

# THE ADAMS EXPRESS COMPANY

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## Board of Directors

Enrique R. Arzac <sup>2,4</sup>	Douglas G. Ober <sup>1</sup>
Daniel E. Emerson <sup>1,3</sup>	Landon Peters <sup>2,3</sup>
Edward J. Kelly, III <sup>1,4</sup>	John J. Roberts <sup>1,2</sup>
Thomas H. Lenagh <sup>1,4</sup>	Susan C. Schwab <sup>1,3</sup>
W.D. MacCallan <sup>3,4</sup>	Robert J.M. Wilson <sup>1,3</sup>
W. Perry Neff <sup>2,4</sup>	

1. Member of Executive Committee
2. Member of Audit Committee
3. Member of Compensation Committee
4. Member of Retirement Benefits Committee

## Officers

Douglas G. Ober	<i>Chairman and Chief Executive Officer</i>
Joseph M. Truta	<i>President</i>
Stephen E. Kohler	<i>Vice President—Research</i>
Lawrence L. Hooper, Jr.	<i>Vice President, Secretary and General Counsel</i>
Maureen A. Jones	<i>Vice President and Chief Financial Officer</i>
Christine M. Sloan	<i>Assistant Treasurer</i>
Geraldine H. Paré	<i>Assistant Secretary</i>

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## Stock Data

Price (3/31/03)	\$10.14
Net Asset Value (3/31/03)	\$11.57
Discount:	12.4%

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

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## Distributions in 2003

From Investment Income (paid or declared)	\$0.07
From Net Realized Gains	<u>0.03</u>
Total	<u>\$0.10</u>

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## 2003 Dividend Payment Dates

March 1, 2003  
June 1, 2003  
September 1, 2003\*  
December 27, 2003\*

\*Anticipated



## FIRST QUARTER REPORT

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March 31, 2003

building for the future  
with solid investments

## LETTER TO STOCKHOLDERS

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We submit herewith the financial statements for the three months ended March 31, 2003. Also provided are a schedule of investments and summary financial information.

Net assets of the Company at March 31, 2003 were \$11.57 per share on 83,693,350 shares outstanding, compared with \$12.12 per share at December 31, 2002 on 84,536,250 shares outstanding. On March 1, 2003, a distribution of \$0.05 per share was paid, consisting of \$0.03 from 2002 long-term capital gain, \$0.01 from 2002 investment income, and \$0.01 from 2003 investment income, all taxable in 2003. A regular 2003 investment income dividend of \$0.05 per share has been declared to shareholders of record May 16, 2003, payable June 1, 2003.

Net investment income for the three months ended March 31, 2003 amounted to \$3,658,419, compared with \$4,377,616 for the same period in 2002. These earnings are equal to \$0.04 and \$0.05 per share, respectively, on the average number of shares outstanding during each period.

Net capital gain realized on investments for the three months ended March 31, 2003 amounted to \$3,296,880, the equivalent of \$0.04 per share.

The Annual Meeting, held on March 25, 2003 in Chicago, Illinois, was well attended by shareholders. The results of the voting at the Annual Meeting are shown on page 14.

Current and potential shareholders can find information about the Company, including the daily net asset value (NAV) per share, the market price, and the discount/premium to the NAV, at its site on the Internet. The address for the site is [www.adamsexpress.com](http://www.adamsexpress.com). Also available at the website are a brief history of the Company, historical financial information, and more general industry material.

Further information regarding shareholder services is located on page 15 of this report.

Mr. Richard F. Koloski, Executive Vice President, retired from the Company on March 31, 2003. Mr. Koloski has been a member of the Investment Committee, the portfolio management team, since 1986 as well as the Company's senior energy analyst. His significant contributions to the Company over the years were recognized at the Annual Meeting of Shareholders by ourselves as well as the Board of Directors. We wish him well in his retirement; he will be missed by all.

We are pleased to announce effective March 25, 2003, the Board of Directors elected Mr. Stephen E. Kohler to Vice President—Research. Mr Kohler has been a research analyst with the Company since 1999.

