

INTERIM REPORT ON PARENT COMPANY OPERATIONS, SIX MONTHS ENDED JUNE 30, 1997

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- Total return to Custos' shareholders for the period was 20.7 percent for the Series A share and 21.5 percent for the Series B share.
 - Custos' net asset value increased 12.6 percent, to SEK 200 per share. The net asset value at July 30, 1997 was SEK 212 per share, or a total of MSEK 9,155.
 - The shareholding in Faberge was divested.
 - Custos' shares were transferred to the "O-list" of the Stockholm Stock Exchange.
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Shareholder Value Creation

The total return on Custos' shares, that is the return including share price appreciation, dividend paid and the redemption of shares, was 20.7 percent for the Series A share and 21.5 percent for the Series B share. The return thus exceeded the cost of shareholders' equity, Custos' primary return measure. The cost of shareholders' equity during the first half of 1997 amounted to 4.1 percent. The Findata Yield Index increased by 28.8 percent during the same period.

Total return¹⁾, January 1, 1997 - June 30, 1997

	Custos Series A	Custos Series B
Change in net asset value	12.6%	12.6%
Change in discount to net asset value	1.9%	2.3%
Redemption of shares (reinvested)	2.2%	2.5%
Dividend (reinvested)	4.0%	4.1%
Total	20.7%	21.5%
Cost of shareholders' equity ²⁾	4.1%	
Findata Yield Index	28.8%	

¹⁾ Findata Yield Index adjusted for share redemptions

²⁾ Measured as the average 12-month Swedish treasury bill rate plus a risk premium of 4 percent during the six-month period.

The total return (share price appreciation plus reinvested dividend and cash share redemption) for the largest shareholdings is shown below. The return from the holding of Svedala shares was 43.4 percent during the period, while the return from the holding in Perstorp was only 1.1 percent.

Total return¹⁾, January 1, 1997 - June 30, 1997

Portfolio company	
Svedala	43.4%
SCA	20.8%
Skanska	19.6%
Hufvudstaden	11.8%
Perstorp	1.1%

¹⁾ Findata Yield Index adjusted for share redemptions.

Net asset value

Custos' net asset value increased by 12.6 percent during the period and amounted to SEK 200 per share at June 30, 1997 (December 31, 1996: 178), or a total of MSEK 8,637 (8,420). When comparing the current net asset value with the net asset value of previous periods, the MSEK 822 share redemption amount paid out to shareholders should be taken into consideration. The estimated net asset value as of July 30, 1997 was SEK 212 per share, or a total of MSEK 9,155. The principles used when calculating net asset value are the same as those stated in Custos' 1996 annual report.

At June 30, 1997, the discount to net asset value was 17 percent for both Custos' Series A and Series B shares.

Distribution of net asset value, June 30, 1997

Shares	Number	Market value MSEK	SEK/share
SCA	15,173,591	2,458	57
Skanska	6,703,661	2,348 ¹⁾	54
Hufvudstaden (Sweden)	43,069,095	1,473	34
Perstorp	9,430,037	1,294	30
Hufvudstaden cash redemption shares	44,069,595	604	14
Svedala	3,216,840	518	12
Hufvudstaden International	43,369,095	295	7
Other listed shares		238	5
Unlisted shares in subsidiaries		379	9
		9,607	222
Net debt ²⁾		- 970	-22
Net asset value ²⁾		8,637	200

¹⁾ Including 1,006,746 shares tendered for redemption, valued at an estimated current value of SEK 400 as of August 27, 1997.

²⁾ In view of the redemption of deferred Custos' shares that is currently under way, net debt has been increased by the redemption amount (total of MSEK 108) and the number of shares has been reduced by 4,214,597, to 43,200,024. (See "The Custos' share").

Stock portfolio

The market value of Custos' portfolio amounted to MSEK 9,228 (8,274) at June 30, 1997. Adjusted for net changes, the market value of the portfolio increased by MSEK 1,143, or 13.8 percent, during the period. The General Index increased by 25.8 percent during the same period. At June 30, 1997, the book value of the portfolio was MSEK 4,423 (4,354). The difference between market value and book value, that is the surplus value, thus increased to MSEK 4,805 (3,920).

