



ANNUAL REPORT  
2001

building for the future  
with solid investments.®

## 2001 AT A GLANCE

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### The Company

- a closed-end equity investment company
- objectives: preservation of capital  
reasonable income  
opportunity for capital gain
- internally-managed
- low expense ratio
- low turnover

### Stock Data

|                                       |                 |
|---------------------------------------|-----------------|
| NYSE Symbol . . . . .                 | ADX             |
| Market Price as of 12/31/01 . . . . . | \$14.22         |
| Discount . . . . .                    | 11.4%           |
| 52-Week Range . . . . .               | \$22.00–\$12.70 |
| Shares Outstanding . . . . .          | 85,233,262      |

### Summary Financial Information

|   | Year Ended December 31 |               |
|---|------------------------|---------------|
|   | 2001                   | 2000          |
| Net asset value per share               | \$ 16.05               | \$ 23.72      |
| Total net assets                        | 1,368,366,316          | 1,951,562,978 |
| Unrealized appreciation                 | 424,993,559            | 1,047,469,344 |
| Net investment income                   | 21,091,920             | 20,941,465    |
| Total realized gain                     | 113,686,714            | 128,091,337   |
| Total return (based on market value)    | (24.7)%                | 1.7%          |
| Total return (based on net asset value) | (24.7)%                | (4.3)%        |
| Expense ratio                           | 0.19%                  | 0.24%         |

### 2001 Dividends and Distributions

| Paid              | Amount<br>(per share) | Type                    |
|-------------------|-----------------------|-------------------------|
| March 1, 2001     | \$0.04                | Long-term capital gain  |
| March 1, 2001     | 0.04                  | Investment income       |
| June 1, 2001      | 0.08                  | Investment income       |
| September 1, 2001 | 0.08                  | Investment income       |
| December 27, 2001 | 1.27                  | Long-term capital gain  |
| December 27, 2001 | 0.08                  | Short-term capital gain |
| December 27, 2001 | 0.06                  | Investment income       |
|                   | \$1.65                |                         |

### 2002 Annual Meeting of Stockholders

*Location:* Royal Palms Hotel, Phoenix, Arizona

*Date:* March 26, 2002

*Time:* 11:00 a.m.

*Holders of Record:* February 15, 2002

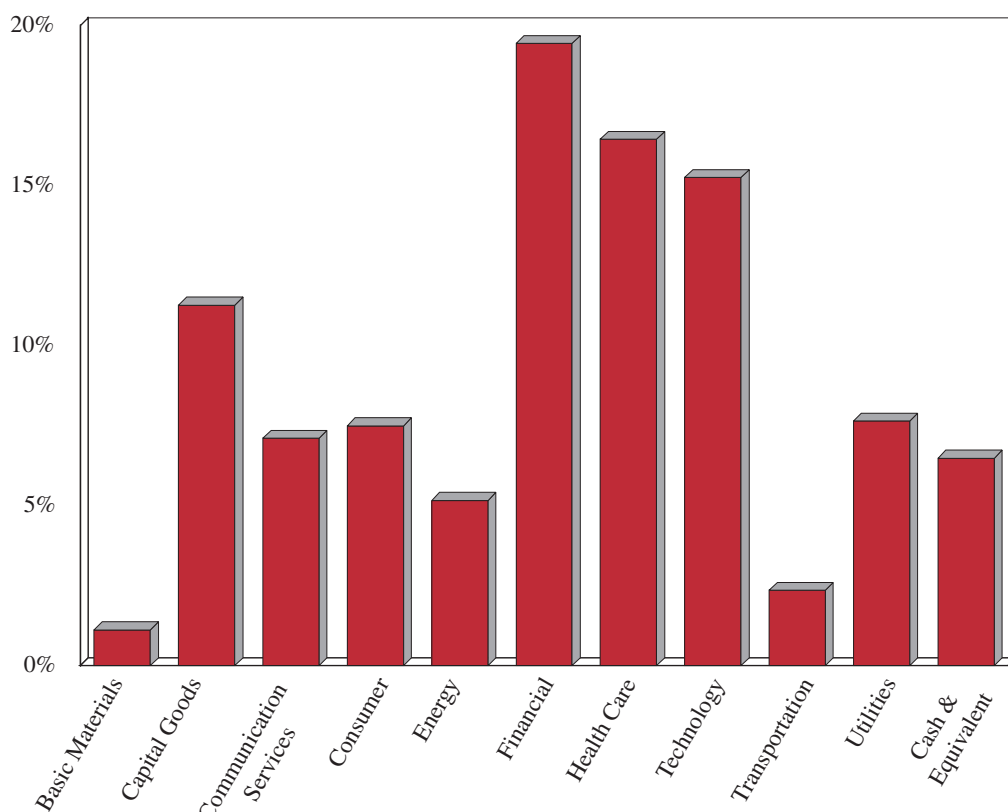
## PORTFOLIO REVIEW

### Ten Largest Portfolio Holdings (12/31/01)

|                                      | <u>Market Value</u>  | <u>% of Net Assets</u> |
|--------------------------------------|----------------------|------------------------|
| General Electric Co.                 | \$ 64,128,000        | 4.7                    |
| American International Group, Inc.   | 60,294,376           | 4.4                    |
| Petroleum & Resources Corp.*         | 44,896,821           | 3.3                    |
| Nokia Corp. ADR                      | 33,851,400           | 2.5                    |
| Minnesota Mining & Manufacturing Co. | 33,689,850           | 2.5                    |
| Cisco Systems, Inc.                  | 33,231,850           | 2.4                    |
| AMBAC Financial Group, Inc.          | 32,945,484           | 2.4                    |
| Investors Financial Services Corp.   | 32,277,375           | 2.3                    |
| SBC Communications, Inc.             | 27,419,000           | 2.0                    |
| United Technologies Corp.            | 25,852,000           | 1.9                    |
| <b>Total</b>                         | <b>\$388,586,156</b> | <b>28.4%</b>           |

\*Non-controlled affiliate

### Sector Weightings (12/31/01)



In this annual report, you will find our financial statements for the year 2001, the report of independent accountants, our year-end portfolio holdings, and summary financial information for the Company.

### **The Year in Review**

Following the severe decline in the latter part of 2000, the stock market rallied briefly in January in response to the action of the Federal Reserve Board to reduce short-term interest rates and thus stimulate economic growth. Announcements of layoffs, cuts in capital spending, and warnings of earnings shortfalls brought the rally to a quick end, despite further rate cuts by the Fed. The market recorded its worst first-quarter performance in 23 years. The domestic economy appeared headed for a recession, following ten years of uninterrupted growth. After years of heavy capital spending on technology and equipment, businesses found themselves with too much capacity. Orders for computers, software, and telecommunications equipment fell to fractions of their former levels.

The moves by the Federal Reserve to lower interest rates continued in the second quarter and were seen by investors as the medicine needed for the economy to recover quickly. A broad-based rally in stocks took place in April and May, including an initial rebound in technology companies. Another round of layoffs and warnings of shortfalls in earnings, notably in the technology sector, dampened investor enthusiasm again and the market began a longer slide. Through the summer and early fall, it became apparent that the domestic slowdown was impacting the economies of U.S. trading partners and the likelihood of a worldwide recession or slow growth increased. This, combined with the continued strength of the dollar, gave investors reason to sell stocks of major multinational companies such as General Electric and American International Group, in which Adams Express has long held sizeable positions.

The tragedies of September 11 resulted in a further loss of investor confidence and stocks plummeted when markets re-opened. With the Federal Reserve easing interest rates an eighth and ninth time, to 2.5%, investor confidence picked up and the market turned up in October. Early indicators hinted that there would be a decent recovery following a short-lived recession. Inventory reductions and restructuring by corporations appeared sufficient to assure growth in the economy starting some time in 2002. Enthusiasm for the outlook drove stock prices up sharply in November from their lows in late September. The market's fourth quarter performance was led by a 34% recovery in technology stocks and nearly 25% returns from consumer cyclicals.

The performance of the Company's portfolio in 2001 was very disappointing. As noted in our third quarter report to shareholders, investors have not followed the traditional pattern of emphasizing investments in larger

capitalization, multi-national companies which have less sensitivity to economic cycles when a recession is anticipated. Thus, sectors such as consumer staples, health care, and communications services provided poor returns for the year.

The electric utility industry, in the process of deregulating, experienced a number of events that turned investors away. The California energy crisis, the bankruptcy of one utility and numerous lawsuits, the dramatic collapse of Enron, and the subsequent liquidity problems of other electricity producers, all served to demolish the idea of utilities as income-producing safe havens. The sector was down more than 30% in 2001. With 12% of the Fund invested in utilities and allied merchant electricity providers, the impact on Adams Express was heavy. Our Enron position, in particular, was decimated and we decided to dispose of it prior to its bankruptcy filing.

Our exposure to the technology sector was primarily in the more conservative computer software and communications equipment subgroups. The former were hurt by across-the-board cuts in technology spending, while the latter suffered from the collapse in demand from Internet-related companies. The Company's other areas of large investment, in financials and health care, performed about as poorly as the Standard & Poor's sectors, while our modest exposure in basic materials and transportation, the most cyclical groups, did considerably better than the market sectors.

