422,500	\$0.625*
Esquire Trade & Finance, Inc.	(F)	04-07-00	1,000,000	\$1.00
Esquire Trade & Finance, Inc.	(F)	10-13-00	38,259	\$0.9625*
Libra Finance, S.A .	(F)	04-07-00	1,600,000	\$0.84*
Amro International, S.A.	(D)	02-01-00	455,000	\$0.625*
Amro International, S.A.	(F)	04-07-00	1,000,000	\$1.00
Amro International, S.A.	(F)	10-13-00	38,259	\$0.9625*
Amro International, S.A.	(D)	03-09-99	17,500	\$2.96
Amro International, S.A.	(D)	04-23-99	8,750	\$2.96

As a result of extending life of these warrants and reducing exercise prices, the Company recorded stock compensation of \$391,345 as non-cash expense.

On June 19, 2002, the Company issued 33,333 shares of restricted common stock to Tradersbloom Limited, as a finder fee in connection with the issuance of the Company's Series I preferred stock. Tradersbloom Limited is a sophisticated and accredited investor.

On June 19, 2002, the Company issued 66,667 shares of restricted common stock to Libra Finance, S.A., as a finder fee in connection with the issuance of the Company's Series I preferred stock. Libra Finance, S.A. is a sophisticated and accredited investor.

On June 21, 2002, the Company issued 10,000 shares of common stock to The

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Keshet Fund LP, upon the conversion of 135 shares of Series G Convertible Preferred.

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BRAVO! FOODS INTERNATIONAL, CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 2 - Transactions in Shareholders' Equity (Continued)

On July 1, 2002, the Company issued 339,898 shares of common stock to Esquire Trade & Finance, Inc., upon the conversion of 5,608 shares of Series D Convertible Preferred, at a conversion price of \$0.165. The conversion did not include accrued and unpaid dividends on the preferred converted.

On July 1, 2002, the Company issued 339,898 shares of common stock to Austinvest Anstalt Balzers, upon the conversion of 5,608 shares of Series D Convertible Preferred, at a conversion price of \$0.165. The conversion did not include accrued and unpaid dividends on the preferred converted.

On July 23, 2002, the Company issued 475,000 shares of common stock to The Keshet Fund LP, upon the conversion of 6,172 shares of Series G Convertible Preferred, at a conversion price of \$0.1680. The conversion included accrued and unpaid dividends on the preferred converted in the amount of \$18,083.72.

On July 23, 2002, the Company issued 475,000 shares of common stock to Keshet LP, upon the conversion of 6,172 shares of Series G Convertible Preferred, at a conversion price of \$0.1680. The conversion included accrued and unpaid dividends on the preferred converted in the amount of \$18,083.72.

On September 26, 2002, the Company issued 154,171 shares of common stock to Amro International, SA, upon the conversion of 2,500 shares of Series D Convertible Preferred, at a conversion price of \$0.187. The conversion included accrued and unpaid dividends on the preferred converted in the amount of \$3,830.

On September 26, 2002, the Company issued 396,053 shares of common stock to Amro International, SA, upon the conversion of 7,108 shares of Series D Convertible Preferred, at a conversion price of \$0.208. The conversion included accrued and unpaid dividends on the preferred converted in the amount of \$11,299.

On September 30, 2002, the Company issued 100,000 shares of non-voting Series J 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 \$1,000,000. 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 4,000,000 shares of common stock underlying the preferred. The issued warrants entitle the holder to purchase 25 shares of common stock for each share of Series J Convertible Preferred stock issued at an exercise price of \$0.40 per common stock share, representing 2,500,000 shares of common stock underlying the warrants. The warrants are exercisable for a five-year period. The blended per share price for the common stock underlying the preferred and the warrants is \$0.307; the September 30, 2002 closing market trading price was

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\$0.29 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. The Company recognized \$854,279 in preferred stock and \$145,721 for 2,500,000 warrants issued in accordance with EITF 00-27, "Application of Issue No. 98-5 to Certain Convertible Instruments." No issuing cost was incurred.

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BRAVO! FOODS INTERNATIONAL, CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 3 - Adoption of New Accounting Standards

In June 2001, the Financial Accounting Standards Board finalized FASB Statements No. 141, "Business Combinations" ("SFAS No. 141"), and No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142").

SFAS No. 141 requires the use of the purchase method of accounting and prohibits the use of the pooling-of-interests method of accounting for business combinations initiated after June 30, 2001. SFAS No. 141 also requires that the Company recognize acquired intangible assets apart from goodwill if the acquired intangible assets meet certain criteria. SFAS No. 141 applies to all business combinations initiated after June 30, 2001 and for purchase business combinations completed on or after July 1, 2001. It also requires, upon adoption of SFAS No. 142, companies to reclassify the carrying amounts of intangible assets and goodwill based on the criteria in SFAS No. 141.

SFAS No. 142 requires, among other things, that companies no longer amortize goodwill, but instead test goodwill for impairment at least annually. In addition, SFAS No. 142 requires that the Company identify reporting units for the purposes of assessing potential future impairments of goodwill, reassess the useful lives of other existing recognized intangible assets, and cease amortization of intangible assets with an indefinite useful life. An intangible asset with an indefinite useful life should be tested for impairment in accordance with the guidance in SFAS No. 142. SFAS No. 142 is required to be applied in fiscal years beginning after December 15, 2001 to all goodwill and other intangible assets recognized at that date, regardless of when those assets were initially recognized. SFAS No. 142 requires companies to reassess the useful lives of other intangible assets within the first interim quarter after adoption of SFAS No. 142.