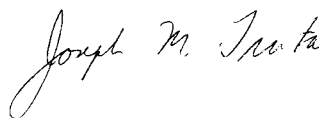
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The Company is an internally-managed equity fund whose investment policy is essentially based on the primary objectives of preservation of capital, the attainment of reasonable income from investments, and an opportunity for capital appreciation.

By order of the Board of Directors,



Douglas G. Ober,  
*Chairman and  
Chief Executive Officer*



Joseph M. Truta,  
*President*

April 18, 2003

# STATEMENT OF ASSETS AND LIABILITIES

March 31, 2003

(unaudited)

## Assets

Investments\* at value:

Common stocks and convertible securities

(cost \$764,368,690)

\$798,386,494

Non-controlled affiliate, Petroleum & Resources Corporation

(cost \$27,963,162)

38,111,273

Short-term investments (cost \$130,995,082)

130,995,082

\$967,492,849

Cash

108,619

Securities lending collateral

76,081,176

Receivables:

Investment securities sold

603,555

Dividends and interest

968,498

Prepaid expenses and other assets

7,163,729

*Total Assets*

1,052,418,426

## Liabilities

Investment securities purchased

3,254,797

Open written option contracts at value (proceeds \$1,371,323)

983,250

Obligations to return securities lending collateral

76,081,176

Accrued expenses

3,410,663

*Total Liabilities*

83,729,886

**Net Assets**

\$968,688,540

## Net Assets

Common Stock at par value \$1.00 per share, authorized 150,000,000 shares;

issued and outstanding 83,693,350 shares

\$ 83,693,350

Additional capital surplus

829,984,018

Undistributed net investment income

6,849,025

Undistributed net realized gain on investments

3,608,159

Unrealized appreciation on investments

44,553,988

**Net Assets Applicable to Common Stock**

\$968,688,540

**Net Asset Value Per Share of Common Stock**

\$11.57

\*See Schedule of Investments on pages 8 through 10.

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

## STATEMENT OF OPERATIONS

*Three Months Ended March 31, 2003*

*(unaudited)*

### **Investment Income**

Income:

Dividends:

From unaffiliated issuers \$ 4,344,944

From non-controlled affiliate 79,440

Interest and other income 487,507

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*Total income* 4,911,891

Expenses:

Investment research 445,815

Administration and operations 274,761

Directors' fees 58,500

Reports and stockholder communications 129,941

Transfer agent, registrar and custodian expenses 115,626

Auditing and accounting services 24,136

Legal services 12,308

Occupancy and other office expenses 140,973

Travel, telephone and postage 30,049

Other 21,363

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*Total expenses* 1,253,472

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**Net Investment Income** 3,658,419

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

Net realized gain on security transactions 3,118,140

Net realized gain distributed by regulated investment company (non-controlled affiliate) 178,740

Change in unrealized appreciation on investments (50,033,550)

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**Net Loss on Investments** (46,736,670)

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**Change in Net Assets Resulting from Operations** \$(43,078,251)

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

STATEMENTS OF CHANGES IN NET ASSETS

	Three Months Ended March 31, 2003 (unaudited)	Year Ended December 31, 2002
<b>From Operations:</b>		
Net investment income	\$ 3,658,419	\$ 16,738,360
Net realized gain on investments	3,296,880	44,530,335
Change in unrealized appreciation on investments	(50,033,550)	(330,406,021)
<i>Change in net assets resulting from operations</i>	(43,078,251)	(269,137,326)
<b>Dividends to Stockholders from:</b>		
Net investment income	(1,681,663)	(15,955,830)
Net realized gain from investment transactions	(2,522,494)	(47,121,926)
<i>Decrease in net assets from distributions</i>	(4,204,157)	(63,077,756)
<b>From Capital Share Transactions:</b>		
Value of shares issued in payment of exercised options and distributions	—	26,003,033
Cost of shares purchased (Note 4)	(8,839,144)	(37,344,175)
<i>Change in net assets from capital share transactions</i>	(8,839,144)	(11,341,142)
<b>Total Decrease in Net Assets</b>	(56,121,552)	(343,556,224)
<b>Net Assets:</b>		
Beginning of period	1,024,810,092	1,368,366,316
End of period (including undistributed net investment income of \$6,849,025 and \$4,872,269, respectively)	\$ 968,688,540	\$1,024,810,092

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

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

## 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 March 31, 2003 was \$923,822,933 and net unrealized appreciation aggregated \$45,041,239, of which the related gross unrealized appreciation and depreciation were \$269,431,713 and \$224,390,474, respectively.