For the year ended December 31, 2001, the return on net assets of the Company, including income and capital gains, was (24.7)%, compared to a return of (5.6)% for the Dow Jones Industrials and (11.8)% for the Standard & Poor's 500. The NASDAQ or over-the-counter market, reflecting mostly technology stocks, recorded a (21.1)% return. With essentially no change in the discount of the Adams Express Company's stock price from its net asset value per share, its return based on market prices was also (24.7)%.

### **Investment Results**

At the end of 2001 our net assets were \$1,368,366,316 or \$16.05 per share on 85,233,262 shares outstanding as compared with \$1,951,562,978 or \$23.72 per share on 82,292,262 shares outstanding a year earlier.

Net investment income for 2001 was \$21,091,920 compared to \$20,941,465 for 2000. These earnings are equal to \$0.26 and \$0.26 per share, respectively, on the average number of shares outstanding throughout the year. In 2001, our 0.19% expense ratio (expenses to average net assets) was once again at a very low level compared to the industry.

Net realized gains amounted to \$113,686,714 during the year, while the unrealized appreciation on investments decreased from \$1,047,469,344 at December 31, 2000 to \$424,993,559 at year end.

### Dividends and Distributions

The total dividends and distributions paid in 2001 were \$1.65 per share compared to \$1.85 in 2000. As announced on November 8, 2001, a year-end distribution consisting of investment income of \$0.06 and capital gains of \$1.35 was made on December 27, 2001, both realized and taxable in 2001. On January 10, 2002, an additional distribution of \$0.08 per share was declared payable March 1, 2002, representing the balance of undistributed net investment income and capital gains earned during 2001 and an initial distribution from 2002 net investment income, all taxable to shareholders in 2002.

### Outlook for 2002

With the dramatic reductions in short-term interest rates over the course of 2001, there is little doubt that the U. S. economy will emerge from the recession fairly quickly; some economists believe it has already done so. The heavy liquidation of inventories in the final quarter of 2001 may result in increased production to refill supply pipelines in the first quarter. Following five of the past six recessions, industrial production was brought on more quickly than final demand required and cutbacks were necessary a second time to avoid excess inventory build-ups. It is believed, however, that corporations are very cautious at this point and will not bring up production too rapidly.

The consumer was the primary support for the economy during most of 2001, as spending remained healthy despite layoffs, modest wage increases, and some tightening of credit standards. Offsetting factors included attractive mortgage refinancing terms, cheap energy prices, and heavy discounting at the retail level. Confidence was boosted by the implementation of the tax cuts passed by Congress in mid-2001 and by military successes in Afghanistan. Recently, however, long-term interest rates have risen, OPEC has cut production to stabilize oil prices, and states have announced tax increases. Consumers may well decide that it is time to boost their savings, especially given the recently effective incentives provided by the federal Tax Code.

A cautious industrial sector and perhaps a more savings-conscious consumer are expected to temper the growth prospects for the economy once it does emerge from the recession. The anticipated slow growth in the rest of the world should also reduce U.S. export demand, further dampening growth. With this economic picture in mind, we do not anticipate a strong bounce in corporate earnings in 2002. The restructuring and layoffs made in 2001 have brought better operating leverage to many companies, but the benefits of that leverage cannot be realized without greater demand for products and services. We therefore expect profit growth of only 5% to 10% for the year, bringing the

earnings of the Standard & Poor's 500 Composite Index to between \$47 and \$50 before write-offs. Based on that range of earnings estimates, the Index was trading at 23 to 24 times anticipated earnings at the end of 2001. Even in an environment of very mild inflation and low interest rates, that level of valuation is high relative to historic norms. We do not see a catalyst other than better earnings performance which would drive the stock market much higher. In a few industries, capacity has been reduced to such an extent that companies have some pricing power, but there is still a significant amount of unused capacity, which will serve to hold down prices. Any improvement in earnings must therefore be due to a level of demand higher than we can currently foresee.

We are confident that the companies represented by the stocks in the portfolio will enjoy reasonable growth as the economy recovers. Their financial condition remains strong and therefore over time they will be able to take advantage of strengthening demand to take market share from their weaker competitors. It is our firm belief that their earnings performance will eventually be reflected in their stock prices.

### Share Repurchase Program

On December 13, 2001, the Board of Directors authorized the repurchase by management of an additional 5% of the outstanding shares of the Company over the ensuing year. The repurchase program is subject to the same restriction as in the past, namely that shares can only be repurchased as long as the discount of the market price of the shares from the net asset value is greater than 10%.

From the beginning of 2002 through January 10, a total of 24,200 shares have been repurchased at a total cost of \$347,156 and a weighted average discount from net asset value of 11.3%.

The proxy statement for the Annual Meeting of Stockholders to be held in Phoenix, Arizona on March 26, 2002, will be mailed on or about February 22, 2002 to holders of record on February 15, 2002.

By order of the Board of Directors,



Douglas G. Ober,

Joseph M. Truta,

*Chairman and Chief  
Executive Officer*

*President*

January 18, 2002

## STATEMENT OF ASSETS AND LIABILITIES

*December 31, 2001*

### Assets

Investments\* at value:

|  |                 |
|--|-----------------|
| Common stocks and convertible securities<br>(cost \$823,354,088)                   | \$1,229,992,495 |
| Non-controlled affiliate, Petroleum & Resources Corporation<br>(cost \$26,585,260) | 44,896,821      |
| Short-term investments (cost \$89,442,033)   | 89,442,033      |

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|                                   |             |
|-----------------------------------|-------------|
| Cash                              | 80,855      |
| Securities lending collateral     | 116,116,964 |
| Dividends and interest receivable | 952,670     |
| Prepaid expenses and other assets | 7,150,274   |

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|                     |               |
|---------------------|---------------|
| <i>Total Assets</i> | 1,488,632,112 |
|---------------------|---------------|

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### Liabilities

|   |             |
|---|-------------|
| Open written option contracts at value (proceeds \$268,341) | 224,750     |
| Obligations to return securities lending collateral         | 116,116,964 |
| Accrued expenses and other liabilities                      | 3,924,082   |

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|                          |             |
|--------------------------|-------------|
| <i>Total Liabilities</i> | 120,265,796 |
|--------------------------|-------------|

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|                   |                        |
|-------------------|------------------------|
| <b>Net Assets</b> | <b>\$1,368,366,316</b> |
|-------------------|------------------------|

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### Net Assets

|  |               |
|--|---------------|
| Common Stock at par value \$1.00 per share, authorized 150,000,000 shares;<br>issued and outstanding 85,233,262 shares | \$ 85,233,262 |
| Additional capital surplus   | 848,786,335   |
| Undistributed net investment income  | 3,788,120     |
| Undistributed net realized gain on investments   | 5,565,040     |
| Unrealized appreciation on investments   | 424,993,559   |

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|  |                        |
|--|------------------------|
| <b>Net Assets Applicable to Common Stock</b> | <b>\$1,368,366,316</b> |
|--|------------------------|

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|  |                |
|--|----------------|
| <b>Net Asset Value Per Share of Common Stock</b> | <b>\$16.05</b> |
|--|----------------|

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*\*See schedule of investments on pages 13 through 16.*

*The accompanying notes are an integral part of the financial statements.*

## STATEMENT OF OPERATIONS

*Year Ended December 31, 2001*

### **Investment Income**

Income:

Dividends:

From unaffiliated issuers \$ 20,156,521

From non-controlled affiliate 1,014,293

Interest 2,577,839

Securities lending 412,807

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*Total income* 24,161,460

Expenses:

Investment research 649,325

Administration and operations 620,638

Directors' fees 203,500

Reports and stockholder communications 355,321

Transfer agent, registrar and custodian expenses 459,761

Auditing and accounting services 99,792

Legal services 37,578

Occupancy and other office expenses 232,995

Travel, telephone and postage 125,631

Other 284,999

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*Total expenses* 3,069,540

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**Net Investment Income** 21,091,920

### **Realized Gain and Change in Unrealized Appreciation on Investments**

Net realized gain on security transactions 111,830,367

Net realized gain distributed by regulated investment company  
(non-controlled affiliate) 1,856,347

Change in unrealized appreciation on investments (622,475,783)

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**Net Loss on Investments** (508,789,069)

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**Change in Net Assets Resulting From Operations** \$(487,697,149)

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*The accompanying notes are an integral part of the financial statements.*