In August 2001, Financial Accounting Standard Board issued Statement of Financial Accounting Standards, No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," ("SFAS No. 144"). SFAS No. 144 provides a single, comprehensive accounting model for impairment and disposal of long-lived assets and discontinued operations. The Company adopted SFAS No. 144 effective January 1, 2002. The adoption did not have a material effect on the consolidated financial statements.

The Company adopted SFAS No. 141 and SFAS No. 142 effective January 1, 2002. Previous business combinations were accounted for using the purchase method. The Company has no goodwill or other intangibles recorded as a result of these business combinations and as a result adoption of SFAS No. 141 and 142 had no effect on net income or earnings per share.

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As of September 30, 2002, the Company has license rights with a net book value of \$291,036. Future amortization is as follows for subsequent years ending September 30:

Years ending September 30, -----	Amount -----
2003	\$256,193
2004	34,843

	\$291,036
	=====

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BRAVO! FOODS INTERNATIONAL, CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 3 - Adoption of New Accounting Standards (Continued)

In June 2001, Financial Accounting Standard Board issued Statement of Financial Accounting Standards, No. 143, "Accounting for Asset Retirement Obligations," ("SFAS No. 143"). SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. SFAS No. 143 requires that any legal obligation related to the retirement of long-lived assets be quantified and recorded as a liability with the associated asset retirement cost capitalized on the balance sheet in the period it is incurred when a reasonable estimate of the fair value of the liability can be made. The Company does not expect that the adoption of SFAS No. 143 will have a material impact on the consolidated financial statements.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections". This statement eliminates the current requirement that gains and losses on debt extinguishment must be classified as extraordinary items in the income statement. Instead, such gains and losses will be classified as extraordinary items only if they are deemed to be unusual and infrequent, in accordance with the current GAAP criteria for extraordinary classification. In addition, SFAS 145 eliminates an inconsistency in lease accounting by requiring that modifications of capital leases that result in reclassification as operating leases be accounted for consistent with sale-leaseback accounting rules. The statement also contains other nonsubstantive corrections to authoritative accounting literature. The changes related to debt extinguishment will be effective for fiscal years beginning after May 15, 2002, and the changes related to lease accounting will be effective for transactions occurring after May 15, 2002. Adoption of this standard will not have any immediate effect on the Company's consolidated financial statements. The Company will apply this guidance prospectively.

On June 20, 2002, the FASBs Emerging Issues Task Force (EITF) reached a partial consensus on Issue No. 02-03, "Recognition and Reporting of Gains and Losses on Energy Trading Contracts" under EITF Issues No. 98-10,

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"Accounting for Contracts Involved in Energy Trading and Risk Management Activities," and No. 00-17, "Measuring the Fair Value of Energy-Related Contracts in Applying Issue No. 98-10". The EITF concluded that, effective for periods ending after July 15, 2002, mark-to-market gains and losses on energy trading contracts (includes those to be physically settled) must be retroactively presented on a net basis in earnings. Also, companies must disclose volumes of physically-settled energy trading contracts. Management believes that the consensus will have no impact on the Company's consolidated financial statements.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," which addresses accounting for restructuring and similar costs. SFAS No. 146 supersedes previous accounting guidance, principally Emerging Issues Task Force (EITF) Issue No. 94-3. SFAS No. 146 requires that the liability for costs associated with an exit or disposal activity be recognized when the liability is incurred. Under EITF No. 94-3, a liability for an exit cost was recognized at the date of a company's commitment to an exit plan. SFAS No. 146 also establishes that the liability should initially be measured and recorded at fair value. Accordingly, SFAS No. 146 may affect the timing of recognizing future restructuring costs as well as the amount recognized. The provisions of SFAS 146 are to be applied prospectively to exit or disposal activities initiated after December 31, 2002. Management believes that the adoption of this standard will not have any immediate effect on the Company's consolidated financial statements.

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BRAVO! FOODS INTERNATIONAL, CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 4 - Subsequent Events

On October 7, 2002, the Company issued 999,112 shares of its common stock to employees, consultants and third party professional service providers pursuant to written agreements with the Company. Shares issued under these agreements are valued at \$0.40 per share, except where noted below. These shares were issued pursuant to a 1933 Act Form S-8 registration statement. The Company received no cash for these shares.

Recipient -----	Common Stock -----	Nature of Services -----	Agreed Value -----
Seymour Borislow	32,000	accounting services	\$0.40 per share
Jeffrey Factor	22,000	accounting services	\$0.40 per share
Kenneth Borislow	6,000	accounting services	\$0.40 per share
Anthony P. Guiliano	45,000	consultant services	(1)
Tim Ransom	175,000	design services	\$0.40 per share
Steven Nollau	69,112	consulting services	\$0.40 per share
Michael Edwards	175,000	employment services	(2)
Anthony P. Guiliano	150,000	severance compensation	\$0.40 per share
Stanley Hirschman	250,000	accrued consulting	\$0.40 per share
Roy D. Toulan, Jr., Esq.	75,000	legal services	\$0.40 per share