Distributions are determined in accordance with income tax regulations which may differ from generally accepted accounting principles. Accordingly, annual 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 three months ended March 31, 2003 were \$37,664,892 and \$16,830,151, respectively. Options may be written (sold) or purchased by the Company. 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 an option is limited to the premium originally paid. A schedule of outstanding option contracts as of March 31, 2003 can be found on page 11.

Transactions in written covered call and collateralized put options during the three months ended March 31, 2003 were as follows:

	Covered Calls		Collateralized Puts	
	Contracts	Premiums	Contracts	Premiums
Options outstanding, December 31, 2002	6,047	\$ 564,056	6,195	\$ 663,944
Options written	2,200	303,980	8,450	856,624
Options terminated in closing purchase transactions	(100)	(17,354)	(350)	(44,956)
Options expired	(3,797)	(342,808)	(6,095)	(587,664)
Options exercised	—	—	(250)	(24,499)
Options outstanding, March 31, 2003	4,350	\$ 507,874	7,950	\$ 863,449

All investment decisions are made by a committee, and no one person is primarily responsible for making recommendations to that committee.

## 4. Capital Stock

The Company has 10,000,000 authorized and unissued preferred shares without par value.

On December 27, 2002, the Company issued 2,426,788 shares of its Common Stock at a price of \$10.715 per share (the average market price on December 9, 2002) to stockholders of record November 25, 2002 who elected to take stock in payment of the distribution from 2002 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 2003 and 2002 were as follows:

	Shares		Amount	
	Three months ended March 31, 2003	Year ended December 31, 2002	Three months ended March 31, 2003	Year ended December 31, 2002
Shares issued in payment of dividends	—	2,426,788	\$ —	\$ 26,003,033
Shares purchased (at a weighted average discount from net asset value of 11.9% and 10.9%, respectively)	(842,900)	(3,123,800)	(8,839,144)	(37,344,175)
Net change	(842,900)	(697,012)	\$(8,839,144)	\$(11,341,142)

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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On March 31, 2003, the Company held a total of 1,539,912 shares of its Common Stock at a cost of \$16,393,570. There were 697,012 shares at a cost of \$7,554,426 of its Common Stock held at December 31, 2002.

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 holders 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 2003, 259,023 options were outstanding, with a weighted average exercise price of \$11.1902 per share. During the three months ended March 31, 2003, the Company granted options including stock appreciation rights for 57,398 shares of common stock with a weighted average exercise price of \$10.975. Stock options and stock appreciation rights relating to 43,619 shares, and having a weighted average exercise price of \$11.1536, were cancelled. At March 31, 2003, there were outstanding exercisable options to purchase 120,549 common shares at \$2.6042-\$19.0100 per share (weighted average price of \$10.6519), and unexercisable options to purchase 152,253 common shares at \$4.3883-\$19.0100 per share (weighted average price of \$11.4454). The weighted average remaining contractual life of outstanding exercisable and unexercisable options is 5.4880 years and 7.2180 years, respectively. Total compensation expense recognized for the three months ended March 31, 2003 related to the stock options and stock appreciation rights plan was \$(80,461). At March 31, 2003, there were 1,242,752 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 5 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. As of March 31, 2003, the plan assets, consisting of investments in individual stocks, bonds and mutual funds were \$9,780,628. In determining the actuarial present value of the projected benefit obligation, the interest rate used for the weighted average discount rate was 6.75%, the expected rate of annual salary increases was 7.0%, and the long-term expected rate of return on plan assets was 8.0%. The projected benefit obligation as of March 31, 2003 was \$6,348,424. Prepaid pension cost included in other assets at March 31, 2003 was \$6,176,509.