STATEMENTS OF CHANGES IN NET ASSETS

|  | For the Year Ended |                 |
|--|--------------------|-----------------|
|  | Dec. 31, 2001      | Dec. 31, 2000   |
| <b>From Operations:</b>  |                    |                 |
| Net investment income  | \$ 21,091,920      | \$ 20,941,465   |
| Net realized gain on investments   | 113,686,714        | 128,091,337     |
| Change in unrealized appreciation on investments   | (622,475,783)      | (251,193,342)   |
| <i>Change in net assets resulting from operations</i>  | (487,697,149)      | (102,160,540)   |
| <b>Distributions to Stockholders From:</b>   |                    |                 |
| Net investment income  | (21,153,837)       | (17,702,862)    |
| Net realized gain from investment transactions   | (111,923,436)      | (128,205,341)   |
| <i>Decrease in net assets from distributions</i>   | (133,077,273)      | (145,908,203)   |
| <b>From Capital Share Transactions:</b>  |                    |                 |
| Value of shares issued in payment of exercised options and distributions                                 | 68,287,544         | 77,508,318      |
| Cash in lieu of fractional shares issued in payment of 3-for-2 stock split                               | —                  | (123,043)       |
| Cost of shares purchased (note 4)  | (30,709,784)       | (48,555,429)    |
| <i>Change in net assets from capital share transactions</i>  | 37,577,760         | 28,829,846      |
| <b>Total Increase (Decrease) in Net Assets</b>   | (583,196,662)      | (219,238,897)   |
| <b>Net Assets:</b>   |                    |                 |
| Beginning of year  | 1,951,562,978      | 2,170,801,875   |
| End of year (including undistributed net investment income of \$3,788,120 and \$3,767,539, respectively) | \$1,368,366,316    | \$1,951,562,978 |

*The accompanying notes are an integral part of the financial statements.*



## NOTES TO FINANCIAL STATEMENTS

### 1. Significant Accounting Policies

The Adams Express Company (the Company) is registered under the Investment Company Act of 1940 as a diversified investment company. The Company's investment objectives as well as the nature and risk of its investment transactions are set forth in the Company's registration statement.

**Security Valuation** — Investments in securities traded on a national security exchange are valued at the last reported sale price on the day of valuation. Over-the-counter and listed securities for which a sale price is not available are valued at the last quoted bid price. Short-term investments (excluding purchased options) are valued at amortized cost. Purchased and written options are valued at the last quoted asked price.

**Affiliated Companies** — Investments in companies 5% or more of whose outstanding voting securities are held by the Company are defined as "Affiliated Companies" in Section 2(a)(3) of the Investment Company Act of 1940.

**Security Transactions and Investment Income** — Investment transactions are accounted for on the trade date. Gain or loss on sales of securities and options is determined on the basis of identified cost. Dividend income and distributions to shareholders are recognized on the ex-dividend date, and interest income is recognized on the accrual basis.

### 2. Federal Income Taxes

The Company's policy is to distribute all of its taxable income to its shareholders in compliance with the requirements of the Internal Revenue Code applicable to regulated investment companies. Therefore, no federal income tax provision is required. For federal income tax purposes, the identified cost of securities, including options, at December 31, 2001 was \$939,118,880, and net unrealized appreciation aggregated \$425,480,810, of which the related gross unrealized appreciation and depreciation were \$565,138,939 and \$139,658,129, respectively. The undistributed ordinary income was \$3,611,897 and undistributed long-term capital gain was \$2,382,982.

Distributions paid by the Company during the year ended December 31, 2001 were classified as ordinary income of \$27,592,066, and long-term capital gain of \$105,485,207. The distributions are determined in accordance with income tax regulations which may differ from generally accepted accounting principles. Accordingly, periodic reclassifications are made within the Company's capital accounts to reflect income and gains available for distribution under income tax regulations.

### 3. Investment Transactions

Purchases and sales of portfolio securities, other than options and short-term investments, during the year ended December 31, 2001 were \$296,492,022 and

\$410,430,542, respectively. The Company, as writer of an option, bears the market risk of an unfavorable change in the price of the security underlying the written option. The risk associated with purchasing options is limited to the premium originally paid. Option transactions comprised an insignificant portion of operations during the year ended December 31, 2001. All investment decisions are made by a committee, and no one person is primarily responsible for making recommendations to that committee.

### 4. Capital Stock

On March 28, 2000, stockholders approved an increase in the number of authorized shares of Common Stock from 75,000,000 to 150,000,000. The Company has 10,000,000 authorized and unissued preferred shares without par value.

On October 19, 2000 the Company effected a 3-for-2 stock split. All references to the number of outstanding shares and per share amounts have been adjusted retroactively to reflect the stock split.

On December 27, 2000, the Company issued 3,517,794 shares of its Common Stock at a price of \$22.00 per share (the average market price on December 11, 2000) to stockholders of record November 20, 2000 who elected to take stock in payment of the distribution from 2000 capital gain and investment income.

On December 27, 2001, the Company issued 4,755,400 shares of its Common Stock at a price of \$14.36 per share (the average market price on December 10, 2001) to stockholders of record November 19, 2001 who elected to take stock in payment of the distribution from 2001 capital gain and investment income.

The Company may purchase shares of its Common Stock from time to time at such prices and amounts as the Board of Directors may deem advisable. Transactions in Common Stock for 2001 and 2000 were as follows:

|   | Shares      |             | Amount         |                |
|---|-------------|-------------|----------------|----------------|
|   | 2001        | 2000        | 2001           | 2000           |
| Shares issued in payment of dividends   | 4,755,400   | 3,517,794   | \$ 68,287,544  | \$ 77,391,468  |
| Shares issued in payment of stock option exercise   |             | 3,068       |                | 116,850        |
| Shares issued for 3-for-2 stock split   |             | 26,262,073  |                |                |
| Cash in lieu of fractional shares issued in payment of 3-for-2 stock split                              |             |             |                | (123,043)      |
| Total increase  | 4,755,400   | 29,782,935  | \$ 68,287,544  | \$ 77,385,275  |
| Shares purchased (at a weighted average discount from net asset value of 10.0% and 13.9%, respectively) | (1,814,400) | (1,385,500) | (30,709,784)   | (48,555,429)   |
| Total decrease  | (1,814,400) | (1,385,500) | \$(30,709,784) | \$(48,555,429) |
| Net change  | 2,941,000   | 28,397,435  | \$ 37,577,760  | \$ 28,829,846  |

The Company has an employee incentive stock option and stock appreciation rights plan which provides for the issuance of options and stock appreciation rights for the purchase of up to 2,610,146 shares of the Company's Common Stock at 100% of the fair market value at date of grant. Options are exercisable beginning not less than one year after the date of grant and extend and vest over ten years from the date of grant. Stock appreciation rights are exercisable beginning not less than two years after the date of grant and extend over the period during which the option is exercisable. The stock appreciation rights allow the optionees to surrender their rights to exercise their options and receive cash or shares in an amount equal to the difference between the option price and the fair market value of the common stock at the date of surrender.

Under the plan, the exercise price of the options and related stock appreciation rights is reduced by the per share amount of capital gain paid by the Company during subsequent years. At the beginning of 2001, there were 339,403 options outstanding with a weighted average exercise price of \$8.1169 per share. During 2001, the Company granted options, including stock appreciation rights, for 44,214 shares of common stock with a weighted average exercise price of \$20.5776 per share. During the year stock options or stock appreciation rights relating to 38,050 stock option shares were exercised at a weighted average market price of \$16.8985 per share and the stock options relating to these rights which had a weighted average exercise price of \$4.4995 per share were cancelled. At December 31, 2001, there were outstanding exercisable options to purchase 104,090 common shares at \$2.3533–\$19.1917 per share (weighted average price of \$5.9143), and unexercisable options to purchase 241,477 common shares at \$2.3533–\$19.6100 per share (weighted average price of \$9.9644). The weighted average remaining contractual life of outstanding exercisable and unexercisable options was 3.2283 years and 5.5261 years, respectively. Total compensation expense recognized in 2001 related to the stock option and stock appreciation rights plan was a credit of \$1,010,184. At December 31, 2001, there were 1,266,371 shares available for future option grants.

## 5. Retirement Plans

The Company provides retirement benefits for its employees under a non-contributory qualified defined benefit pension plan. The benefits are based on years of service and compensation during the last five years of employment. The Company's current funding policy is to contribute annually to the plan only those amounts that can be deducted for federal income tax purposes. The plan assets consist primarily of investments in individual stocks, bonds, and mutual funds.

The actuarially computed net pension cost credit for the year ended December 31, 2001 was \$416,875, and consisted of service expense of \$204,411, interest expense of \$362,246, expected return on plan assets of \$897,113, and net amortization credit of \$86,419.

In determining the actuarial present value of the projected benefit obligation, the interest rate used for the weighted average discount rate was 7.5%, the expected rate of annual salary increases was 7.0%, and the expected long-term rate of return on plan assets was 8.0%.

On January 1, 2001, the projected benefit obligation for service rendered to date was \$4,932,613. During 2001, the projected benefit obligation increased due to service cost and interest cost of \$204,411 and \$362,246 respectively, and decreased due to benefits paid in the amount of \$205,337. The projected benefit obligation at December 31, 2001 was \$5,293,933.

On January 1, 2001, the fair value of plan assets was \$11,316,574. During 2001, the fair value of plan assets increased due to the expected return on plan assets of \$897,113 and decreased due to benefits paid in the amount of \$205,337. At December 31, 2001, the projected fair value of plan assets amounted to \$12,008,350, which resulted in excess plan assets of \$6,714,417. The remaining components of prepaid pension cost on December 31, 2001 included \$908,031 in unrecognized gain and \$427,930 in unrecognized prior service cost. Prepaid pension cost included in other assets at December 31, 2001 was \$6,234,316.

