

ADAMS EXPRESS CO
Form N-30B-2
October 22, 2004

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. | <i>Member of Executive Committee</i> |
| 2. | <i>Member of Audit Committee</i> |
| 3. | <i>Member of Compensation Committee</i> |
| 4. | <i>Member of Retirement Benefits Committee</i> |

Officers

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

Stock Data

| | |
|---------------------------|----------|
| Market Price (9/30/04) | \$ 12.68 |
| Net Asset Value (9/30/04) | \$ 14.77 |
| Discount: | 14.2% |

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 | \$ 0.13 |
| From Net Realized Gains | 0.02 |

| | |
|-------|----------------|
| Total | <u>\$ 0.15</u> |
|-------|----------------|

2004 Dividend Payment Dates

March 1, 2004

June 1, 2004

September 1, 2004

December 27, 2004*

*Anticipated

LETTER TO STOCKHOLDERS

We submit herewith the financial statements of the Company for the nine months ended September 30, 2004. Also provided are a schedule of investments, a schedule of outstanding option contracts and other summary financial information.

Net assets of the Company at September 30, 2004 were \$14.77 per share on 83,731,662 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. Investment income dividends of \$0.05 per share were paid on June 1, 2004 and September 1, 2004.

Net investment income for the nine months ended September 30, 2004 amounted to \$12,028,283, compared with \$11,145,195 for the same period in 2003. These earnings are equal to \$0.14 and \$0.13 per share, respectively, on the average number of shares outstanding during each period.

Net capital gain realized on investments for the nine months ended September 30, 2004 amounted to \$49,778,643, the equivalent of \$0.59 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 other useful information. Further information regarding shareholder services is located on page 14 of this report.

The Board of Directors has designated Mr. Lawrence L. Hooper, Jr. as the Chief Compliance Officer for the Company.

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,

Douglas G. Ober,

Chairman and

Chief Executive Officer

Joseph M. Truta,

President

October 22, 2004

STATEMENT OF ASSETS AND LIABILITIES

September 30, 2004

(unaudited)

Assets

Investments* at value:

| | | |
|--|------------------|------------------|
| Common stocks and convertible securities (cost \$885,277,580) | \$ 1,125,957,871 | |
| Non-controlled affiliate, Petroleum & Resources Corporation (cost \$27,963,162) | 52,311,148 | |
| Short-term investments (cost \$50,312,106) | 50,312,106 | |
| Securities lending collateral (cost \$75,405,097) | 75,405,097 | \$ 1,303,986,222 |
| Cash | | 346,718 |
| Receivables: | | |
| Investment securities sold | | 5,493,431 |
| Dividends and interest | | 1,072,153 |
| Prepaid expenses and other assets | | 7,113,860 |
| <i>Total Assets</i> | | 1,318,012,384 |

Liabilities

| | | |
|---|--|------------|
| Investment securities purchased | | 2,194,361 |
| Open written option contracts at value (proceeds \$801,858) | | 549,125 |
| Obligations to return securities lending collateral | | 75,405,097 |
| Accrued expenses | | 3,260,156 |
| <i>Total Liabilities</i> | | 81,408,739 |

Net Assets \$ 1,236,603,645**Net Assets**

| | |
|--|-------------------------|
| Common Stock at par value \$1.00 per share, authorized 150,000,000 shares; issued and outstanding 83,731,662 shares | \$ 83,731,662 |
| Additional capital surplus | 830,343,492 |
| Undistributed net investment income | 7,436,417 |
| Undistributed net realized gain on investments | 49,811,064 |
| Unrealized appreciation on investments | 265,281,010 |
| Net Assets Applicable to Common Stock | \$ 1,236,603,645 |
| Net Asset Value Per Share of Common Stock | \$14.77 |

*See Schedule of Investments on pages 8 through 10.