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 March 31, 2003 for employees and former employees of the Company was \$2,324,912. Aggregate remuneration paid or accrued during the three months ended March 31, 2003 to key employees and directors amounted to \$431,762.

### 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 at all times by collateral of at least 102% 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 March 31, 2003, the Company had securities on loan of \$71,738,728 and held collateral of \$76,081,176, consisting of repurchase agreements.

## FINANCIAL HIGHLIGHTS

	<b>Three Months Ended</b>		<b>Year Ended December 31</b>				
	<b>(unaudited)</b>						
	<b>March 31, 2003</b>	<b>March 31, 2002</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
<b>Per Share Operating Performance*</b>							
Net asset value, beginning of period	\$12.12	\$16.05	\$16.05	\$23.72	\$26.85	\$21.69	\$19.01
Net investment income	0.04	0.05	0.20	0.26	0.26	0.25	0.30
Net realized gains and change in unrealized appreciation and other changes	(0.55)	(0.22)	(3.38)	(6.21)	(1.51)	6.71	3.90
Total from investment operations	(0.51)	(0.17)	(3.18)	(5.95)	(1.25)	6.96	4.20
Less distributions							
Dividends from net investment income	(0.02)	(0.02)	(0.19)	(0.26)	(0.22)	(0.26)	(0.30)
Distributions from net realized gains	(0.03)	(0.06)	(0.57)	(1.39)	(1.63)	(1.37)	(1.10)
Total distributions	(0.05)	(0.08)	(0.76)	(1.65)	(1.85)	(1.63)	(1.40)
Capital share repurchases	0.01	0.01	0.05	0.04	0.10	—	—
Reinvestment of distributions	—	—	(0.04)	(0.11)	(0.13)	(0.17)	(0.12)
Total capital share transactions	0.01	0.01	0.01	(0.07)	(0.03)	(0.17)	(0.12)
Net asset value, end of period	\$11.57	\$15.81	\$12.12	\$16.05	\$23.72	\$26.85	\$21.69
Per share market price, end of period	\$10.14	\$14.12	\$10.57	\$14.22	\$21.00	\$22.38	\$17.75
<b>Total Investment Return</b>							
Based on market price	(3.6)%	(0.1)%	(20.6)%	(24.7)%	1.7%	36.1%	19.3%
Based on net asset value	(4.1)%	(0.9)%	(19.4)%	(24.7)%	(4.3)%	33.6%	23.7%
<b>Ratios/Supplemental Data</b>							
Net assets, end of period (in 000's)	\$968,689	\$1,342,888	\$1,024,810	\$1,368,366	\$1,951,563	\$2,170,802	\$1,688,080
Ratio of expenses to average net assets	0.51%†	0.34%†	0.34%	0.19%	0.24%	0.32%	0.22%
Ratio of net investment income to average net assets	1.48%†	1.31%†	1.42%	1.33%	0.97%	1.06%	1.48%
Portfolio turnover	7.96%†	26.96%†	17.93%	19.15%	12.74%	15.94%	22.65%
Number of shares outstanding at end of period (in 000's)*	83,693	84,916	84,536	85,233	82,292	80,842	77,815

\* Prior years have been adjusted to reflect the 3-for-2 stock split effected in October 2000. Certain prior year amounts have been reclassified to conform to current year presentation.

† Ratios presented on an annualized basis.



## SCHEDULE OF INVESTMENTS

March 31, 2003

(unaudited)