In addition, the Company has a nonqualified benefit plan which provides employees with defined retirement benefits to supplement the qualified plan. The Company does not provide postretirement medical benefits.

## 6. Expenses

The cumulative amount of accrued expenses at December 31, 2001 for employees and former employees of the Company was \$3,724,599. Aggregate remuneration paid or accrued during the year ended December 31, 2001 to officers and directors amounted to \$1,038,867, which is reduced by \$1,010,184 for stock options and stock appreciation rights.

## 7. Portfolio Securities Loaned

The Company makes loans of securities to brokers, secured by cash deposits, U.S. Government securities, or bank letters of credit. The Company accounts for securities lending transactions as secured financing and receives compensation in the form of fees or retains a portion of interest on the investment of any cash received as collateral. The Company also continues to receive interest or dividends on the securities loaned. The loans are secured by collateral of at least 102%, at all times, of the fair value of the securities loaned plus accrued interest. Gain or loss in the fair value of the securities loaned that may occur during the term of the loan will be for the account of the Company. At December 31, 2001, the Company had securities on loan of \$108,279,411, and held cash collateral of \$116,116,964.

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## Forward-Looking Statements

This report contains “forward-looking statements” within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934. By their nature, all forward-looking statements involve risks and uncertainties, and actual results could differ materially from those contemplated by the forward-looking statements. Several factors that could materially affect the Company’s actual results are the performance of the portfolio of stocks held by the Company, the conditions in the U.S. and international financial markets, the price at which shares of the Company will trade in the public markets, and other factors discussed in the Company’s periodic filings with the Securities and Exchange Commission.

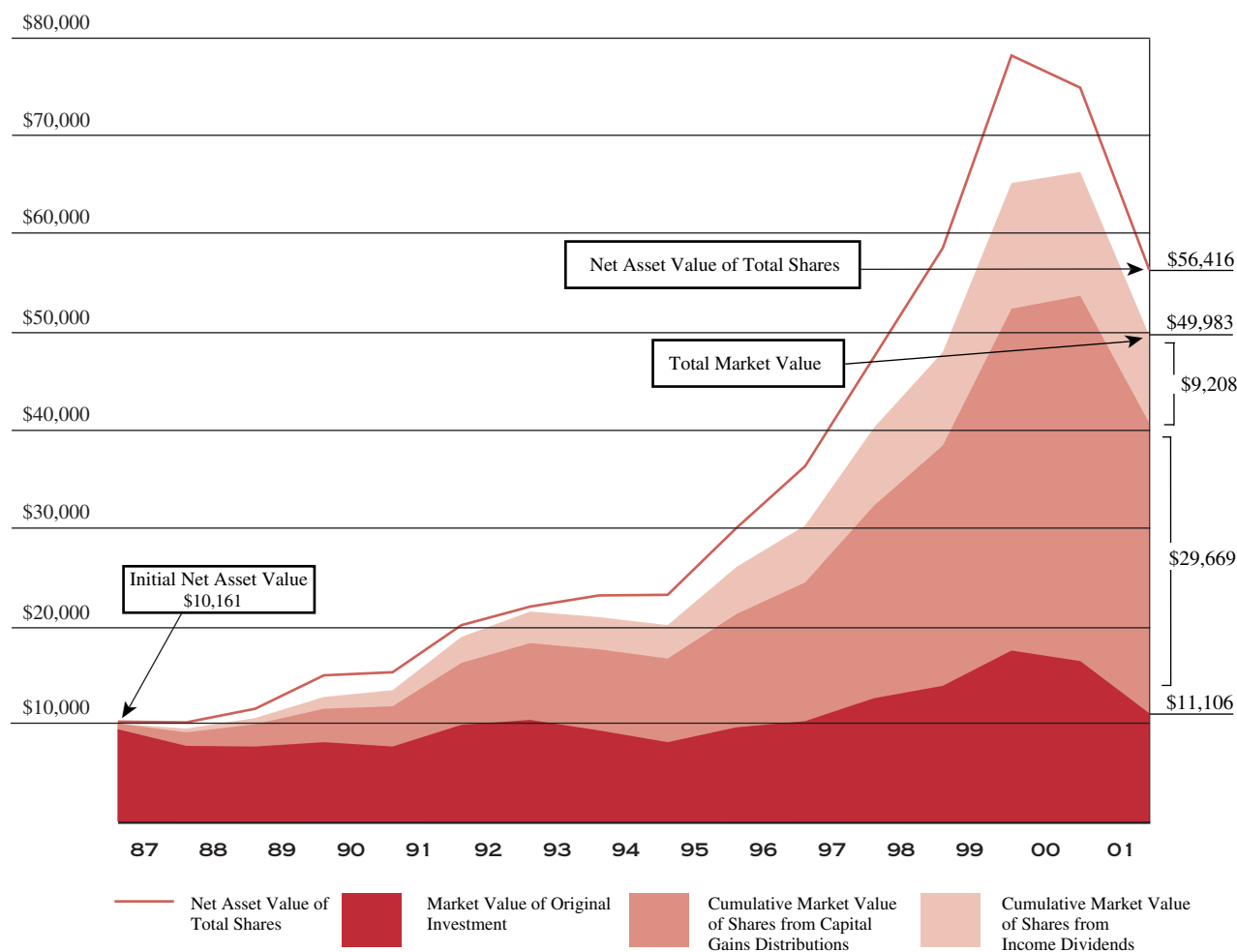
This report, including the financial statements herein, is transmitted to the stockholders of The Adams Express Company for their information. It is not a prospectus, circular or representation intended for use in the purchase or sale of shares of the Company or of any securities mentioned in the report. The rates of return will vary and the principal value of an investment will fluctuate. Shares, if sold, may be worth more or less than their original cost. Past performance is not indicative of future investment results.

**THE ADAMS EXPRESS COMPANY**

| Calendar Years | Market value of original shares | Cumulative market value of capital gains distributions taken in shares | Cumulative market value of income dividends taken in shares | Total market value | Total net asset value |
|----------------|---------------------------------|--|---|--------------------|-----------------------|
| 1987           | \$ 7,745                        | \$ 1,405   | \$ 340  | \$ 9,490           | \$10,157              |
| 1988           | 7,680                           | 2,240  | 651   | 10,571             | 11,546                |
| 1989           | 8,135                           | 3,377  | 1,195   | 12,707             | 14,921                |
| 1990           | 7,680                           | 4,063  | 1,650   | 13,393             | 15,273                |
| 1991           | 9,893                           | 6,312  | 2,643   | 18,848             | 20,043                |
| 1992           | 10,413                          | 7,828  | 3,225   | 21,466             | 21,982                |
| 1993           | 9,307                           | 8,264  | 3,307   | 20,878             | 23,103                |
| 1994           | 8,135                           | 8,522  | 3,436   | 20,093             | 23,129                |
| 1995           | 9,630                           | 11,594   | 4,768   | 25,992             | 30,018                |
| 1996           | 10,283                          | 14,111   | 5,836   | 30,230             | 36,277                |
| 1997           | 12,594                          | 19,659   | 7,963   | 40,216             | 47,411                |
| 1998           | 13,863                          | 24,532   | 9,548   | 47,943             | 58,585                |
| 1999           | 17,475                          | 34,892   | 12,857  | 65,224             | 78,268                |
| 2000           | 16,401                          | 37,322   | 12,616  | 66,339             | 74,931                |
| 2001           | 11,106                          | 29,669   | 9,208   | 49,983             | 56,416                |

**Illustration of an assumed 15 year investment of \$10,000 (unaudited)**

Investment income dividends and capital gains distributions are taken in additional shares. This chart covers the years 1987–2001. Assumes commissions of \$0.05 per share on the initial shares invested. Fees for the reinvestment of dividends are assumed as outlined on page 20. No adjustment has been made for any income taxes payable by stockholders on income dividends or on capital gains distributions, or the sale of any shares. These results should not be considered representative of the dividend income or capital gain or loss which may be realized in the future.



