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ADAMS EXPRESS CO
Form N-CSRS
August 03, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED
MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number: 811-00248

THE ADAMS EXPRESS COMPANY

(Exact name of registrant as specified in charter)

7 Saint Paul Street, Suite 1140, Baltimore, Maryland 21202

(Address of principal executive offices) (Zip code)

Lawrence L. Hooper, Jr.
The Adams Express Company
7 Saint Paul Street
Suite 1140
Baltimore, Maryland 21202

Registrant's telephone number, including area code: 410-752-5900

Date of fiscal year end: December 31, 2004

Date of reporting period: June 30, 2004

[GRAPHIC APPEARS HERE]

THE ADAMS EXPRESS COMPANY

Board of Directors

| | |
|------------------------------|----------------------------|
| Enrique R. Arzac /1/,/2/ | W. Perry Neff /2/,/4/ |
| Phyllis O. Bonanno /1/,/3/ | Douglas G. Ober /1/ |
| Daniel E. Emerson /1/,/3/ | Landon Peters /2/,/3/ |
| Thomas H. Lenagh /1/,/4/ | John J. Roberts /1/ |
| W.D. MacCallan /3/,/4/ | Susan C. Schwab /2/,/4/ |
| Kathleen T. McGahran /2/,/4/ | Robert J.M. Wilson /1/,/3/ |

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 Chairman and Chief Executive Officer

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| | |
|-------------------------|--|
| Joseph M. Truta | President |
| Lawrence L. Hooper, Jr. | Vice President, General Counsel and Secretary |
| Maureen A. Jones | Vice President, Chief Financial Officer and Treasurer |
| Stephen E. Kohler | Vice President--Research |
| D. Cotton Swindell | Vice President--Research |
| Christine M. Sloan | Assistant Treasurer |
| Geraldine H. Pare | Assistant Secretary |

Stock Data

| | | |
|---------------------------|----|-------|
| Market Price (6/30/04) | \$ | 12.72 |
| Net Asset Value (6/30/04) | \$ | 14.79 |
| Discount: | | 14.0% |

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

Distributions in 2004

| | | |
|---|----|-------|
| From Investment Income (paid or declared) | \$ | 0.13 |
| From Net Realized Gains | | 0.02 |
| | | ----- |
| Total | \$ | 0.15 |
| | | ===== |

2004 Dividend Payment Dates

March 1, 2004
 June 1, 2004
 September 1, 2004
 December 27, 2004*

*Anticipated

LETTER TO STOCKHOLDERS

We submit herewith the audited financial statements of the Company for the six months ended June 30, 2004. Also provided are the report of the independent registered public accounting firm, a schedule of investments and summary financial information.

Net assets of the Company at June 30, 2004 were \$14.79 per share on 84,408,612 shares outstanding, compared with \$14.36 per share at December 31, 2003 on 84,886,412 shares outstanding. On March 1, 2004, a distribution of \$0.05 per share was paid, consisting of \$0.01 from 2003 long-term capital gain, \$0.01 from 2003 short-term capital gain, and \$0.03 from 2003 investment income, all taxable in 2004. A 2004 investment income dividend of \$0.05 per share was paid on June 1, 2004 and another \$0.05 investment income dividend has been declared to shareholders of record August 17, 2004, payable on September 1, 2004.

Net investment income for the six months ended June 30, 2004 amounted to \$7,719,995, compared with \$7,115,861 for the same period in 2003. These earnings

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are equal to \$0.09 per share on the average number of shares outstanding during each period.

Net capital gain realized on investments for the six months ended June 30, 2004 amounted to \$22,800,007, the equivalent of \$0.27 per share.

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 website is www.adamsexpress.com. Also available at the website are a 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.

The Company is an internally-managed equity fund whose investment policy is 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,

/s/ Douglas G. Ober,
Douglas G. Ober,
Chairman and
Chief Executive Officer

/s/ Joseph M. Truta,
Joseph M. Truta,
President

July 23, 2004

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2004

Assets

Investments* at value:

| | | |
|--|------------------|--------|
| Common stocks and convertible securities (cost \$896,435,558) | \$ 1,172,484,319 | |
| Non-controlled affiliate, Petroleum & Resources Corporation (cost \$27,963,162) | 47,286,577 | |
| Short-term investments (cost \$23,485,648) | 23,485,648 | |
| Securities lending collateral (cost \$70,493,153) | 70,493,153 | \$ 1,3 |

Cash

Receivables:

Investment securities sold
Dividends and interest

Prepaid expenses and other assets

Total Assets

1,3

Liabilities

Investment securities purchased
Open written option contracts at value (proceeds \$671,104)
Obligations to return securities lending collateral
Accrued expenses

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| | |
|--|--------|
| Total Liabilities | |
| ----- | |
| Net Assets | \$ 1,2 |
| ===== | |
| Net Assets | |
| Common Stock at par value \$1.00 per share, authorized 150,000,000 shares; issued and outstanding 84,408,612 shares | \$ |
| Additional capital surplus | 8 |
| Undistributed net investment income | |
| Undistributed net realized gain on investments | |
| Unrealized appreciation on investments | 2 |
| ----- | |
| Net Assets Applicable to Common Stock | \$ 1,2 |
| ===== | |
| Net Asset Value Per Share of Common Stock | \$ |
| ===== | |

*See Schedule of Investments on pages 8 through 10.

