

GRUPO CASA SABA SA DE CV

Form 6-K

October 26, 2007

Quarterly Earnings Report

3Q07

October 26, 2007

Operating Income and Operating Income plus Depreciation and Amortization Increased 2.96% and 4.71%,  
Respectively

Financial Highlights:

(All figures are expressed in millions of pesos as of September 30, 2007. Comparisons are made with the same period of 2006, unless otherwise stated. Figures may vary due to rounding practices. "bp" stands for basis points)

- o Sales in the quarter amounted to \$5,821.95 million
- o Gross income rose 1.70%
- o Gross margin in the quarter was 9.27%
- o Operating expenses in the quarter increased by 0.93%
- o Operating income increased by 2.96%
- o Operating margin was 3.56%
- o Net income was \$184.21 million, an increase of 13.57%
- o Cash and cash equivalents at the end of the period was \$368.34 million

Mexico City, Mexico, October 26, 2007. Grupo Casa Saba ("Saba", "GCS", "the Company" or "the Group"), one of the leading Mexican distributors of pharmaceutical products, beauty aids, personal care and consumer goods, general merchandise, publications and other products announced today its consolidated financial and operating results for the third quarter of 2007.

QUARTERLY EARNINGS

NET SALES

In the third quarter of 2007, GCS sales totaled \$5,821.95 million, an increase of 0.33%.

Our divisions of Government Pharma and Health, Beauty, Consumer Goods, General Merchandise and Others grew by 7.15% and 2.98%, respectively, versus the third quarter of 2006. The growth in Health, Beauty, Consumer Goods, General Merchandise and Others division was due to greater volume sales, which offset a lower average unit price. In the case of the Government Pharma division, the increase in sales reflects a higher participation in bidding processes during the quarter.

Publications sales declined 1.53% due to lower prices, despite the fact that the number of items sold increased 10.10%. Sales in the Private Pharma division decreased marginally, by 0.13%, as a result of the competitive environment that GCS faced in the market.

The sales mix was not altered significantly. Private Pharma sales represented 83.27% of total sales, Government Pharma accounted for 3.46%, Health, Beauty, Consumer Goods, General Merchandise and Others totaled 9.33% and Publications the remaining 3.94%.

SALES BY DIVISION

PRIVATE PHARMA

Sales in the Private Pharma division declined marginally, by 0.13%, as a result of the competitive environment that GCS faced in the marketplace, which had an unfavorable impact on the number of items sold during the quarter. Sales reached \$4,847.80 million, representing 83.27% of the Group's total sales.

#### GOVERNMENT PHARMA

Sales of Government Pharma rose 7.15% to reach \$201.63 million. This was mainly due to a higher participation in bidding processes during the quarter.

As a result, Government Pharma increased its participation with respect to total sales, from 3.24% in 3Q06 to 3.46% this quarter.

#### HEALTH, BEAUTY, CONSUMER GOODS, GENERAL MERCHANDISE AND OTHER

Sales in this division totaled \$543.26 million during the quarter, an increase of 2.98% compared to 3Q06.

The growth in this division was due to higher sales volume, which offset the decline in average unit prices during the period.

#### PUBLICATIONS

Citem's sales decreased 1.53% as a result of a lower average price and despite the fact that the number of items sold during the period increased approximately 10.10%.

Publications sales as a percentage of total sales declined from 4.01% in 3Q06 to 3.94% in the third quarter of 2007.

Division % of sales  
Private Pharma 83.27%

Government Pharma 3.46%  
Health, Beauty, Consumer Goods, General Merchandise and Other

9.33%  
Publications 3.94%  
TOTAL 100.00%

#### GROSS INCOME

During the third quarter of the year, Grupo Casa Saba's gross income grew 1.70% to reach \$539.76 million. Despite the highly competitive environment that has been discussed in previous reports, the Company was able to increase its gross margin to 9.27% during the third quarter of 2007, which compares favorably to the margin of 9.15% registered during the same period of 2006.

#### OPERATING EXPENSES

The Company's operating expenses rose marginally, by 0.93%, due to the 2.47% increase in sales expenses. Operating expenses as a percentage of sales grew from 5.67% in the third quarter of 2006 to 5.71% in 3Q07. However, Grupo Casa Saba continued to implement cost reduction programs and, as a result, was able to lower its administrative expenses.

#### OPERATING INCOME

Operating income grew by 2.96% to reach \$207.40 million pesos. The operating margin was 3.56%, which is 9 b.p. higher than the margin that was registered during the same quarter of 2006.

#### OPERATING INCOME PLUS DEPRECIATION AND AMORTIZATION

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Operating income plus depreciation and amortization for 3Q07 was \$235.72 million, increasing 4.71% from the same period of the previous year. Depreciation for the quarter totaled \$28.32 million, an increase of 19.60%.

### CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the third quarter of 2007 reached \$368.34 million. The reduction in cash was due to higher working capital expenditures.

### COMPREHENSIVE COST OF FINANCING

During the third quarter of 2007, GCS's comprehensive cost of financing of \$13.33 million was higher than the \$3.79 million of 3Q06, as a result of lower interest income.

### OTHER EXPENSES (INCOME)

During the third quarter of 2007, the Company registered an income of \$72.70 million in other expenses (income). This amount reflects the recovery of taxes from past periods.

It is worth noting that expenses (income) from this line item reflect activities that are distinct from the company's everyday business operations.

### TAX PROVISIONS

During the third quarter of 2007, tax provisions rose to \$82.56 million. This increase was primarily the result of a reduction in deferred income taxes, related to the recovery of taxes from past periods.

### NET INCOME

GCS's net income during the third quarter of 2007 was \$184.21 million, an increase of 13.57% versus the \$162.19 million from 3Q06. The net margin for the period was 3.16%, which compares favorably to the 2.80% posted during the same period of 2006.

### WORKING CAPITAL

During the quarter, the Group's accounts receivable and inventory days increased by 3.8 and 6.1 days compared to 3Q06, to reach 62.1 and 57.4 days, respectively. Our accounts payable days also increased slightly, by 0.8 days, compared to 3Q06. Accounts payable days for the period were 48 days.

The 265.4 million shares issued by Grupo Casa Saba are listed in the Mexican Stock Exchange and its ADRs in the New York Stock Exchange, both under the symbol "SAB". One ADR equals 10 ordinary shares.

Grupo Casa Saba is one of the leading distributors of pharmaceutical products, beauty, personal care and consumer goods, general merchandise, publications and other goods in Mexico. With more than 110 years of experience, the Company distributes to the majority of pharmacies, chains, self-service and convenience stores, as well as other specialized national chains.

As a precautionary note to investors, except for the historic information contained herein, certain topics discussed in this document constitute forward-looking statements. Such topics imply risks and uncertainties, including the economic conditions in Mexico and other countries in which Casa Saba operates, as well as variations in the value of the Mexican peso as compared with the US dollar.

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GRUPO CASA SABA S.A.B. DE C.V. AND SUBSIDIARIES

Figures expressed in thousands of pesos of purchasing power as of September 2007

	Jan-Sept 2006		Jan-Sept 2007		Variation		Jul-Sept 2006		Jul-Sept 2007		Variation
Income Statement	2006	% of sales	2007	% of sales	\$	%	2006	% of sales	2007	% of sales	\$
NET SALES	17,384,276	100.00%	17,755,601	100.00%	371,325	2.14%	5,802,610	100.00%	5,821,954	100.00%	19,344
COST OF SALES	15,756,443	90.64%	16,105,277	90.71%	348,833	2.21%	5,271,875	90.85%	5,282,197	90.73%	10,322
Gross Profit	1,627,832	9.36%	1,650,324	9.29%	22,492	1.38%	530,735	9.15%	539,757	9.27%	9,021
Operating Expenses											
Sell Expenses											
Administration Expenses	382,779	2.20%	403,888	2.27%	21,109	5.51%	126,548	2.18%	129,671	2.23%	3,123
OPERATING EXPENSES	619,511	3.56%	602,391	3.39%	-17,120	(2.76%)	202,744	3.49%	202,688	3.48%	-56
	1,002,290	5.77%	1,006,279	5.67%	3,989	0.40%	329,292	5.67%	332,359	5.71%	3,067
Operating Income											
COMPREHENSIVE COST OF FINANCING	625,542	3.60%	644,045	3.63%	18,503	2.96%	201,444	3.47%	207,398	3.56%	5,954
Interest Paid	7,920	0.05%	8,789	0.05%	869	10.97%	2,514	0.04%	2,457	0.04%	-57
Interest (Earned)	-26,880	(0.15%)	-13,867	(0.08%)	13,013	(48.41%)	-12,818	(0.22%)	-4,576	(0.08%)	8,242
Exchange Loss (Gain)	-1,488	(0.01%)	1,526	0.01%	3,015	(202.55%)	32	0.00%	-353	(0.01%)	-384
Monetary Position (gain)	12,600	0.07%	14,342	0.08%	1,741	13.82%	14,063	0.24%	15,806	0.27%	1,743
Comprehensive Cost of Financing	-7,848	(0.05%)	10,790	0.06%	18,638	(237.49%)	3,790	0.07%	13,334	0.23%	9,544
OTHER EXPENSES (INCOME), net	-28,565	(0.16%)	-95,595	(0.54%)	-67,030	234.66%	-1,703	(0.03%)	-72,700	(1.25%)	-70,997
NET INCOME BEFORE TAXES	661,955	3.81%	728,850	4.10%	66,895	10.11%	199,356	3.44%	266,763	4.58%	67,407
PROVISIONS FOR:											
Income Tax											
Asset Tax											
Deferred Income Tax											
Profit sharing due	243,693	1.40%	217,905	1.23%	-25,788	(10.58%)	100,613	1.73%	94,262	1.62%	-6,351
Deferred Profit sharing due	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0
	-97,095	(0.56%)	-18,814	(0.11%)	78,281	(80.62%)	-64,591	(1.11%)	-11,707	(0.20%)	52,884
Total taxes	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0
	146,598	0.84%	199,091	1.12%	52,493	0.00%	36,022	0.62%	82,555	1.42%	46,533
Net Income Before Extraordinary Items	515,357	2.96%	529,759	2.98%	14,402	2.79%	163,335	2.81%	184,209	3.16%	20,874
Extraordinary Items (Income)	1,142	0.01%	0	0.00%	-1,142	0.00%	1,142	0.02%	0	0.00%	-1,142
	514,215	2.96%	529,759	2.98%	15,544	3.02%	162,193	2.80%	184,209	3.16%	22,016
Extraordinary Items (Income) Net Income											