## FINANCIAL HIGHLIGHTS

|  | Year Ended December 31 |         |         |         |         |
|--|------------------------|---------|---------|---------|---------|
|  | 2001                   | 2000    | 1999    | 1998    | 1997    |
| <b>Per Share Operating Performance*</b>  |                        |         |         |         |         |
| Net asset value, beginning of year   | \$23.72                | \$26.85 | \$21.69 | \$19.01 | \$15.80 |
| Net investment income  | 0.26                   | 0.26    | 0.25    | 0.30    | 0.29    |
| Net realized gains and change<br>in unrealized appreciation and<br>other changes | (6.32)                 | (1.63)  | 6.54    | 3.78    | 4.22    |
| Total from investment operations   | (6.06)                 | (1.37)  | 6.79    | 4.08    | 4.51    |
| Capital share repurchases  | 0.04                   | 0.09    | —       | —       | —       |
| Less distributions   |                        |         |         |         |         |
| Dividends from net investment income   | (0.26)                 | (0.22)  | (0.26)  | (0.30)  | (0.29)  |
| Distributions from net realized gains  | (1.39)                 | (1.63)  | (1.37)  | (1.10)  | (1.01)  |
| Total distributions  | (1.65)                 | (1.85)  | (1.63)  | (1.40)  | (1.30)  |
| Net asset value, end of year   | \$16.05                | \$23.72 | \$26.85 | \$21.69 | \$19.01 |
| Per share market price, end of year  | \$14.22                | \$21.00 | \$22.38 | \$17.75 | \$16.13 |

### Total Investment Return

|                          |         |        |       |       |       |
|--------------------------|---------|--------|-------|-------|-------|
| Based on market price    | (24.7)% | 1.7%   | 36.1% | 19.3% | 33.1% |
| Based on net asset value | (24.7)% | (4.3)% | 33.6% | 23.7% | 30.7% |

### Ratios/Supplemental Data

|  |             |             |             |             |             |
|--|-------------|-------------|-------------|-------------|-------------|
| Net assets, end of year (in 000's)                         | \$1,368,366 | \$1,951,563 | \$2,170,802 | \$1,688,080 | \$1,424,170 |
| Ratio of expenses to average net assets                    | 0.19%       | 0.24%       | 0.32%       | 0.22%       | 0.39%       |
| Ratio of net investment income to<br>average net assets    | 1.33%       | 0.97%       | 1.06%       | 1.48%       | 1.61%       |
| Portfolio turnover   | 19.15%      | 12.74%      | 15.94%      | 22.65%      | 17.36%      |
| Number of shares outstanding at<br>end of year (in 000's)* | 85,233      | 82,292      | 80,842      | 77,815      | 74,924      |

\*Adjusted to reflect the 3-for-2 stock split effected in October, 2000.

**SCHEDULE OF INVESTMENTS**

*December 31, 2001*

|   | Prin. Amt.<br>or Shares | Value (A)          |
|---|-------------------------|--------------------|
| <b>Stocks and Convertible Securities — 93.2%</b>                          |                         |                    |
| <b>Basic Materials — 1.1%</b>   |                         |                    |
| Engelhard Corp. ....  | 530,000                 | \$ 14,670,400      |
| <b>Capital Goods — 11.2%</b>  |                         |                    |
| Black & Decker Corp. ....   | 300,000                 | 11,319,000         |
| General Electric Co. ....   | 1,600,000               | 64,128,000         |
| ITT Industries ....   | 355,000                 | 17,927,500         |
| Minnesota Mining & Manufacturing Co. ....                                 | 285,000                 | 33,689,850         |
| United Technologies Corp. ....  | 400,000                 | 25,852,000         |
|   |                         | <u>152,916,350</u> |
| <b>Communication Services — 7.1%</b>                                      |                         |                    |
| <b>Telecommunications — Cellular and Wireless — 2.2%</b>                  |                         |                    |
| Nextel Communications Inc. 5.25% Conv. Notes due 2010 (B) ....            | \$10,000,000            | 6,050,000          |
| Nextel Communications Inc. (C) (D) ....                                   | 1,040,000               | 11,398,400         |
| Vodafone Group plc ADS (D) ....   | 492,614                 | 12,650,315         |
|   |                         | <u>30,098,715</u>  |
| <b>Telephone — 4.9%</b>   |                         |                    |
| BellSouth Corp. ....  | 440,000                 | 16,786,000         |
| Qwest Communications International, Inc. 5.75% TRENDS Pfd. due 2003 (B) . | 538,000                 | 15,736,500         |
| RCN Corp. (D) ....  | 94,000                  | 275,420            |
| SBC Communications, Inc. ....   | 700,000                 | 27,419,000         |
| Time Warner Telecom Inc. (C) (D) ....                                     | 404,500                 | 7,155,605          |
|   |                         | <u>67,372,525</u>  |
| <b>Consumer — 7.5%</b>  |                         |                    |
| BJ's Wholesale Club, Inc. (C) ....  | 337,500                 | 14,883,750         |
| Brinker International Inc. ....   | 25,000                  | 744,000            |
| Coca-Cola Co. ....  | 170,000                 | 8,015,500          |
| Dean Foods Co. (D) ....   | 128,700                 | 8,777,340          |
| Hershey Foods Corp. ....  | 255,000                 | 17,263,500         |
| Ivex Packaging Corp. (C) ....   | 520,000                 | 9,880,000          |
| PepsiCo, Inc. ....  | 335,000                 | 16,311,150         |
| Proctor & Gamble Co. ....   | 170,000                 | 13,452,100         |
| Safeway, Inc. (C) ....  | 70,000                  | 2,922,500          |
| Tiffany & Co. (D) ....  | 350,000                 | 11,014,500         |
|   |                         | <u>103,264,340</u> |
| <b>Energy — 5.1%</b>  |                         |                    |
| BP plc ADR ....   | 270,000                 | 12,557,701         |
| Exxon Mobil Corp. ....  | 316,836                 | 12,451,655         |
| Petroleum & Resources Corporation (E) ....                                | 1,913,761               | 44,896,821         |
|   |                         | <u>69,906,177</u>  |

**SCHEDULE OF INVESTMENTS (CONTINUED)**

*December 31, 2001*

|  | <b>Prin. Amt.<br/>or Shares</b> | <b>Value (A)</b>   |
|--|---------------------------------|--------------------|
| <b>Financial — 19.5%</b>                           |                                 |                    |
| <i>Banking — 12.7%</i>                             |                                 |                    |
| BankNorth Group, Inc. . . . .                      | 474,000                         | \$ 10,674,480      |
| Citigroup Inc. . . . .                             | 401,023                         | 20,243,647         |
| Federal Home Loan Mortgage Corp. . . . .           | 345,000                         | 22,563,000         |
| Greenpoint Financial Corp. (D) . . . . .           | 435,000                         | 15,551,250         |
| Investors Financial Services Corp. . . . .         | 487,500                         | 32,277,375         |
| Mellon Financial Corp. . . . .                     | 420,000                         | 15,800,400         |
| Provident Bankshares Corp. . . . .                 | 335,021                         | 8,141,022          |
| Wachovia Corp. . . . .                             | 380,000                         | 11,916,800         |
| Wells Fargo & Co. . . . .                          | 550,000                         | 23,897,500         |
| Wilmington Trust Corp. . . . .                     | 210,000                         | 13,295,100         |
|  |                                 | <u>174,360,574</u> |
| <i>Insurance — 6.8%</i>                            |                                 |                    |
| AMBAC Financial Group, Inc. . . . .                | 569,400                         | 32,945,484         |
| American International Group, Inc. . . . .         | 759,375                         | 60,294,376         |
|  |                                 | <u>93,239,860</u>  |
| <b>Health Care — 16.4%</b>                         |                                 |                    |
| Abbott Laboratories . . . . .                      | 350,000                         | 19,512,500         |
| Affymetrix Inc. (C) . . . . .                      | 210,000                         | 7,927,500          |
| American Home Products Corp. . . . .               | 300,000                         | 18,408,000         |
| Applera Corp. – Applied Biosystems Group . . . . . | 210,000                         | 8,246,700          |
| Bristol-Myers Squibb Co. . . . .                   | 280,000                         | 14,280,000         |
| Caliper Technologies (C) (D) . . . . .             | 225,000                         | 3,512,250          |
| Elan Corp., plc ADR (C) (D) . . . . .              | 200,000                         | 9,012,000          |
| Enzon, Inc. (C) . . . . .                          | 100,000                         | 5,628,000          |
| Genentech, Inc. (C) . . . . .                      | 350,000                         | 18,987,500         |
| GlaxoSmithKline plc ADR (D) . . . . .              | 250,360                         | 12,472,935         |
| HCA Inc. (D) . . . . .                             | 390,000                         | 15,030,600         |
| Human Genome Sciences Inc. (C) (D) . . . . .       | 200,000                         | 6,744,000          |
| Johnson & Johnson . . . . .                        | 360,000                         | 21,276,000         |
| Lilly (Eli) & Co. . . . .                          | 190,000                         | 14,922,600         |
| Merck & Co., Inc. . . . .                          | 250,000                         | 14,700,000         |
| Pfizer Inc. . . . .                                | 300,000                         | 11,955,000         |
| Pharmacia Corp. . . . .                            | 368,900                         | 15,733,585         |
| Vertex Pharmaceuticals Inc. (C) . . . . .          | 248,016                         | 6,098,713          |
|  |                                 | <u>224,447,883</u> |