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

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STATEMENT OF OPERATIONS

Six Months Ended June 30, 2004

| | |
|--|----|
| Investment Income | |
| Income: | |
| Dividends: | |
| From unaffiliated issuers | \$ |
| From non-controlled affiliate | |
| Interest and other income | |
| ----- | |
| Total income | |
| ----- | |
| Expenses: | |
| Investment research | |
| Administration and operations | |
| Directors' fees | |
| Reports and stockholder communications | |
| Transfer agent, registrar and custodian expenses | |
| Auditing and accounting services | |
| Legal services | |
| Occupancy and other office expenses | |
| Travel, telephone and postage | |
| Other | |
| ----- | |
| Total expenses | |
| ----- | |
| Net Investment Income | |
| ----- | |
| Realized Gain and Change in Unrealized Appreciation On Investments | |
| Net realized gain on security transactions | |
| Net realized gain distributed by regulated investment company (non-controlled affiliate) | |
| Change in unrealized appreciation on investments | |
| ----- | |
| Net Gain on Investments | |

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Change in Net Assets Resulting from Operations \$
=====

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

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STATEMENTS OF CHANGES IN NET ASSETS

| | Six Months Ended June 30, 2004 | Year December |
|---|-----------------------------------|------------------|
| | ----- | ----- |
| From Operations: | | |
| Net investment income | \$ 7,719,995 | \$ |
| Net realized gain on investments | 22,800,007 | |
| Change in unrealized appreciation on investments | 13,574,864 | 1 |
| | ----- | ----- |
| Change in net assets resulting from operations | 44,094,866 | 2 |
| | ----- | ----- |
| Distributions to Stockholders from: | | |
| Net investment income | (6,770,361) | (|
| Net realized gain from investment transactions | (1,692,590) | (|
| | ----- | ----- |
| Decrease in net assets from distributions | (8,462,951) | (|
| | ----- | ----- |
| From Capital Share Transactions: | | |
| Value of shares issued in payment of distributions | -- | |
| Cost of shares purchased (Note 4) | (6,064,388) | (|
| | ----- | ----- |
| Change in net assets from capital share transactions | (6,064,388) | |
| | ----- | ----- |
| Total Increase in Net Assets | 29,567,527 | 1 |
| | ----- | ----- |
| Net Assets: | | |
| Beginning of period | 1,218,862,456 | 1,0 |
| | ----- | ----- |
| End of period (including undistributed net investment income of \$7,336,095 and \$6,386,461, respectively) | \$ 1,248,429,983 | \$ 1,2 |
| | ===== | ===== |

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

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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.

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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 June 30, 2004 was \$1,018,246,195 and net unrealized appreciation aggregated \$296,174,606, of which the related gross unrealized appreciation and depreciation were \$428,062,720 and \$131,888,114, 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

The Company's investment decisions are made by a committee, and recommendations to that committee are made by the research staff.

Purchases and sales of portfolio securities, other than options and short-term investments, during the six months ended June 30, 2004 were \$93,347,907 and \$78,599,807, respectively. Options may be written (sold) or purchased by the Company. The Company, as writer of an option, bears the risks of possible illiquidity of the option markets and from movements in security values. The risk associated with purchasing an option is limited to the premium originally paid. A schedule of outstanding option contracts as of June 30, 2004 can be found on page 11.

Transactions in written covered call and collateralized put options during the six months ended June 30, 2004 were as follows:

| | Covered Calls | | Collateralized Puts | |
|--|---------------|------------|---------------------|------------|
| | Contracts | Premiums | Contracts | Premiums |
| Options outstanding, December 31, 2003 | 1,850 | \$ 229,289 | 3,100 | \$ 385,022 |
| Options written | 4,015 | 435,752 | 5,110 | 568,151 |
| Options terminated in closing purchase transactions | (900) | (93,746) | (650) | (81,026) |

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| | | | | |
|---------------------------------------|---------|------------|---------|------------|
| Options expired | (1,100) | (113,958) | (3,750) | (456,809) |
| Options exercised | (1,350) | (174,917) | (250) | (26,654) |
| ----- | | | | |
| Options outstanding, June 30, 2004 | 2,515 | \$ 282,420 | 3,560 | \$ 388,684 |
| ===== | | | | |