	Prin. Amt. or Shares	Value (A)		Prin. Amt. or Shares	Value (A)
<b>Stocks and Convertible Securities — 86.4%</b>					
<b>Consumer — 11.8%</b>					
BJ's Wholesale Club, Inc. (B)	500,000	\$ 5,650,000		Abbott Laboratories	350,000 \$ 13,163,500
Brinker International Inc. (B)	515,000	15,707,500		Affymetrix Inc. (B)(D)	210,000 5,460,000
Coca-Cola Co.	200,000	8,096,000		Bristol-Myers Squibb Co.	345,000 7,289,850
Dean Foods Co. (B)	477,400	20,485,234		Enzon Pharmaceuticals, Inc. (B)	100,000 1,135,000
Gannett Inc.	87,500	6,162,625		Genentech, Inc. (B)	300,000 10,503,000
Hershey Foods Corp.	70,000	4,386,200		GlaxoSmithKline plc ADR	250,360 8,810,168
PepsiCo, Inc.	440,000	17,600,000		HCA Inc. (D)	450,000 18,612,000
Procter & Gamble Co.	170,000	15,138,500		Johnson & Johnson	360,000 20,833,200
Safeway, Inc. (B)	415,000	7,855,950		Laboratory Corp. of America	
Target Corp.	460,000	13,459,600		Holdings (B)(D)	325,000 9,636,250
		114,541,609		Lilly (Eli) & Co.	190,000 10,858,500
		53,074,074		Pfizer Inc.	484,500 15,097,020
<b>Energy — 5.5%</b>					
BP plc ADR	270,000	10,419,301		Pharmacia Corp.	368,900 15,973,370
Exxon Mobil Corp.	130,000	4,543,500		Vertex Pharmaceuticals Inc. (B)	70,000 778,400
Petroleum & Resources				Wyeth Co.	300,000 11,346,000
Corporation (C)	1,985,996	38,111,273			149,496,258
		53,074,074		<b>Industrials — 13.1%</b>	
<b>Financials — 14.9%</b>					
<b>    Banking — 8.9%</b>					
BankNorth Group, Inc.	474,000	10,337,940		Black & Decker Corp.	300,000 10,458,000
Compass Bancshares Inc.	175,000	5,472,250		Boeing Co.	300,000 7,518,000
Federal Home Loan Mortgage				Canadian National Railway	
Corp.	160,000	8,496,000		Co. (D)	170,000 7,276,000
Investors Financial Services				Corning Inc. (B)(D)	1,170,000 6,832,800
Corp. (D)	495,000	12,053,250		General Electric Co.	1,182,500 30,153,750
Provident Bancshares Corp.	335,021	7,732,295		Ingersoll-Rand Co. Ltd.	250,000 9,647,500
Wachovia Corp.	380,000	12,946,600		R.R. Donnelley & Sons Co.	500,000 9,160,000
Wells Fargo & Co.	400,000	17,996,000		3M Co.	145,000 18,854,350
Wilmington Trust Corp.	420,000	11,676,000		United Parcel Service, Inc.	80,000 4,560,000
		86,710,335		United Technologies Corp.	380,000 21,956,400
<b>Insurance — 6.0%</b>					
AMBAC Financial Group, Inc.	400,000	20,208,000			126,416,800
American International Group,					
Inc.	763,675	37,763,730			
		57,971,730			

**SCHEDULE OF INVESTMENTS (CONTINUED)**

*March 31, 2003*  
*(unaudited)*

	<u>Prin. Amt.</u> <u>or Shares</u>	<u>Value (A)</u>		<u>Prin. Amt.</u> <u>or Shares</u>	<u>Value (A)</u>
<b>Information Technology — 10.1%</b>			<b>Materials — 1.8%</b>		
<b>Communication Equipment — 1.6%</b>			Albemarle Corp.	225,400	\$ 5,488,490
Lucent Technologies Inc. (B)(D)	400,000	\$ 588,000	Rohm & Haas Co.	400,000	11,912,000
Nokia Corp. ADR (D)	1,050,000	14,710,500			<u>17,400,490</u>
		<u>15,298,500</u>	<b>Telecom Services — 4.7%</b>		
<b>Computer Related — 7.0%</b>			Alltel Corp.	350,000	15,666,000
BEA Systems Inc. (B)(D)	435,000	4,432,650	BellSouth Corp.	415,000	8,993,050
BMC Software Inc. (B)	310,000	4,677,900	SBC Communications Inc.	595,000	11,935,700
Cisco Systems, Inc. (B)	1,755,000	22,639,500	Vodafone Group plc		
DiamondCluster International Inc. (B)	497,500	696,500	ADS (D)	492,614	8,975,418
Microsoft Corp.	315,000	7,626,150			<u>45,570,168</u>
Oracle Corp. (B)	880,000	9,547,120	<b>Utilities — 9.1%</b>		
Sapient Corp. (B)	1,150,000	1,759,500	Black Hills Corp.	374,500	10,295,005
Siebel Systems Inc. (B)	770,000	6,167,700	CINergy Corp.	440,000	14,806,000
Sun Microsystems Inc. (B)	515,000	1,678,900	Duke Energy Corp. 8.25% Conv. Pfd. due 2004 (D)	400,000	5,040,000
Symantec Corp. 3.00% Conv. Sub. Notes due 2006 (E)	\$500,000	680,628	Duke Energy Corp.	355,000	5,161,700
Symantec Corp. (B)(D)	200,000	7,836,000	Keyspan Corp.	400,000	12,900,000
		<u>67,742,548</u>	MDU Resources Group, Inc.	450,000	12,564,000
<b>Electronics — 1.5%</b>			Northwestern Corp. (D)	500,000	1,050,000
Intel Corp.	510,000	8,302,800	Philadelphia Suburban Corp. (D)	875,000	19,206,250
Solectron Corp. (B)(D)	2,000,000	6,040,000	TECO Energy, Inc. (D)	650,000	6,909,500
		<u>14,342,800</u>			<u>87,932,455</u>
			<b>Total Stocks and Convertible Securities</b>		
			(Cost \$792,331,852) (F)		<u>836,497,767</u>