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

STATEMENT OF OPERATIONS

Nine Months Ended September 30, 2004

(unaudited)

| | |
|--|---------------|
| Investment Income | |
| Income: | |
| Dividends: | |
| From unaffiliated issuers | \$ 14,930,455 |
| From non-controlled affiliate | 635,519 |
| Interest and other income | 370,717 |
| <i>Total income</i> | 15,936,691 |
| Expenses: | |
| Investment research | 1,679,182 |
| Administration and operations | 825,882 |
| Directors' fees | 208,250 |
| Reports and stockholder communications | 243,027 |
| Transfer agent, registrar and custodian expenses | 243,930 |
| Auditing and accounting services | 85,394 |
| Legal services | 118,106 |
| Occupancy and other office expenses | 266,811 |
| Travel, telephone and postage | 72,188 |
| Other | 165,638 |
| <i>Total expenses</i> | 3,908,408 |
| Net Investment Income | 12,028,283 |
| Realized Gain and Change in Unrealized Appreciation on Investments | |
| Net realized gain on security transactions | 49,639,623 |
| Net realized gain distributed by regulated investment company (non-controlled affiliate) | 139,020 |
| Change in unrealized appreciation on investments | (16,831,481) |
| Net Gain on Investments | 32,947,162 |
| Change in Net Assets Resulting from Operations | \$ 44,975,445 |

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

STATEMENTS OF CHANGES IN NET ASSETS

| | Nine Months Ended September 30, 2004 | Year Ended December 31, 2003 |
|--|---|---------------------------------|
| | (unaudited) | |
| From Operations: | | |
| Net investment income | \$ 12,028,283 | \$ 15,613,355 |
| Net realized gain on investments | 49,778,643 | 49,120,443 |
| Change in unrealized appreciation on investments | (16,831,481) | 187,524,953 |
| <i>Change in net assets resulting from operations</i> | 44,975,445 | 252,258,751 |
| Distributions to Stockholders from: | | |
| Net investment income | (10,978,327) | (14,099,163) |
| Net realized gain from investment transactions | (1,692,590) | (50,229,205) |
| <i>Decrease in net assets from distributions</i> | (12,670,917) | (64,328,368) |
| From Capital Share Transactions: | | |
| Value of shares issued in payment of distributions | | 32,667,930 |
| Cost of shares purchased (Note 4) | (14,563,339) | (26,545,949) |
| <i>Change in net assets from capital share transactions</i> | (14,563,339) | 6,121,981 |
| Total Increase in Net Assets | 17,741,189 | 194,052,364 |
| Net Assets: | | |
| Beginning of period | 1,218,862,456 | 1,024,810,092 |
| End of period (including undistributed net investment income of \$7,436,417 and \$6,386,461, respectively) | \$ 1,236,603,645 | \$ 1,218,862,456 |

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 September 30, 2004 was \$1,039,672,444 and net unrealized appreciation aggregated \$265,768,261, of which the related gross unrealized appreciation and depreciation were \$410,488,393 and \$144,720,132, 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 nine months ended September 30, 2004 were \$119,016,887 and \$141,975,904, 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

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schedule of outstanding option contracts as of September 30, 2004 can be found on page 11.

Transactions in written covered call and collateralized put options during the nine months ended September 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 | 6,965 | 788,357 | 7,710 | 886,381 |
| Options terminated in closing purchase transactions | (1,300) | (143,464) | (1,350) | (156,924) |
| Options expired | (2,965) | (328,480) | (5,100) | (629,253) |
| Options exercised | (1,550) | (202,416) | (250) | (26,654) |
| Options outstanding, September 30, 2004 | 3,000 | \$ 343,286 | 4,110 | \$ 458,572 |

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 | |
|--|---|------------------------------------|---|------------------------------------|
| | Nine months ended September 30, 2004 | Year ended December 31, 2003 | Nine months ended September 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 13.2% and 11.2%, respectively) | (1,154,750) | (2,351,900) | (14,563,339) | (26,545,949) |
| Net change | (1,154,750) | 350,162 | \$ (14,563,339) | \$ 6,121,981 |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