4. Capital Stock

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

On December 27, 2003, the Company issued 2,702,062 shares of its Common Stock at a price of \$12.09 per share (the average market price on December 8, 2003) to stockholders of record on November 24, 2003 who elected to take stock in payment of the distribution from 2003 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 2004 and 2003 were as follows:

| | Shares | | Amount | |
|---|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Six months ended June 30, 2004 | Year ended December 31, 2003 | Six months ended June 30, 2004 | Year ended December 31, 2003 |
| Shares issued in payment of dividends | -- | 2,702,062 | \$ -- | \$ 32,667,930 |
| Shares purchased (at a weighted average discount from net asset value of 13.1% and 11.2%, respectively) | (477,800) | (2,351,900) | (6,064,388) | (26,545,949) |
| Net change | (477,800) | 350,162 | \$ (6,064,388) | \$ 6,121,981 |

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

On June 30, 2004, the Company held a total of 824,650 shares of its Common Stock at a cost of \$10,351,626. The Company held 346,850 shares of its Common Stock at a cost of \$4,287,238 on December 31, 2003.

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

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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 2004, 229,364 options were outstanding, with a weighted average exercise price of \$12.07 per share. During the six months ended June 30, 2004, the Company granted options including stock appreciation rights for 62,067 shares of Common Stock at an original weighted average exercise price of \$12.57. At June 30, 2004, there were outstanding exercisable options to purchase 127,417 common shares at \$3.79-\$18.41 per share (weighted average price of \$12.43), and unexercisable options to purchase 164,014 common shares at \$5.38-\$18.41 per share (weighted average price of \$11.95). The weighted average remaining contractual life of outstanding exercisable and unexercisable options is 6.18 years and 7.32 years, respectively. Total compensation expense recognized for the six months ended June 30, 2004 related to the stock options and stock appreciation rights plan was \$58,994. At June 30, 2004, there were 1,180,685 shares available for future option grants.

5. Retirement Plans

The Company's non-contributory qualified defined benefit pension plan covers all full-time employees with at least one year of service. Benefits are based on length of service and compensation during the last five years of employment. The Company's policy is to contribute annually to the plan those amounts that can be deducted for federal income tax purposes, plus additional amounts as the Company deems appropriate in order to provide assets sufficient to meet benefits to be paid to plan participants. During the six months ended June 30, 2004, no contributions to the plan have been made. The Company presently does not anticipate making any contributions to the plan in 2004.

In addition, the Company has a nonqualified defined benefit plan which provides eligible employees with retirement benefits to supplement the qualified plan.

The following table aggregates the components of the plans' net periodic pension cost for the six months ended June 30:

| | June 30, 2004 |
|------------------------------------|---------------|
| Service cost | \$ 153,537 |
| Interest cost | 225,858 |
| Expected return on plan assets | (373,421) |
| Amortization of prior service cost | 63,989 |
| Amortization of net loss | 56,601 |
| | |
| Net periodic pension cost | \$ 126,564 |
| | |

The Company also sponsors a defined contribution plan that covers substantially all employees. For the six months ended June 30, 2004, the Company expensed contributions of \$75,303. The Company does not provide postretirement medical benefits.

6. Expenses

The cumulative amount of accrued expenses at June 30, 2004 for employees and former employees of the Company was \$2,548,982. Aggregate remuneration paid or accrued during the six months ended June 30, 2004 to directors and key employees amounted to \$1,173,116.

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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 approximately 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 June 30, 2004, the Company had securities on loan of \$69,157,669 and held collateral of \$70,493,153, consisting of repurchase agreements, time deposits and commercial paper.

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FINANCIAL HIGHLIGHTS

| | Six Months Ended | | Year Ended | | |
|--|------------------|------------------|--------------|--------------|--------------|
| | June 30, 2004 | June 30, 2003 | 2003 | 2002 | 2001 |
| Per Share Operating Performance* | | | | | |
| Net asset value, beginning of period | \$ 14.36 | \$ 12.12 | \$ 12.12 | \$ 16.05 | \$ 12.12 |
| Net investment income | 0.09 | 0.09 | 0.19 | 0.20 | |
| Net realized gains and change in unrealized appreciation | 0.43 | 0.92 | 2.85 | (3.38) | |
| Total from investment operations | 0.52 | 1.01 | 3.04 | (3.18) | |
| Less distributions | | | | | |
| Dividends from net investment income | (0.08) | (0.07) | (0.17) | (0.19) | |
| Distributions from net realized gains | (0.02) | (0.03) | (0.61) | (0.57) | |
| Total distributions | (0.10) | (0.10) | (0.78) | (0.76) | |
| Capital share repurchases | 0.01 | 0.03 | 0.04 | 0.05 | |
| Reinvestment of distributions | -- | -- | (0.06) | (0.04) | |
| Total capital share transactions | 0.01 | 0.03 | (0.02) | 0.01 | |
| Net asset value, end of period | \$ 14.79 | \$ 13.06 | \$ 14.36 | \$ 12.12 | \$ 12.12 |
| Per share market price, end of period | | | | | |
| | \$ 12.72 | \$ 11.81 | \$ 12.41 | \$ 10.57 | \$ 10.57 |
| Total Investment Return | | | | | |
| Based on market price | 3.3% | 12.8% | 25.2% | (20.6)% | |
| Based on net asset value | 3.8% | 8.7% | 26.3% | (19.4)% | |
| Ratios/Supplemental Data | | | | | |
| Net assets, end of period (in 000's) | \$ 1,248,430 | \$ 1,082,406 | \$ 1,218,862 | \$ 1,024,810 | \$ 1,024,810 |