The largest single change in the composition of the portfolio during the first half of 1997 was the sale of Custos' total holding of Fabege shares. The sale took place after Hufvudstaden had made a public bid to acquire Fabege, which was followed by a higher bid by Näckebro. Näckebro's bid represented a premium of approximately 26 percent.

A total of MSEK 752 was invested in the portfolio. Divestments amounted to MSEK 941, resulting in net sales of listed securities totalling MSEK 189.

The following significant changes were made in the stock portfolio:

As a result of net purchases, the portfolio increased by:

236,000	Perstorp Series A shares
213,503	Perstorp Series B shares
3,216,840	Svedala shares ¹⁾

¹⁾ Of which, 897,000 through inter-company purchases

In addition, Custos received 2,472,573 shares in Firefly AB as a dividend from Sandblom & Stohne in connection with the separate listing of Firefly AB's operations.

As a result of redemption procedures, the portfolio increased by:

43,369,095	Hufvudstaden International redemption shares ¹⁾
44,069,595	Hufvudstaden cash redemption shares ²⁾
10,067,463	Skanska redemption rights ³⁾

¹⁾ Includes 43,369,095 through 3:1 stock split of earlier holdings.

²⁾ Includes 43,369,095 through 3:1 stock split of earlier holdings.

³⁾ Includes 6,996,663 received through earlier holdings.

SEK 14 per share, or a total of MSEK 617 is being received for the Hufvudstaden cash redemption shares. It is expected that the cash payment and transfer of Hufvudstaden International shares will take place during August 1997.

The redemption rights in Skanska entitle Custos to redeem 1,006,746 shares. The redemption price is SEK 400 per share, or a total of MSEK 403. The estimated payment date is August 27, 1997. Custos has tendered its Series B shares for redemption.

As a result of net sales, the portfolio decreased by:

4,226,309	Faberge Series B shares
959,200	Skanska Series B shares

Unlisted subsidiaries

The estimated value of unlisted subsidiaries at June 30, 1997 was MSEK 379 (December 31, 1996: 371), equal to 4 (4) percent of the total value of the portfolio.

The program for liquidating or limiting the operations of unlisted subsidiaries has continued. In line with this program, the Dooba Fastighetsutveckling AB subsidiary signed contracts concerning the sale of two properties in Germany for MSEK 260. These sales yielded a small capital gain. Following these sales, Dooba Fastighetsutveckling AB owns properties with a total book value of approximately MSEK 85.

The remaining unlisted subsidiaries were profitable on an aggregated basis during the first half of the year.

Equity/assets ratio and Liquidity

The adjusted equity ratio at June 30, 1997 was 90 percent, a decrease compared with 97 percent at the beginning of the year. Net borrowing increased, due primarily to Custos' share-redemption program, and amounted to MSEK 790 (255).

Income

Income of the Parent Company, before taxes, amounted to MSEK 420 (244). Operating revenue included dividends received in the amount of MSEK 202 (226) and tax-exempt capital gains of MSEK 257 (89). Operating expenses rose to MSEK 17 (14), due to expanded resources in Custos' investment organization. Net interest expense, MSEK 17, was lower than in the preceding year (52), due to reduced debt and lower interest rates. No tax expense is anticipated for 1997.

Compiled in accordance with the Annual Report Act 1995:1554

Parent Company Income Statement

(Amounts in MSEK)

	1997	1/1-6/30	1996
OPERATING REVENUE			
Income from shares in unlisted subsidiaries	1		-28
listed subsidiaries	4		55
unlisted associated companies ¹⁾	288		116
Income from other listed securities	166		172
	<u>459</u>		<u>315</u>
Operating expenses	-17		-14
Costs of redeeming Custos' shares	-5		-
Costs prior to Special General Meeting	<u>-</u>		<u>-5</u>
OPERATING INCOME	437		296
Income from financial investments			
Other interest income and similar income items	0		9
Interest expense and similar expense items	<u>-17</u>		<u>-61</u>
INCOME AFTER TAX	420		244

¹⁾ Associated companies as of June 30, 1997: SCA, Skanska, Sandblom & Stohne and Firefly.