**SCHEDULE OF INVESTMENTS (CONTINUED)**

March 31, 2003  
(unaudited)

	<u>Prin. Amt.</u>	<u>Value (A)</u>		<u>Prin. Amt.</u>	<u>Value (A)</u>
<b>Short-Term Investments — 13.5%</b>					
<i>U.S. Government Obligations — 3.6%</i>					
U.S. Treasury Bills, 1.10%, due 5/22/03	\$35,000,000	\$34,945,458	General Electric Capital Corp., 1.20-1.24%, due 4/15/03-5/6/03	\$11,085,000	\$ 11,075,440
<i>Certificates of Deposit — 1.5%</i>					
Mercantile-Safe Deposit & Trust Co., 1.15-1.25%, due 4/21/03-6/25/03	15,000,000	15,000,000	Toyota Motor Credit Corp., 1.22%, due 4/10/03	13,125,000	13,120,997
<i>Commercial Paper — 8.4%</i>					
AIG Funding, Inc., 1.23%, due 5/6/03	12,675,000	12,659,843	Wells Fargo Financial, Inc., 1.17%, due 4/24/03	15,000,000	14,988,788
ChevronTexaco Corp., 1.19-1.23%, due 4/10/03- 5/1/03	4,670,000	4,666,238			<u>81,049,624</u>
Coca-Cola Enterprises, Inc., 1.24%, due 4/8/03	13,325,000	13,321,787	<b>Total Short-Term Investments</b> (Cost \$130,995,082)		<u>130,995,082</u>
GMAC MINT, 1.23%, due 4/30/03	7,100,000	7,092,965	<b>Total Investments — 99.9%</b> (Cost \$923,326,934)		967,492,849
GMAC New Center Asset Trust, 1.24-1.27%, due 4/3/03-4/22/03	4,125,000	4,123,566	Cash, receivables and other assets, less liabilities — 0.1%		1,195,691
			<b>Net Assets — 100.0%</b>		<u><u>\$968,688,540</u></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) Presently non-dividend paying.
- (C) Non-controlled affiliate, a closed-end sector fund, registered as an investment company under the Investment Company Act of 1940.
- (D) Some or all of these securities are on loan. See Note 7 to Financial Statements.
- (E) Restricted security (Symantec Corp. 3.00% Conv. Sub. Notes due 2006 acquired 10/18/01, cost \$500,000).
- (F) The aggregate market value of stocks held in escrow at March 31, 2003 covering open call option contracts written was \$18,159,850. In addition, the aggregate market value of securities segregated by the custodian required to collateralize open put option contracts written was \$28,256,250.