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| | | | | |
|---|---------|---------|--------|--------|
| Ratio of expenses to average net assets | 0.43%+ | 0.53%+ | 0.47% | 0.34% |
| Ratio of net investment income to average net assets | 1.25%+ | 1.39%+ | 1.45% | 1.42% |
| Portfolio turnover | 13.10%+ | 10.91%+ | 12.74% | 17.93% |
| Number of shares outstanding at end of period (in 000's)* | 84,409 | 82,909 | 84,886 | 84,536 |

 * 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.

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SCHEDULE OF INVESTMENTS

 June 30, 2004

| | Prin. Amt. or Shares | Value (A) |
|--|-------------------------|---------------|
| | ----- | ----- |
| Stocks and Convertible Securities -- 97.7% | | |
| Consumer -- 13.3% | | |
| Consumer Discretionary -- 6.1% | | |
| BJ's Wholesale Club, Inc. (B) (C) | 500,000 | \$ 12,500,000 |
| Brinker International Inc. (B) | 400,000 | 13,648,000 |
| Gannett Co., Inc. | 87,500 | 7,424,375 |
| Mattel, Inc. | 575,000 | 10,493,750 |
| Newell Rubbermaid Inc. | 515,000 | 12,102,500 |
| Target Corp. | 460,000 | 19,536,200 |
| | | ----- |
| | | 75,704,825 |
| | | ----- |
| Consumer Staples -- 7.2% | | |
| Coca-Cola Co. | 200,000 | 10,096,000 |
| Dean Foods Co. (B) | 562,500 | 20,986,875 |
| Hershey Foods Corp. | 140,000 | 6,477,800 |
| PepsiCo, Inc. | 440,000 | 23,707,200 |
| Procter & Gamble Co. | 340,000 | 18,509,600 |
| Safeway, Inc. (B) | 423,000 | 10,718,820 |
| | | ----- |
| | | 90,496,295 |
| | | ----- |
| Energy -- 7.6% | | |
| BP plc ADR (C) | 270,000 | 14,463,901 |
| ConocoPhillips | 200,000 | 15,258,000 |
| Exxon Mobil Corp. | 130,000 | 5,773,300 |
| Petroleum & Resources Corporation (D) | 1,985,996 | 47,286,577 |
| Schlumberger Ltd. | 190,000 | 12,066,900 |
| | | ----- |
| | | 94,848,678 |
| | | ----- |
| Financials -- 17.7% | | |
| Banking -- 11.1% | | |
| Bank of America Corp. | 220,000 | 18,616,400 |
| BankNorth Group, Inc. | 400,000 | 12,992,000 |

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| | | |
|--|-----------|---------------|
| Compass Bancshares Inc. | 300,000 | 12,900,000 |
| Fifth Third Bancorp | 200,000 | 10,756,000 |
| Investors Financial Services Corp. (C) | 435,000 | 18,957,300 |
| Provident Bankshares Corp. | 335,021 | 9,662,019 |
| Wachovia Corp. (C) | 370,000 | 16,465,000 |
| Wells Fargo & Co. | 400,000 | 22,892,000 |
| Wilmington Trust Corp. | 420,000 | 15,632,400 |
| | | ----- |
| | | 138,873,119 |
| | | ----- |
| Insurance -- 6.6% | | |
| AMBAC Financial Group, Inc. | 400,000 | 29,376,000 |
| American International Group, Inc. | 738,675 | 52,652,755 |
| | | ----- |
| | | 82,028,755 |
| | | ----- |
| Health Care -- 13.5% | | |
| Abbott Laboratories | 350,000 | \$ 14,266,000 |
| Bristol-Myers Squibb Co. | 345,000 | 8,452,500 |
| Enzon Pharmaceuticals, Inc. (B) (C) | 100,000 | 1,276,000 |
| Genentech, Inc. (B) | 250,000 | 14,050,000 |
| HCA Inc. | 450,000 | 18,715,500 |
| Hospira Inc. (B) | 35,000 | 966,000 |
| Johnson & Johnson | 335,000 | 18,659,500 |
| Laboratory Corp. of America Holdings (B) (C) | 360,000 | 14,292,000 |
| MedImmune, Inc. (B) | 225,000 | 5,265,000 |
| Medtronic Inc. | 310,000 | 15,103,200 |
| Pfizer Inc. | 1,100,000 | 37,708,000 |
| Wyeth Co. | 325,000 | 11,752,000 |
| Zimmer Holdings Inc. (B) | 90,000 | 7,938,000 |
| | | ----- |
| | | 168,443,700 |
| | | ----- |
| Industrials -- 14.9% | | |
| Black & Decker Corp. | 250,000 | 15,532,500 |
| Canadian National Railway Co. (C) | 255,000 | 11,115,450 |
| Donnelley (R.R.) & Sons Co. (C) | 375,000 | 12,382,500 |
| Emerson Electric Co. | 200,000 | 12,710,000 |
| General Electric Co. | 1,487,700 | 48,201,480 |
| Illinois Tool Works Inc. | 135,000 | 12,945,150 |
| Ingersoll-Rand Co. Ltd. (C) | 196,000 | 13,388,760 |
| Parker-Hannifin Corp. | 225,000 | 13,378,500 |
| 3M Co. | 165,000 | 14,851,650 |
| United Parcel Service, Inc. | 80,000 | 6,013,600 |
| United Technologies Corp. | 275,000 | 25,157,000 |
| | | ----- |
| | | 185,676,590 |
| | | ----- |