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Parent Company Condensed Balance Sheet

(Amounts in MSEK)

	June 30, 1997	December 31, 1996
Fixed assets		
Tangible fixed assets	2	2
Financial fixed assets		
Shares and participations in unlisted subsidiaries	91	91
Shares and participations in listed subsidiaries	1,395	1,392
Shares and participations in listed associated companies	1,995	2,159
Other long-term holdings of securities	1,033	803
Current assets	<u>1</u>	<u>303</u>
TOTAL ASSETS	4,517	4,750
Shareholders' equity ²⁾	3,651	4,221
Allocations	18	18
Long-term liabilities	12	13
Current liabilities ³⁾	<u>836</u>	<u>498</u>
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	4,517	4,750
2) Of which, for reduction of share capital	105	-
3) Of which, interest-bearing liabilities	790	455

The Custos Share

Redemption of shares. At the Annual General Meeting on April 29, 1997, shareholders approved the redemption of 4,214,597 shares at a price of SEK 195 per share, amounting to a total of MSEK 821.8. To enable early payment of the redemption amount, Custos made a special issue of deferred shares to Livförsäkringsaktiebolaget Skandia. These deferred shares have now been tendered for redemption and it is expected that the entire redemption procedure will be completed in early September. Following completion of the redemption procedure, Custos' share capital will amount to MSEK 1,080.0 represented by 32,381,712 Series A shares and 10,818,312 Series B shares, a total of 43,200,024 shares.

The purpose of the redemption was to allow shareholders to obtain the full net asset value for a proportion of their shareholdings, since the net asset value discount on Custos' shares was higher than the Board of Directors and Management consider to be acceptable.

Listing on the "O-list". On June 12, 1997, Custos' Board of Directors decided to list the company on the "O-list" of the Stockholm Stock Exchange instead of on the "A-list". The move took place on June 19, 1997. The reason for the move was that the "O-list" is more advantageous for private investors from a tax point of view. The objective of this action was to increase further the attractiveness for Custos' current (approximately 30,000) and future private shareholders, to purchase and own the Company's shares. In contrast to similar investment alternatives - mutual funds and other investment companies - Custos offers an investment that is exempt from wealth tax. Custos will continue to observe the regulations applying to companies on the "A-list."

Shareholders, June 30, 1997 and known subsequent changes

	Percentage of capital ¹⁾	Percentage of votes ¹⁾
Öresund	25.8	33.3
Swedbank's mutual funds	9.9	12.8
S-E-Banken's mutual funds	7.7	9.8
Franklin Mutual Series Fund	10.2	6.9
SHBs pensionsstiftelse	4.0	5.2
Trygg-Hansa Försäkring	3.9	3.1
SB-stiftelsen	2.1	2.7
Others	36.4	26.2
Total	100.0	100.0

¹⁾ Excludes deferred shares tendered for redemption

Source: "Owners and Power in Sweden's listed Companies 1997" and information from the shareholders

Actions taken at the Annual General Meeting

At the Annual General Meeting of AB Custos on April 29, 1997, Per-Olof Eriksson, Christer Gardell, Leif Gustafsson, Sven Hagströmer, Mats Lederhausen and Mats Qviberg were reelected members of the Board of Directors and Sten K Johnson was elected as a new member. Marcus Storch and Lars H Thunell had declined to stand for reelection. At the subsequent statutory Board of Directors Meeting, Sven Hagströmer was elected Chairman of the Board.

The Meeting also approved supplementing the Company's Articles of Association by the addition of a liquidation clause worded as follows:

"Commencing with the Annual General Meeting in 1998, each Annual General Meeting shall determine whether or not the Company should enter into liquidation."

The purpose of this action is to offer shareholders an opportunity to decide whether the Company should be liquidated if the discount to net asset value of Custos' shares remains excessively high on a continuing basis.

The dividend for the fiscal year 1996 was set at SEK 5.75 (4.25) per share.

The Meeting also approved the redemption of 4,214,597 shares as a result of a reduction of the share capital amounting to MSEK 105.4. (See section on "The Custos share").

The Group

The six-months interim report for Custos Group will be published on August 18, 1997.

Stockholm, July 31, 1997

AKTIEBOLAGET CUSTOS (publ)

Christer Gardell
Chief Executive Officer

This interim report is unaudited.

This report is published in Swedish and English. In the event of any difference between the English version and the Swedish original, the Swedish version shall govern.

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