## SCHEDULE OF OUTSTANDING OPTION CONTRACTS

March 31, 2003  
(unaudited)

Contracts (100 shares each)	Security	Strike Price	Contract Expiration Date	Appreciation/ (Depreciation)
<b>COVERED CALLS</b>				
250	Affymetrix Inc.	\$ 35	Aug 03	\$ 9,375
250	American International Group Inc.	60	Aug 03	1,379
250	American International Group Inc.	100	Jan 04	24,999
2,000	Cisco Systems Inc.	25	Jan 04	150,994
100	Federal Home Loan Mortgage Corp.	65	Oct 03	2,800
100	Procter & Gamble Co.	90	Jul 03	(28,400)
100	Procter & Gamble Co.	95	Jul 03	(7,500)
100	Procter & Gamble Co.	100	Oct 03	(5,000)
100	Symantec Corp.	50	Apr 03	24,049
100	Symantec Corp.	50	Jul 03	5,499
100	Symantec Corp.	55	Jul 03	11,599
200	Symantec Corp.	55	Oct 03	16,099
200	3M Co.	140	Apr 03	16,099
250	3M Co.	150	Jul 03	1,384
250	United Technologies Corp.	75	Aug 03	24,999
4,350				248,375
<b>COLLATERALIZED PUTS</b>				
100	Albemarle Corp.	22.50	Jun 03	2,100
250	Alltel Corp.	35	Jul 03	13,999
250	Alltel Corp.	40	Jul 03	199
350	BEA Systems Inc.	7.50	Sep 03	5,424
100	Boeing Co.	25	May 03	(6,900)
150	Boeing Co.	22.50	Aug 03	(7,350)
250	Canadian National Railway Co.	40	Apr 03	27,624
250	Canadian National Railway Co.	35	Jul 03	7,624
250	Coca-Cola Co.	35	May 03	18,874
200	Federal Home Loan Mortgage Corp.	45	Jul 03	2,725
250	Gannett Inc.	65	Apr 03	10,249
150	Gannett Inc.	70	Apr 03	(4,501)
100	Gannett Inc.	65	May 03	(2,400)
250	Gannett Inc.	60	Jul 03	6,249
250	Gannett Inc.	55	Oct 03	(6,251)
100	Gannett Inc.	60	Oct 03	(4,401)
100	Hershey Foods Corp.	55	Aug 03	(2,400)
250	Ingersoll-Rand Co. Ltd.	32.50	Jun 03	5,249
250	Investors Financial Services Corp.	25	Apr 03	(2,276)
250	Investors Financial Services Corp.	22.50	Jul 03	(4,901)
250	Investors Financial Services Corp.	20	Oct 03	(6,776)
250	Laboratory Corp. of America Holdings	20	May 03	18,124
150	Lilly (Eli) & Co.	50	Apr 03	14,999
250	Lilly (Eli) & Co.	45	Jul 03	4,999
50	MDU Resources Group, Inc.	20	Apr 03	3,549
500	Microsoft Corp.	20	Apr 03	22,624
250	Microsoft Corp.	17.50	Jul 03	12,624
500	Microsoft Corp.	23.75	Jul 03	(21,001)
150	Procter & Gamble Co.	55	Apr 03	15,075
250	Procter & Gamble Co.	65	Jul 03	18,749
100	Rohm & Haas Co.	25	Jul 03	4,100
100	Rohm & Haas Co.	30	Jul 03	(12,400)
250	Safeway, Inc.	20	Jun 03	(26,001)
250	Target Corp.	22.50	Jul 03	11,499
200	United Parcel Service, Inc.	55	Apr 03	14,099
250	United Parcel Service, Inc.	50	Jul 03	4,999
100	United Parcel Service, Inc.	45	Oct 03	1,500
7,950				139,698
				\$388,073