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SCHEDULE OF INVESTMENTS (CONTINUED)

June 30, 2004

| | Prin. Amt. or Shares | Value (A) |
|---------------------------------|-------------------------|--------------|
| | ----- | ----- |
| Information Technology -- 15.0% | | |
| Communication Equipment -- 2.7% | | |
| Avaya Inc. (B) | 575,000 | \$ 9,079,250 |

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| | | |
|---|------------|------------------|
| Corning Inc. (B) | 1,170,000 | 15,280,200 |
| Lucent Technologies Inc. (B) (C) | 2,540,000 | 9,601,200 |
| | | ----- |
| | | 33,960,650 |
| | | ----- |
| Computer Related -- 9.7% | | |
| BEA Systems Inc. (B) | 800,000 | 6,576,000 |
| BMC Software Inc. (B) | 310,000 | 5,735,000 |
| Cisco Systems, Inc. (B) | 1,200,000 | 28,440,000 |
| Dell Inc. (B) | 400,000 | 14,328,000 |
| DiamondCluster International Inc. (B) | 497,500 | 4,323,275 |
| Microsoft Corp. | 800,000 | 22,848,000 |
| Oracle Corp. (B) | 880,000 | 10,498,400 |
| Sapient Corp. (B) | 1,150,000 | 6,911,500 |
| Siebel Systems Inc. (B) | 800,000 | 8,544,000 |
| Sun Microsystems Inc. (B) | 515,000 | 2,235,100 |
| Symantec Corp. 3.00% Conv. Sub. | | |
| Notes due 2006 (E) | \$ 500,000 | 1,287,188 |
| Symantec Corp. (B) (C) | 215,000 | 9,412,700 |
| | | ----- |
| | | 121,139,163 |
| | | ----- |
| Electronics -- 2.6% | | |
| Cree, Inc. (B) (C) | 500,000 | 11,640,000 |
| Intel Corp. | 310,000 | 8,556,000 |
| Solelectron Corp. (B) | 1,850,000 | 11,969,500 |
| | | ----- |
| | | 32,165,500 |
| | | ----- |
| Materials -- 4.9% | | |
| Air Products and Chemicals, Inc. | 250,000 | \$ 13,112,500 |
| Albemarle Corp. (C) | 52,850 | 1,672,703 |
| du Pont (E.I.) de Nemours and Co. | 400,000 | 17,768,000 |
| Rohm & Haas Co. | 400,000 | 16,632,000 |
| Smurfit-Stone Container Corp. (B) (C) | 601,350 | 11,996,933 |
| | | ----- |
| | | 61,182,136 |
| | | ----- |
| Telecom Services -- 4.3% | | |
| Alltel Corp. | 350,000 | 17,717,000 |
| BellSouth Corp. | 415,000 | 10,881,300 |
| SBC Communications Inc. | 595,000 | 14,428,750 |
| Vodafone Group plc | | |
| ADS (C) | 492,613 | 10,886,758 |
| | | ----- |
| | | 53,913,808 |
| | | ----- |
| Utilities -- 6.5% | | |
| Aqua America, Inc. | 927,500 | 18,596,375 |
| Black Hills Corp. (C) | 255,000 | 8,032,500 |
| CINergy Corp. (C) | 300,000 | 11,400,000 |
| Duke Energy Corp. (C) | 611,560 | 12,408,552 |
| Keyspan Corp. | 400,000 | 14,680,000 |
| MDU Resources Group, Inc. | 675,000 | 16,220,250 |
| | | ----- |
| | | 81,337,677 |
| | | ----- |
| Total Stocks and Convertible Securities | | |
| (Cost \$924,398,720) (F) | | \$ 1,219,770,896 |
| | | ----- |