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Depreciation and Amortization											
Operating income plus Depreciation and Amortization	76,715	0.44%	79,072	0.45%	2,357	3.07%	23,680	0.41%	28,322	0.49%	4,642
	702,257	4.04%	723,117	4.07%	20,860	2.97%	225,123	3.88%	235,720	4.05%	10,596

GRUPO CASA SABA S.A.B. DE C.V. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEET

Figures expressed in thousands of Mexican Pesos as of September 2007

ITEM	September 2007	September 2006	Variation (\$)
TOTAL ASSETS	9,520,292	9,084,525	435,767
CURRENT ASSETS	8,019,910	7,669,237	350,673
CASH AND CASH EQUIVALENTS	368,343	608,828	-240,485
ACCOUNTS RECEIVABLE (NET)	4,019,736	3,758,396	261,340
INTERCOMPANY			
OTHER ACCOUNTS RECEIVABLE (NET)	250,413	205,161	45,252
INVENTORIES	3,367,812	3,001,404	366,408
OTHER CURRENT ASSETS	13,606	95,448	-81,842
LONG TERM			
ACCOUNTS RECEIVABLE	1,158,526	1,112,445	46,081
INVESTMENTS IN EQUITY SHARES AND UNCONSOLIDATED SUBSIDIARIES	1,287,817	1,234,325	53,492
OTHER INVESTMENTS	406,114	402,037	4,077
NET PROPERTY, PLANT AND EQUIPMENT	524,671	486,318	38,353
PROPERTY	1,060,076	1,010,235	49,841
MACHINERY AND EQUIPMENT	162,173	161,539	634
OTHER EQUIPMENT	179,683	141,304	38,379
ACCUMULATED DEPRECIATION	3,752,906	3,887,155	-134,249
BUILDINGS IN PROCESS	3,047,628	3,080,428	-32,800
DEFERRED ASSETS (NET)	2,873,036	2,868,636	4,400
OTHER ASSETS	-	-	-
	7,735	6,730	1,005
TOTAL LIABILITIES	166,857	205,062	-38,205
	-	-	-
CURRENT LIABILITIES	-	-	-
ACCOUNTS PAYABLE	-	-	-
BANK DEBT	705,278	806,727	-101,449
DEBT SECURITIES	5,767,386	5,197,370	570,016
ACCRUED TAXES			
OTHER CURRENT LIABILITIES			
LONG TERM LIABILITIES	5,767,386	5,197,370	570,016
BANK DEBT	1,963,778	1,963,778	-
DEBT SECURITIES	167,903	167,903	-
OTHER DEBT	939,081	939,081	-
DEFERRED LIABILITIES	856,794	856,794	-
OTHER LIABILITIES	-	-	-
	3,803,608	3,233,592	570,016
	4,690,175	3,952,936	737,239
	1,046,433	1,046,433	-
SHAREHOLDER'S EQUITY	-2,462,759	-2,279,992	-182,767
	529,759	514,215	15,544

MINORITY STOCKHOLDER'S EQUITY  
MAJORITY STOCKHOLDER'S EQUITY  
PAID-IN CAPITAL  
CAPITAL STOCK  
RESTATEMENT IN CAPITAL STOCK  
PREMIUM ON STOCK SOLD  
RESERVE FOR RESTATEMENT ON  
SHAREHOLDER'S EQUITY  
CAPITAL INCREASE (DECREASE)  
CUMMULATIVE RESULTS AND EQUITY  
RESERVE  
RESERVE FOR SHARES REPURCHASE  
OVERAGE (DEFICIT) ON RESTATEMENT ON  
STOCKHOLDER'S EQUITY  
NET INCOME