## CHANGES IN PORTFOLIO SECURITIES

*During the Three Months Ended March 31, 2003  
(unaudited)*

	Shares		Held March 31, 2003
	Additions	Reductions	
Albemarle Corp. ....	400		225,400
Alltel Corp. ....	75,000		350,000
BEA Systems Inc. ....	35,000		435,000
BJ's Wholesale Club, Inc. ....	25,000		500,000
Canadian National Railway Co. ....	62,700		170,000
Compass Bancshares Inc. ....	175,000		175,000
Gannett Inc. ....	87,500		87,500
Ingersoll-Rand Co. Ltd. ....	87,800		250,000
Laboratory Corp. of America Holdings ....	325,000		325,000
Microsoft Corp. ....	315,000 <sup>(1)</sup>		315,000
Ericsson (L.M.) Telephone Co. ADR ....		200,000	—
Mellon Financial Corp. ....		420,000	—
Vertex Pharmaceuticals Inc. ....		178,016	70,000
Wells Fargo & Co. ....		100,000	400,000

<sup>(1)</sup> Received 65,000 shares from 2-for-1 stock split.

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 market 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.

## HISTORICAL FINANCIAL STATISTICS

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<u>December 31</u>	<u>Value of Net Assets</u>	<u>Shares Outstanding*</u>	<u>Net Asset Value per Share*</u>	<u>Dividends from Net Investment Income per Share*</u>	<u>Distributions from Net Realized Gains per Share*</u>
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
2002 .....	1,024,810,092	84,536,250	12.12	.19	.57
March 31, 2003 (unaudited) .....	968,688,540	83,693,350	11.57	.07†	.03

\* Prior years have been adjusted to reflect the 3-for-2 stock split effected in October 2000.

† Paid or declared.

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### Common Stock

Listed on the New York Stock Exchange  
and the Pacific Exchange

### The Adams Express Company

Seven St. Paul Street, Suite 1140, Baltimore, MD 21202  
(410) 752-5900 or (800) 638-2479

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

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

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

**Independent Accountants:** PricewaterhouseCoopers LLP

**Transfer Agent, Registrar & Custodian of Securities:** The Bank of New York

## ANNUAL MEETING OF STOCKHOLDERS

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The Annual Meeting of Stockholders was held on March 25, 2003. For those nominated, the following votes were cast for directors:

	<u>votes for</u>	<u>votes withheld</u>
(A) Enrique R. Arzac:	69,714,532	2,135,181
(B) Daniel E. Emerson:	69,311,442	2,538,271
(C) Edward J. Kelly, III:	69,633,872	2,215,841
(D) Thomas H. Lenagh:	68,995,035	2,854,678
(E) W.D. MacCallan:	69,420,785	2,428,928
(F) W. Perry Neff:	69,451,144	2,398,569
(G) Douglas G. Ober:	69,612,554	2,237,159
(H) Landon Peters:	69,622,110	2,227,603
(I) John J. Roberts:	69,174,486	2,675,227
(J) Susan C. Schwab:	69,579,749	2,269,964
(K) Robert J.M. Wilson:	69,202,675	2,647,038

A proposal to approve and ratify the selection of PricewaterhouseCoopers LLP as the firm of independent accountants of the Company for 2003 was approved with 70,160,948 votes for, 1,019,576 votes against, and 669,189 votes abstaining.

A proposal to approve an amendment to the Company's Stock Option Plan to extend the term of the Plan for an additional three years was approved with 62,688,124 votes for, 7,563,253 votes against, and 1,598,336 votes abstaining.

A stockholder proposal to request the Board of Directors to consider placing performance limitations on when stock option grants may be awarded to the Company's investment personnel was defeated. Of the 37,426,892 shares that were voted on this proposal (abstentions are not included in this calculation), 11,447,766 shares (30.6%) were voted for, and 25,979,126 shares (69.4%) were voted against. 2,785,459 shares abstained. Of the total number of shares outstanding as of February 14, 2003, the record date for the meeting, 13.6% per cent were voted for the proposal.

## 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 (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 the 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](http://www.adamsexpress.com)

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

## The Transfer Agent

### The Bank of New York

**Address Shareholder Inquiries to:**  
Shareholder Relations Department  
P.O. Box 11258 Church Street Station  
New York, NY 10286  
(877) 260-8188

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

**E-mail:** [Shareowners@bankofny.com](mailto:Shareowners@bankofny.com)

**Send Certificates for Transfer  
and Address Changes to:**  
Receive and Deliver Department  
P.O. Box 11002 Church Street Station  
New York, NY 10286

\*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.