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SCHEDULE OF INVESTMENTS (CONTINUED)

June 30, 2004

| | Prin. Amt. | Value (A) |
|---------------------------------------|---------------|------------------|
| Short-Term Investments -- 1.9% | | |
| U.S. Government Obligations -- 1.4% | | |
| U.S. Treasury Bills, | | |
| 0.96%, due 8/19/04 | \$ 18,000,000 | \$ 17,976,480 |
| Commercial Paper -- 0.5% | | |
| American General Finance Corp., | | |
| 0.95 - 1.26%, due 7/6/04 | 5,510,000 | 5,509,168 |
| Total Short-Term Investments | | 23,485,648 |
| (Cost \$23,485,648) | | |
| Securities Lending Collateral -- 5.6% | | |
| Repurchase Agreements | | |
| Daiwa Securities America Inc., | | |
| 1.65%, due 7/1/04 | | 52,504,003 |
| Time Deposits | | |
| Nordeutsche Landesbanken | | |
| GIR Hanover, 1.07%, due 7/8/04 | | 3,508,738 |
| Commercial Paper | | |
| Citi Corp., 1.38%, due 8/3/04 | | 2,996,088 |
| Giro Balanced Funding Corp., | | |
| 1.29%, due 7/15/04 | | 2,998,167 |
| Holland Ltd, | | |
| 1.08%, due 7/12/04 | \$ | 2,998,557 |
| Jupiter Securitization Corp., | | |
| 1.34%, due 8/2/04 | | 1,997,468 |
| Surrey Funding Corp., | | |
| 1.07 - 1.51%, due 7/12/04-9/24/04 | | 3,490,132 |
| Total Securities Lending Collateral | | 70,493,153 |
| (Cost \$70,493,153) | | |
| Total Investments -- 105.2% | | 1,313,749,697 |
| (Cost \$1,018,377,521) | | |
| Cash, receivables and other | | |
| assets, less liabilities-- (5.2)% | | (65,319,714) |
| Net Assets-- 100.0% | | \$ 1,248,429,983 |

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) Some or all of these securities are on loan. See note 7 to financial statements.
- (D) Non-controlled affiliate, a closed-end sector fund, registered as an investment company under the Investment Company Act of 1940.
- (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 June 30, 2004

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covering open call option contracts written was \$15,571,240. In addition, the aggregate market value of securities segregated by the Company's custodian required to collateralize open put option contracts written was \$13,571,875.

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SCHEDULE OF OUTSTANDING OPTION CONTRACTS

June 30, 2004

| Contracts (100 Shares Each) | Security | Strike Price | Contract Expiration Date | App (De |
|--------------------------------------|--------------------------------------|-----------------|--------------------------------|------------|
| ----- | ----- | ----- | ----- | ----- |
| COVERED CALLS | | | | |
| 350 | American International Group, Inc. | \$ 80 | Aug 04 | \$ |
| 200 | Black & Decker Corp. | 65 | Aug 04 | |
| 200 | Brinker International Inc. | 40 | Jan 05 | |
| 150 | Brinker International Inc. | 40 | Jul 04 | |
| 100 | ConocoPhillips | 80 | Aug 04 | |
| 100 | Illinois Tool Works Inc. | 100 | Sep 04 | |
| 150 | Ingersoll-Rand Co. Ltd. | 70 | Jul 04 | |
| 100 | Ingersoll-Rand Co. Ltd. | 80 | Sep 04 | |
| 150 | Investors Financial Services Corp. | 50 | Jul 04 | |
| 150 | Laboratory Corp. of America Holdings | 45 | Aug 04 | |
| 65 | Parker-Hannifin Corp. | 65 | Aug 04 | |
| 200 | Procter & Gamble Co. | 60 | Oct 04 | |
| 100 | Symantec Corp. | 55 | Jul 04 | |
| 100 | Symantec Corp. | 55 | Oct 04 | |
| 150 | United Technologies Corp. | 100 | Aug 04 | |
| 100 | United Technologies Corp. | 105 | Nov 04 | |
| 150 | Zimmer Holdings Inc. | 95 | Sep 04 | |
| ----- | | | | |
| 2,515 | | | | |
| ----- | | | | |
| COLLATERALIZED PUTS | | | | |
| 250 | Avaya Inc. | 15 | Sep 04 | |
| 250 | Avaya Inc. | 12.50 | Dec 04 | |
| 200 | Bank of America Corp. | 75 | Aug 04 | |
| 100 | Bank of America Corp. | 70.00 | Nov 04 | |
| 150 | Canadian National Railway Co. | 36.63 | Jul 04 | |
| 60 | Canadian National Railway Co. | 35 | Oct 04 | |
| 250 | du Pont (E.I.) de Nemours and Co. | 37.50 | Oct 04 | |
| 100 | Emerson Electric Co. | 55 | Sep 04 | |
| 250 | Fifth Third Bancorp | 50 | Aug 04 | |
| 100 | Gannett Co., Inc. | 75 | Oct 04 | |
| 250 | Microsoft Corp. | 22.50 | Oct 04 | |
| 200 | Murphy Oil Corp. | 55 | Jul 04 | |
| 100 | Murphy Oil Corp. | 50 | Oct 04 | |
| 250 | Smurfit-Stone Container Corp. | 15 | Aug 04 | |
| 200 | Target Corp. | 40 | Aug 04 | |
| 200 | Target Corp. | 40 | Oct 04 | |
| 100 | Target Corp. | 35 | Jan 05 | |
| 250 | Wachovia Corp. | 40 | Jan 05 | |
| 100 | Wyeth Co. | 30 | Jul 04 | |
| 100 | Wyeth Co. | 30 | Oct 04 | |