**SCHEDULE OF INVESTMENTS (CONTINUED)**

*December 31, 2001*

|   | Prin. Amt.<br>or Shares | Value (A)            |
|---|-------------------------|----------------------|
| <b>Technology — 15.2%</b>   |                         |                      |
| <i>Communication Equipment — 4.7%</i>                               |                         |                      |
| Corning Inc. (C) (D) .....  | 1,170,000 \$            | 10,436,400           |
| Ericsson (L.M.) Telephone Co. ADR .....                             | 2,000,000               | 10,440,000           |
| Lucent Technologies Inc. (C) (D) .....                              | 400,000                 | 2,516,000            |
| Motorola, Inc. ....   | 495,622                 | 7,444,242            |
| Nokia Corp. ADR .....   | 1,380,000               | 33,851,400           |
|   |                         | <u>64,688,042</u>    |
| <i>Computer Related — 7.2%</i>                                      |                         |                      |
| BEA Systems Inc. (C) (D) .....                                      | 370,000                 | 5,701,700            |
| BMC Software Inc. (C) .....   | 310,000                 | 5,074,700            |
| Cisco Systems, Inc. (C) .....                                       | 1,835,000               | 33,231,850           |
| Diamondcluster International Inc. (C) (D) .....                     | 497,500                 | 6,517,250            |
| Oracle Corp. (C) .....  | 1,180,000               | 16,295,800           |
| Sapient Corp. (C) .....   | 1,150,000               | 8,878,000            |
| Siebel Sytems Inc. (C) (D) .....                                    | 195,000                 | 5,456,100            |
| Sun Microsystems, Inc. (C) .....                                    | 515,000                 | 6,355,100            |
| Symantec Corp. 3.00% Conv. Sub. Notes due 2006 .....                | 500,000                 | 608,750              |
| Symantec Corp. (C) (D) .....  | 155,000                 | 10,281,150           |
|   |                         | <u>98,400,400</u>    |
| <i>Electronics — 3.3%</i>   |                         |                      |
| Intel Corp. ....  | 690,000                 | 21,700,500           |
| Solelectron Corp. (C) .....   | 2,000,000               | 22,560,000           |
|   |                         | <u>44,260,500</u>    |
| <b>Transportation — 2.4%</b>  |                         |                      |
| Canadian National Railway Co. 5.25% Conv. Pfd. QUIDS due 2029 ..... | 170,000                 | 11,135,000           |
| Canadian National Railway Co. (D) .....                             | 85,000                  | 4,103,800            |
| United Parcel Service, Inc. (D) .....                               | 315,000                 | 17,167,500           |
|   |                         | <u>32,406,300</u>    |
| <b>Utilities — 7.7%</b>   |                         |                      |
| Black Hills Corp. ....  | 555,000                 | 18,781,200           |
| CINergy Corp. ....  | 300,000                 | 10,029,000           |
| Duke Energy Corp. 8.25% Conv. Pfd. due 2004 (D) .....               | 400,000                 | 10,540,000           |
| Duke Energy Corp. ....  | 355,000                 | 13,937,300           |
| Keyspan Corp. ....  | 400,000                 | 13,860,000           |
| Mirant Corp. (C) (D) .....  | 400,000                 | 6,408,000            |
| Northwestern Corp. ....   | 500,000                 | 10,525,000           |
| Philadelphia Suburban Corp. ....                                    | 165,000                 | 3,720,750            |
| TECO Energy, Inc. ....  | 650,000                 | 17,056,000           |
|   |                         | <u>104,857,250</u>   |
| <b>Total Stocks and Convertible Securities</b>                      |                         |                      |
| (Cost \$849,939,348) (F) .....                                      |                         | <u>1,274,889,316</u> |



**SCHEDULE OF INVESTMENTS (CONTINUED)**

*December 31, 2001*

|   | <b>Prin. Amt.</b> | <b>Value (A)</b>       |
|---|-------------------|------------------------|
| <b>Short-Term Investments — 6.5%</b>                            |                   |                        |
| <i>U.S. Government Obligations — 0.7%</i>                       |                   |                        |
| U.S. Treasury Bills, 1.82%, due 2/21/02 .....                   | \$10,000,000      | \$ 9,974,217           |
| <br><i>Commercial Paper — 5.8%</i>                              |                   |                        |
| ChevronTexaco Corp., 1.86%, due 1/8/02 .....                    | 20,000,000        | 19,992,767             |
| Deere (John) Capital Corp., 1.82–1.84%, due 1/15/02 .....       | 18,900,000        | 18,886,593             |
| General Electric Capital Corp., 1.87%, due 1/8/02–1/10/02 ..... | 11,250,000        | 11,245,187             |
| IBM Corp. 1.92%, due 1/8/02 .....                               | 15,000,000        | 14,994,400             |
| Wells Fargo Financial, Inc., 1.85%, due 1/10/02 .....           | 14,350,000        | 14,348,869             |
|   |                   | <u>79,467,816</u>      |
| <b>Total Short-Term Investments</b>                             |                   |                        |
| (Cost \$89,442,033) .....                                       |                   | <u>89,442,033</u>      |
| <br><b>Total Investments</b>                                    |                   |                        |
| (Cost \$939,381,381) .....                                      |                   | 1,364,331,349          |
| Cash, receivables and other assets, less liabilities .....      |                   | <u>4,034,967</u>       |
| <b>Net Assets — 100.0%</b> .....                                |                   | <u>\$1,368,366,316</u> |

Notes:

- (A) See note 1 to financial statements. Securities are listed on the New York Stock Exchange, the American Stock Exchange, or the NASDAQ, except restricted securities.
- (B) Restricted securities (Nextel Communications Inc. 5.25% Conv. Notes due 2010, acquired 1/21/00, cost \$10,000,000 and Qwest Communications International, Inc. 5.75% TRENDS Pfd. due 2003, acquired 12/4/98–2/21/01, cost \$32,969,481).
- (C) Presently non-dividend paying.
- (D) All or a portion of these securities are on loan. See Note 7 to Financial Statements.
- (E) Non-controlled affiliate, a closed-end sector fund, registered as an investment company under the 1940 Act.
- (F) The aggregate market value of stocks held in escrow at December 31, 2001 covering open call option contracts written was \$6,172,600. In addition, the required aggregate market value of securities segregated by the custodian to collateralize open put option contracts written was \$3,337,500.

## PRINCIPAL CHANGES IN PORTFOLIO SECURITIES

*During the Three Months Ended December 31, 2001  
(unaudited)*

|   | Principal Amount or Shares |                        |                        |
|---|----------------------------|------------------------|------------------------|
|   | Additions                  | Reductions             | Held<br>Dec. 31, 2001  |
| Bristol-Myers Squibb Co. . . . .                            | 175,000                    |                        | 280,000                |
| Enzon, Inc. . . . .   | 100,000                    |                        | 100,000                |
| Hershey Foods Corp. . . . .                                 | 145,000                    |                        | 255,000                |
| Pfizer Inc. . . . .   | 135,000                    |                        | 300,000                |
| Safeway Inc. . . . .  | 70,000                     |                        | 70,000                 |
| Suiza Foods Corp. . . . .                                   | 128,700 <sup>(1)</sup>     |                        | —                      |
| American Tower Corp. 5.00% Conv. Notes due 2010 . . . . .   |                            | \$10,000,000           | —                      |
| Annuity & Life Re (Holdings), Ltd. . . . .                  |                            | 500,000                | —                      |
| Baxter International Inc. . . . .                           |                            | 510,000                | —                      |
| Calpine Capital Trust 5.75% Conv. Pfd. HIGH TIDES . . . . . |                            | 182,250                | —                      |
| Dean Foods Co. . . . .                                      |                            | 300,000 <sup>(1)</sup> | 128,700 <sup>(1)</sup> |
| Elan Corp., plc ADR . . . . .                               |                            | 350,000                | 200,000                |
| Genentech, Inc. . . . .                                     |                            | 50,000                 | 350,000                |
| Mead Corp. . . . .  |                            | 400,000                | —                      |
| Nokia Corp. ADR . . . . .                                   |                            | 460,000                | 1,380,000              |
| Orion Power Holdings, Inc. . . . .                          |                            | 712,000                | —                      |
| QRS Corp. . . . .   |                            | 417,500                | —                      |
| Williams Companies, Inc. . . . .                            |                            | 500,000                | —                      |

(1) Received .429 shares of Suiza Foods Corp. and \$21.00 for each share of Dean Foods Co. held. Suiza Foods Corp. and Dean Foods Co. merged into one company named Dean Foods Co.