On September 30, 2004, the Company held a total of 1,501,600 shares of its Common Stock at a cost of \$18,850,577. 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 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 nine months ended September 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 September 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 5.93 years and 7.07 years, respectively. Total compensation expense recognized for the nine months ended September 30, 2004 related to the stock options and stock appreciation rights plan was \$83,795. At September 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 nine months ended September 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 nine months ended September 30:

| | September 30, 2004 |
|------------------------------------|--------------------|
| Service cost | \$ 230,306 |
| Interest cost | 338,786 |
| Expected return on plan assets | (560,131) |
| Amortization of prior service cost | 95,983 |
| Amortization of net loss | 84,901 |
| Net periodic pension cost | \$ 189,845 |

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The Company also sponsors a defined contribution plan that covers substantially all employees. For the nine months ended September 30, 2004, the Company expensed contributions of \$113,163. The Company does not provide postretirement medical benefits.

6. Expenses

The cumulative amount of accrued expenses at September 30, 2004 for employees and former employees of the Company was \$2,902,109. Aggregate remuneration paid or accrued during the nine months ended September 30, 2004 to directors and key employees amounted to \$1,860,372.

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 September 30, 2004, the Company had securities on loan of \$73,553,358 and held collateral of \$75,405,097, consisting of a money market fund.

FINANCIAL HIGHLIGHTS

| | Nine Months Ended | | Year Ended December 31 | | | | |
|---|-------------------|-------------------|------------------------|-------------|-------------|-------------|-------------|
| | (unaudited) | | | | | | |
| | Sept. 30, 2004 | Sept. 30, 2003 | 2003 | 2002 | 2001 | 2000 | 1999 |
| Per Share Operating Performance* | | | | | | | |
| Net asset value, beginning of period | \$14.36 | \$12.12 | \$12.12 | \$16.05 | \$23.72 | \$26.85 | \$21.69 |
| Net investment income | 0.14 | 0.13 | 0.19 | 0.20 | 0.26 | 0.26 | 0.25 |
| Net realized gains and change in unrealized appreciation | 0.39 | 1.31 | 2.85 | (3.38) | (6.21) | (1.51) | 6.71 |
| Total from investment operations | 0.53 | 1.44 | 3.04 | (3.18) | (5.95) | (1.25) | 6.96 |
| Less distributions | | | | | | | |
| Dividends from net investment income | (0.13) | (0.12) | (0.17) | (0.19) | (0.26) | (0.22) | (0.26) |
| Distributions from net realized gains | (0.02) | (0.03) | (0.61) | (0.57) | (1.39) | (1.63) | (1.37) |
| Total distributions | (0.15) | (0.15) | (0.78) | (0.76) | (1.65) | (1.85) | (1.63) |
| Capital share repurchases | 0.03 | 0.03 | 0.04 | 0.05 | 0.04 | 0.10 | |
| Reinvestment of distributions | | | (0.06) | (0.04) | (0.11) | (0.13) | (0.17) |
| Total capital share transactions | 0.03 | 0.03 | (0.02) | 0.01 | (0.07) | (0.03) | (0.17) |
| Net asset value, end of period | \$14.77 | \$13.44 | \$14.36 | \$12.12 | \$16.05 | \$23.72 | \$26.85 |
| Per share market price, end of period | \$12.68 | \$11.83 | \$12.41 | \$10.57 | \$14.22 | \$21.00 | \$22.38 |
| Total Investment Return | | | | | | | |
| Based on market price | 3.4% | 13.4% | 25.2% | (20.6)% | (24.7)% | 1.7% | 36.1% |
| Based on net asset value | 4.1% | 12.4% | 26.3% | (19.4)% | (24.7)% | (4.3)% | 33.6% |
| Ratios/Supplemental Data | | | | | | | |
| Net assets, end of period (in 000 s) | \$1,236,604 | \$1,109,730 | \$1,218,862 | \$1,024,810 | \$1,368,366 | \$1,951,563 | \$2,170,802 |
| Ratio of expenses to average net assets | 0.42% | 0.48% | 0.47% | 0.34% | 0.19% | 0.24% | 0.32% |
| Ratio of net investment income to average net assets | 1.30% | 1.42% | 1.45% | 1.42% | 1.33% | 0.97% | 1.06% |
| Portfolio turnover | 13.32% | 15.17% | 12.74% | 17.93% | 19.15% | 12.74% | 15.94% |
| Number of shares outstanding at end of period (in 000 s)* | 83,732 | 82,596 | 84,886 | 84,536 | 85,233 | 82,292 | 80,842 |