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100 Wyeth Co. 35 Oct 04

 3,560

\$
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CHANGES IN PORTFOLIO SECURITIES

 During the Three Months Ended June 30, 2004
 (unaudited)

| | Shares | | |
|---|-------------|-------------|----|
| | Additions | Reductions | Ju |
| Avaya Inc. | 575,000 | | |
| Bank of America Corp. | 20,000 | | |
| Cree, Inc. | 256,100 | | |
| Duke Energy Corp. | 256,560 (1) | | |
| du Pont (E.I.) de Nemours and Co. | 400,000 | | |
| Fifth Third Bancorp | 45,000 | | |
| Genentech, Inc. | 125,000 (2) | 10,000 | |
| Hershey Foods Corp. | 70,000 (2) | | |
| Hospira Inc. | 35,000 (3) | | |
| Lucent Technologies Inc. | 440,000 | | |
| Procter & Gamble Co. | 170,000 (2) | | |
| Smurfit-Stone Container Corp. | 162,850 | | |
| Wyeth Co. | 25,000 | | |
| Affymetrix Inc. | | 110,000 | |
| Albemarle Corp. | | 172,550 | |
| Aqua America, Inc. | | 22,500 | |
| BankNorth Group, Inc. | | 74,000 | |
| Black & Decker Corp. | | 50,000 | |
| Black Hills Corp. | | 15,000 | |
| CINergy Corp. | | 140,000 | |
| Donnelley (R.R.) & Sons Co. | | 25,000 | |
| Duke Energy Corp. 8.25% Conv. Pfd. due 2004 | | 400,000 (1) | |
| Ingersoll-Rand Co. Ltd. | | 9,000 | |
| Johnson & Johnson | | 25,000 | |
| Laboratory Corp. of America Holdings | | 60,000 | |
| Nokia Corp. ADR | | 400,000 | |
| Parker-Hannifin Corp. | | 50,000 | |
| Symantec Corp. | | 20,000 | |
| TECO Energy, Inc. | | 650,000 | |

- (1) By conversion.
 (2) By stock split.
 (3) Received 1 share for 10 shares of Abbott Laboratories held.

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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.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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 June 30, 2004, 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 the standards of the Public Company Accounting Oversight Board (United States), which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 June 30, 2004, by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
Baltimore, Maryland
July 8, 2004

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HISTORICAL FINANCIAL STATISTICS

| December 31 | Value of Net Assets | Shares Outstanding* | Net Asset Value per Share* | Dividends from Net Investment Income per Share* | Di |
|-------------|------------------------|------------------------|-------------------------------------|---|----|
| ----- | ----- | ----- | ----- | ----- | Ne |
| 1994 | \$ 798,297,600 | 66,584,985 | \$ 11.99 | \$.33 | \$ |
| 1995 | 986,230,914 | 69,248,276 | 14.24 | .35 | |
| 1996 | 1,138,760,396 | 72,054,792 | 15.80 | .35 | |
| 1997 | 1,424,170,425 | 74,923,859 | 19.01 | .29 | |

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| | | | | |
|---------------|---------------|------------|-------|------|
| 1998 | 1,688,080,336 | 77,814,977 | 21.69 | .30 |
| 1999 | 2,170,801,875 | 80,842,241 | 26.85 | .26 |
| 2000 | 1,951,562,978 | 82,292,262 | 23.72 | .22 |
| 2001 | 1,368,366,316 | 85,233,262 | 16.05 | .26 |
| 2002 | 1,024,810,092 | 84,536,250 | 12.12 | .19 |
| 2003 | 1,218,862,456 | 84,886,412 | 14.36 | .17 |
| June 30, 2004 | 1,248,429,983 | 84,408,612 | 14.79 | .13+ |

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

+ Paid or declared.

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

E-mail: contact@adamsexpress.com

Counsel: Chadbourne & Parke L.L.P.