**To the Board of Directors and Stockholders of  
The Adams Express Company:**

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of The Adams Express Company (hereafter referred to as the "Company") at December 31, 2001, and the results of its operations, the changes in its net assets and the financial highlights for each of the fiscal periods presented, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with auditing standards generally accepted in the United States of America, which require

that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2001 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

**PricewaterhouseCoopers LLP**

Baltimore, Maryland  
January 10, 2002

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**Common Stock**

New York Stock Exchange and Pacific Exchange ticker symbol: ADX  
NASDAQ Mutual Fund Quotation Symbol: XADEx  
Newspaper stock listings are generally under the abbreviation: AdaEx

**The Adams Express Company**

Seven St. Paul Street, Suite 1140, Baltimore, MD 21202

**Website:** [www.adamsexpress.com](http://www.adamsexpress.com)

**E-mail:** [contact@adamsexpress.com](mailto:contact@adamsexpress.com)

**Telephone:** (410) 752-5900 or (800) 638-2479

**Counsel:** Chadbourne & Parke L.L.P.

**Independent Accountants:** PricewaterhouseCoopers LLP

**Transfer Agent, Registrar & Custodian of Securities**

The Bank of New York  
101 Barclay Street  
New York, NY 10286

The Bank's Shareholder Relations Department: (877) 260-8188

E-mail: [Shareowner-svcs@bankofny.com](mailto:Shareowner-svcs@bankofny.com)

### WE ARE OFTEN ASKED —

#### **How do I invest in Adams Express?**

Adams Express Common Stock is listed on the New York Stock Exchange and the Pacific Exchange. The stock's ticker symbol is "ADX" and may be bought and sold through registered investment security dealers. Your broker will be able to assist you in this regard. In addition, stock may be purchased through the Bank of New York's Buy *DIRECT* Purchase and Sale Plan (see page 20).

#### **Where do I get information on the stock's price, trading and/or net asset value?**

The *daily* net asset value (NAV) per share and closing market price may be obtained from our website at [www.adamsexpress.com](http://www.adamsexpress.com). The daily NAV is also available on the NASDAQ Mutual Fund Quotation System under the symbol XADEx. The *week-ending* NAV is published on Saturdays in various newspapers and on Mondays in The Wall Street Journal in a table titled "Closed-End Funds." The table compares the net asset value at the close of the week's last business day to the market price of the shares, and shows the amount of the discount or premium.

Adams' daily trading is shown in the stock tables of most daily newspapers, usually with the abbreviated form "AdaEx." Local newspapers determine, usually by volume of traded shares, which securities to list. If your paper does not carry our listing, please telephone the Company at (800) 638-2479 or visit our website.

#### **How do I replace a lost certificate(s) or how do I correct a spelling error on my certificate?**

Your Adams Express stock certificates are valuable documents and should be kept in a safe place. For tax purposes, keep a record of each certificate, including the cost or market value of the shares it covers at the time acquired. If a certificate is lost, destroyed or stolen, notify the Transfer Agent immediately so a "stop transfer" order can be placed on the records to prevent an unauthorized transfer of your certificate. The necessary forms and requirements to permit the issuance of a

replacement certificate will then be sent to you. A certificate can be replaced only after the receipt of an affidavit regarding the loss accompanied by an open penalty bond, for which a small premium is paid by the stockholder.

In the event a certificate is issued with the holder's name incorrectly spelled, a correction can only be made if the certificate is returned to the Transfer Agent with instructions for correcting the error. Transferring shares to another name also requires that the certificate be forwarded to the Transfer Agent with the appropriate assignment forms completed and the signature of the registered owner Medallion guaranteed by a bank or member firm of The New York Stock Exchange, Inc.

#### **Can you send my dividend checks directly to my bank?**

Yes, provide the Transfer Agent with your bank's name, your branch's mailing address and your account number at your bank. (Sorry, electronic transfer of funds is not offered at this time.)

#### **Who do I notify of a change of address?**

The Transfer Agent.

#### **We go to Florida (Arizona) every winter. How do we get our mail from Adams Express?**

The Transfer Agent can program a seasonal address into its system; simply send the temporary address and the dates you plan to be there to The Bank of New York.

#### **I want to give shares to my children, grandchildren, etc. as a gift. How do I go about it?**

Giving shares of Adams Express is simple and is handled through our Transfer Agent. The stock transfer rules are clear and precise for most forms of transfer. They will vary slightly depending on each transfer, so write to the Transfer Agent stating the exact intent of your gift plans and the Agent will send you the instructions and forms necessary to effect your transfer.

**DIVIDEND PAYMENT SCHEDULE**

The Company presently pays dividends four times a year, as follows: (a) three interim distributions on or about March 1, June 1, and September 1, and (b) a “year-end” distribution, payable in late December, consisting of the estimated balance of the net investment income for the year and the net realized capital gain earned through October 31. Stockholders may elect to receive the year-end distribution in stock or cash. In connection with this distribution, all **stockholders of record** are sent a dividend announcement notice and an election card in mid-November.

**Stockholders holding shares in “street” or brokerage accounts may make their election by notifying their brokerage house representative.**

**BuyDIRECT<sup>SM</sup>\***

BuyDIRECT is a direct purchase and sale plan, as well as a dividend reinvestment plan, sponsored and administered by our transfer agent, The Bank of New York. The Plan provides registered stockholders and interested first time investors an affordable alternative for buying, selling, and reinvesting in Adams Express shares.

The costs to participants in administrative service fees and brokerage commissions for each type of transaction are listed below.

|  |  |
|--|--|
| Initial Enrollment   | \$7.50   |
| <i>A one-time fee for new accounts who are not currently registered holders.</i> |  |
| Optional Cash Investments  |  |
| Service Fee  | \$2.50 per investment  |
| Brokerage Commission   | \$0.05 per share   |
| Reinvestment of Dividends**  |  |
| Service Fee  | 10% of amount invested<br>(maximum of \$2.50 per investment) |
| Brokerage Commission   | \$0.05 per share   |
| Sale of Shares   |  |
| Service Fee  | \$10.00  |
| Brokerage Commission   | \$0.05 per share   |

|  |          |
|--|----------|
| Deposit of Certificates for safekeeping                                  | Included |
| Book to Book Transfers   | Included |
| <i>To transfer shares to another participant or to a new participant</i> |          |

**Fees are subject to change at any time.**

**Minimum and Maximum Cash Investments**

|  |             |
|--|-------------|
| Initial minimum investment (non-holders) | \$500.00    |
| Minimum optional investment              |             |
| (existing holders)                       | \$50.00     |
| Electronic Funds Transfer                |             |
| (monthly minimum)                        | \$50.00     |
| Maximum per transaction                  | \$25,000.00 |
| Maximum per year                         | NONE        |

A brochure which further details the benefits and features of BuyDIRECT as well as an enrollment form may be obtained by contacting The Bank of New York.

**For Non-registered Shareholders**

For shareholders whose stock is held by a broker in “street” name, The Bank of New York’s Dividend Reinvestment Plan remains available through many registered investment security dealers. If your shares are currently held in a “street” name or brokerage account, please contact your broker for details about how you can participate in this Plan or contact The Bank of New York about the BuyDIRECT Plan.

**The Company**

The Adams Express Company  
Lawrence L. Hooper, Jr.,  
Vice President, Secretary and  
General Counsel  
Seven St. Paul Street,  
Suite 1140  
Baltimore, MD 21202  
(800) 638-2479  
Website:  
www.adamsexpress.com  
E-mail:  
contact@adamsexpress.com

**The Transfer Agent**

The Bank of New York  
Shareholder Relations  
Dept.–8W  
P.O. Box 11258  
Church Street Station  
New York, NY 10286  
(877) 260-8188  
Website:  
http://stock.bankofny.com  
E-mail:  
Shareowner-svcs@  
bankofny.com

*\*BuyDIRECT is a service mark of The Bank of New York.*

*\*\*The year-end dividend and capital gain distribution will usually be made in newly issued shares of common stock. There would be no fees or commissions in connection with this dividend and capital gain distribution when made in newly issued shares.*

## HISTORICAL FINANCIAL STATISTICS

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| <b>Dec. 31</b> | <b>Value Of<br/>Net Assets</b> | <b>Shares<br/>Outstanding*</b> | <b>Net Asset<br/>Value<br/>Per Share*</b> | <b>Dividends<br/>From Net<br/>Investment<br/>Income<br/>Per Share*</b> | <b>Distributions<br/>From Net<br/>Realized<br/>Gains<br/>Per Share*</b> |
|----------------|--------------------------------|--------------------------------|---|--|---|
| 1987           | \$ 427,225,965                 | 40,250,997                     | \$10.61                                   | \$.52  | \$1.77  |
| 1988           | 455,825,580                    | 42,443,262                     | 10.74                                     | .33  | .88   |
| 1989           | 550,091,129                    | 44,974,408                     | 12.23                                     | .47  | .91   |
| 1990           | 529,482,769                    | 47,219,010                     | 11.21                                     | .44  | .71   |
| 1991           | 661,895,779                    | 49,121,246                     | 13.47                                     | .36  | .73   |
| 1992           | 696,924,779                    | 51,039,938                     | 13.65                                     | .31  | .77   |
| 1993           | 840,610,252                    | 63,746,498                     | 13.19                                     | .30  | .79   |
| 1994           | 798,297,600                    | 66,584,985                     | 11.99                                     | .33  | .73   |
| 1995           | 986,230,914                    | 69,248,276                     | 14.24                                     | .35  | .76   |
| 1996           | 1,138,760,396                  | 72,054,792                     | 15.80                                     | .35  | .80   |
| 1997           | 1,424,170,425                  | 74,923,859                     | 19.01                                     | .29  | 1.01  |
| 1998           | 1,688,080,336                  | 77,814,977                     | 21.69                                     | .30  | 1.10  |
| 1999           | 2,170,801,875                  | 80,842,241                     | 26.85                                     | .26  | 1.37  |
| 2000           | 1,951,562,978                  | 82,292,262                     | 23.72                                     | .22  | 1.63  |
| 2001           | 1,368,366,316                  | 85,233,262                     | 16.05                                     | .26  | 1.39  |

\*Adjusted to reflect the 3-for-2 stock split effected in October, 2000.