Independent Registered Public Accounting Firm: PricewaterhouseCoopers LLP

Transfer Agent & Registrar: American Stock Transfer & Trust Co.

Custodian of Securities: The Bank of New York

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SHAREHOLDER INFORMATION AND SERVICES

DIVIDEND PAYMENT SCHEDULE

The Corporation 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.

INVESTORS CHOICE

INVESTORS CHOICE is a direct stock purchase and sale plan, as well as a dividend reinvestment plan, sponsored and administered by our transfer agent, American Stock Transfer & Trust Company (AST). 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 and

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| | |
|--|---|
| Optional Cash Investments | |
| Service Fee | \$2.50 per investment |
| Brokerage Commission | \$0.05 per share |
| Reinvestment of Dividends* | |
| Service Fee | 2% 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 | \$7.50 |
| Book to Book Transfers | Included |
| To transfer shares to another participant or to a new participant | |
| 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 INVESTORS CHOICE as well as an enrollment form may be obtained by contacting AST.

For Non-Registered Shareholders

For shareholders whose stock is held by a broker in "street" name, the AST INVESTORS CHOICE Direct Stock Purchase and Sale 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 AST's Plan or contact AST.

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

The Transfer Agent
American Stock Transfer & Trust Company
Address Shareholder Inquiries to:
Shareholder Relations Department
59 Maiden Lane
New York, NY 10038
(877) 260-8188
Website: www.amstock.com
E-mail: info@amstock.com

Investors Choice Mailing Address:
Attention: Dividend Reinvestment
P.O. Box 922
Wall Street Station
New York, NY 10269
Website: www.InvestPower.com
E-mail: info@InvestPower.com

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

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Item 2: Code(s) of Ethics for senior financial officers - Item not applicable to semi-annual report.

Item 3: Audit Committee Financial Expert - Item not applicable to semi-annual report.

Item 4: Principal Accountant Fees and Services - Item not applicable to semi-annual report.

Item 5: Audit Committee of Listed Registrants - Item not applicable to semi-annual report.

Item 6: Schedule of Investments - This schedule is included as part of the report to shareholders filed under Item 1 of this form.

Item 7: Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies - Item not applicable to semi-annual report.

Item 8: Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers.

| Period(2) | Total Number of Shares (or Units) Purchased | Average Price Paid per Share (or Unit) | Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs | Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs |
|-----------|---|--|--|---|
| Jan. 2004 | 175,900 | \$ 12.72 | 175,900 | 3,936,747 |
| Feb. 2004 | 81,000 | \$ 12.96 | 81,000 | 3,855,747 |
| Mar. 2004 | 0 | -- | 0 | 3,855,747 |
| Apr. 2004 | 0 | -- | 0 | 3,855,747 |
| May 2004 | 25,800 | \$ 12.34 | 25,800 | 3,829,947 |
| June 2004 | 195,100 | \$ 12.60 | 195,100 | 3,634,847 |
| Total | 477,800 (1) | \$ 12.69 | 477,800 (2) | 3,634,847 (2) |

(1) There were no shares purchased other than through a publicly announced plan or program.

(2.a) The Plan was announced on December 11, 2003.

(2.b) The share amount approved was 5% of outstanding shares, or approximately 4,112,647 shares.

(2.c) The Plan will expire on or about December 9, 2004.

(2.d) None.

(2.e) None.

Item 9: Submission of Matters to a Vote of Security Holders - There were no

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material changes to the procedures by which shareholders may recommend nominees to the registrant's board of directors made or implemented after the registrant last provided disclosure in response to the requirements of Item 7(d)(2)(ii)(G) of Schedule 14A (17 CFR 240.14a-101), or this Item.

Item 10: Controls and Procedures.

(a) The registrant's Principal Executive Officer and Principal Financial Officer have evaluated the registrant's disclosure controls and procedures within 90 days of this filing and have concluded that the registrant's disclosure controls and procedures were effective, as of that date, in ensuring that information required to be disclosed by the registrant in this Form N-CSR was recorded, processed, summarized, and reported timely.

(b) Internal Controls. There were no significant changes in the registrant's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Item 11: Exhibits attached hereto. (Attach certifications as exhibits)

(1) Not required at this time.

(2) Separate certifications by the registrant's principal executive officer and principal financial officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and required by Rule 30a-2 under the Investment Company Act of 1940, are attached.

A certification by the registrant's principal executive officer and principal financial officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, is attached.

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE ADAMS EXPRESS COMPANY

BY: /s/ Douglas G. Ober

Douglas G. Ober
Chief Executive Officer
(Principal Executive Officer)

Date: August 2, 2004

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

BY: /s/ Douglas G. Ober

Douglas G. Ober
Chief Executive Officer
(Principal Executive Officer)

Date: August 2, 2004

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BY: /s/ Maureen A. Jones

Maureen A. Jones
Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)

Date: August 2, 2004