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### THE ADAMS EXPRESS COMPANY PRIVACY POLICY

In order to conduct its business, The Adams Express Company collects and maintains certain nonpublic personal information about our stockholders of record with respect to their transactions in shares of our securities. This information includes the stockholder's address, tax identification or Social Security number, share balances, and dividend elections. We do not collect or maintain personal information about stockholders whose shares of our securities are held in "street name" by a financial institution such as a bank or broker.

We do not disclose any nonpublic personal information about you, our other stockholders or our former stockholders to third parties unless necessary to process a transaction, service an account or as otherwise permitted by law.

To protect your personal information internally, we restrict access to nonpublic personal information about our stockholders to those employees who need to know that information to provide services to our stockholders. We also maintain certain other safeguards to protect your nonpublic personal information.

## BOARD OF DIRECTORS

| Personal Information  | Position held with the fund | Term of office | Length of time served | Principal Occupations during the last 5 years   | Number of portfolios in fund complex overseen by director | Other directorships  |
|---|-----------------------------|----------------|-----------------------|---|---|--|
| <b>Independent Directors</b>  |                             |                |                       |   |   |  |
| Enrique R. Arzac<br>7 St. Paul Street,<br>Suite 1140<br>Baltimore, MD 21202<br>Age 60     | Director                    | One Year       | Since 1983            | Professor of Finance and Economics, formerly Vice Dean of Academic Affairs of the Graduate School of Business, Columbia University.   | Two   | Director of Petroleum & Resources Corporation and Credit Suisse Asset Management Funds (8 funds) (investment companies).   |
| Daniel E. Emerson<br>7 St. Paul Street,<br>Suite 1140<br>Baltimore, MD 21202<br>Age 77    | Director                    | One Year       | Since 1982            | Chairman, The National YMCA Fund Inc. Retired Executive Vice President of NYNEX Corp., Retired Chairman of The Board of both NYNEX Information Resources Co. and NYNEX Mobile Communications Co. Previously Executive Vice President and Director of New York Telephone Company.      | Two   | Director of Petroleum & Resources Corporation (investment company).  |
| Edward J. Kelly, III<br>7 St. Paul Street,<br>Suite 1140<br>Baltimore, MD 21202<br>Age 48 | Director                    | One Year       | Since October 2001    | President and Chief Executive Officer of Mercantile Bankshares Corporation. Formerly Managing Director with J.P. Morgan Chase (investment bank and global financial institution) and prior thereto a partner with the New York City law firm of Davis Polk & Wardell.                 | Two   | Director of Petroleum & Resources Corporation (investment company) and Hartford Financial Services Group; and member of Board of Trustees of Johns Hopkins University.   |
| Thomas H. Lenagh<br>7 St. Paul Street,<br>Suite 1140<br>Baltimore, MD 21202<br>Age 83     | Director                    | One Year       | Since 1968            | Financial Advisor, Chairman of the Board, Inrad Corp. (crystals). Formerly Chairman of the Board and CEO of Greiner Engineering Inc. (formerly Systems Planning Corp.) (consultants). Formerly Treasurer and Chief Investment Officer of the Ford Foundation (charitable foundation). | Two   | Director of Gintel Fund, Clemente Strategic Fund and Petroleum & Resources Corporation (investment companies); and ICN Pharmaceuticals Inc., ASD Group (electronic contract manufacturing), and China Light Industry Fund. |
| W. D. MacCallan<br>7 St. Paul Street,<br>Suite 1140<br>Baltimore, MD 21202<br>Age 74      | Director                    | One Year       | Since 1971            | Retired Chairman of the Board and CEO of the Company and Petroleum & Resources Corporation. Formerly consultant to the Company and Petroleum & Resources Corporation.   | Two   | Director of Petroleum & Resources Corporation (investment company).  |
| W. Perry Neff<br>7 St. Paul Street,<br>Suite 1140<br>Baltimore, MD 21202<br>Age 74        | Director                    | One Year       | Since 1987            | Private Financial Consultant. Retired Executive Vice President of Chemical Bank.  | Two   | Director of Petroleum & Resources Corporation (investment company).  |

**BOARD OF DIRECTORS (CONTINUED)**

| Personal Information   | Position held with the fund      | Term of office | Length of time served                                    | Principal Occupations during the last 5 years  | Number of portfolios in fund complex overseen by director | Other directorships   |
|--|----------------------------------|----------------|--|--|---|---|
| <b>Independent Directors (continued)</b>   |                                  |                |  |  |   |   |
| Landon Peters<br>7 St. Paul Street,<br>Suite 1140<br>Baltimore, MD 21202<br>Age 71       | Director                         | One Year       | Since 1974   | Private Investor. Former Investment Manager, YMCA Retirement Fund. Formerly Executive Vice President and Treasurer and prior thereto Senior Vice President and Treasurer of The Bank of New York.  | Two   | Director of Petroleum & Resources Corporation (investment company).   |
| John J. Roberts<br>7 St. Paul Street,<br>Suite 1140<br>Baltimore, MD 21202<br>Age 79     | Director                         | One Year       | Since 1976   | Senior Advisor, formerly Vice-Chairman External Affairs, American International Group, Inc. (insurance). Formerly Chairman and CEO of American International Underwriters Corporation. Previously President of American International Underwriters Corporation-U.S./Overseas Operations. | Two   | Honorary Director of American International Group, Inc. and Director of Petroleum & Resources Corporation (investment company). |
| Susan C. Schwab<br>7 St. Paul Street,<br>Suite 1140<br>Baltimore, MD 21202<br>Age 46     | Director                         | One Year       | Since 2000   | Dean of the School of Public Affairs at the University of Maryland, College Park. Formerly Director of Corporate Business Development at Motorola, Inc.  | Two   | Director of Petroleum & Resources Corporation (investment company) and Calpine Corp. (energy).                                  |
| Robert J. M. Wilson<br>7 St. Paul Street,<br>Suite 1140<br>Baltimore, MD 21202<br>Age 81 | Director                         | One Year       | Since 1975   | Retired President of the Company and retired President of Petroleum & Resources Corporation.   | Two   | Director of Petroleum & Resources Corporation (investment company).   |
| <b>Interested Director</b>   |                                  |                |  |  |   |   |
| Douglas G. Ober<br>7 St. Paul Street,<br>Suite 1140<br>Baltimore, MD 21202<br>Age 55     | Director,<br>Chairman<br>and CEO | One Year       | Director Since 1989;<br>Chairman of the Board Since 1991 | Chairman & CEO of the Company and Petroleum & Resources Corporation.   | Two   | Director of Petroleum & Resources Corporation (investment company).   |



## THE ADAMS EXPRESS COMPANY

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### Board Of Directors (with their principal affiliations)

Enrique R. Arzac<sup>2,4</sup>  
*Professor of Finance  
and Economics  
Columbia University*

Daniel E. Emerson<sup>1,4</sup>  
*Retired Executive Vice President  
NYNEX Corporation*

Edward J. Kelly, III  
*President and  
Chief Executive Officer  
Mercantile Bankshares  
Corporation*

Thomas H. Lenagh<sup>2,3</sup>  
*Financial Advisor*

W.D. MacCallan<sup>1,4</sup>  
*Retired Chairman of the Company  
and Petroleum & Resources  
Corporation*

W. Perry Neff<sup>1,2</sup>  
*Retired Executive Vice President  
Chase Bank*

Douglas G. Ober<sup>1</sup>  
*Chairman of the Company*

Landon Peters<sup>3,4</sup>  
*Private Investor*

John J. Roberts<sup>2,4</sup>  
*Senior Advisor, American  
International Group, Inc.*

Susan C. Schwab<sup>1,3</sup>  
*Dean of the School of  
Public Affairs  
University of Maryland*

Robert J.M. Wilson<sup>1,3</sup>  
*Retired President of the Company  
and Petroleum & Resources  
Corporation*

### Officers

Douglas G. Ober  
*Chairman and  
Chief Executive Officer*

Joseph M. Truta  
*President*

Richard F. Koloski  
*Executive Vice President*

Richard B. Tumolo  
*Vice President — Research*

Lawrence L. Hooper, Jr.  
*Vice President, Secretary and  
General Counsel*

Maureen A. Jones  
*Vice President and Treasurer*

Christine M. Sloan  
*Assistant Treasurer*

Geraldine H. Stegner  
*Assistant Secretary*

1. Member of Executive Committee

2. Member of Audit Committee

3. Member of Compensation Committee

4. Member of Retirement Benefits Committee

**THE ADAMS EXPRESS COMPANY**

Seven St. Paul Street, Suite 1140

Baltimore, MD 21202

(410) 752-5900 or (800) 638-2479

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[www.adamsexpress.com](http://www.adamsexpress.com)