* 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

September 30, 2004

(unaudited)

| | Prin. Amt. or Shares | Value (A) |
|--|-------------------------|---------------|
| Stocks and Convertible Securities 95.3% | | |
| Consumer 14.2% | | |
| Consumer Discretionary 7.1% | | |
| BJ's Wholesale Club, Inc. (B)(C) | 500,000 | \$ 13,670,000 |
| Brinker International Inc. (B)(C) | 400,000 | 12,460,000 |
| Clear Channel Communications Inc. | 205,000 | 6,389,850 |
| Gannett Co., Inc. | 87,500 | 7,329,000 |
| Mattel, Inc. (C) | 575,000 | 10,424,750 |
| Newell Rubbermaid Inc. | 515,000 | 10,320,600 |
| Ryland Group Inc. | 65,000 | 6,022,900 |
| Target Corp. | 460,000 | 20,815,000 |
| | | 87,432,100 |
| Consumer Staples 7.1% | | |
| Coca-Cola Co. | 200,000 | 8,010,000 |
| Dean Foods Co. (B) | 506,600 | 15,208,132 |
| Hershey Foods Corp. | 140,000 | 6,539,400 |
| PepsiCo, Inc. | 440,000 | 21,406,000 |
| Procter & Gamble Co. | 340,000 | 18,400,800 |
| Safeway, Inc. (B) | 423,000 | 8,168,130 |
| Unilever plc ADR (C) | 300,000 | 9,906,000 |
| | | 87,638,462 |
| Energy 8.4% | | |
| BP plc ADR | 270,000 | 15,533,101 |
| ConocoPhillips | 200,000 | 16,570,000 |
| Exxon Mobil Corp. | 130,000 | 6,282,900 |
| Petroleum & Resources Corporation (D) | 1,985,996 | 52,311,148 |
| Schlumberger Ltd. (C) | 190,000 | 12,788,900 |
| | | 103,486,049 |
| Financials 17.0% | | |
| Banking 10.4% | | |
| Bank of America Corp. | 440,000 | 19,065,200 |
| Compass Bancshares Inc. | 300,000 | 13,146,000 |
| Fifth Third Bancorp | 200,000 | 9,844,000 |
| Investors Financial Services Corp. (C) | 430,000 | 19,405,900 |
| Provident Bankshares Corp. (C) | 335,021 | 11,239,983 |
| Wachovia Corp. | 370,000 | 17,371,500 |
| Wells Fargo & Co. | 400,000 | 23,852,000 |
| Wilmington Trust Corp. | 420,000 | 15,208,200 |

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| | | |
|---|---------------------------------|------------------|
| | | 129,132,783 |
| Insurance 6.6% | | |
| AMBAC Financial Group, Inc. | 390,000 | 31,180,500 |
| American International Group, Inc. | 738,675 | 50,222,514 |
| | | 81,403,014 |
| | Prin. Amt. or Shares | Value (A) |
| Health Care 12.8% | | |
| Abbott Laboratories | 350,000 | \$ 14,826,000 |
| Bristol-Myers Squibb Co. | 345,000 | 8,166,150 |
| Enzon Pharmaceuticals, Inc. (B) | 100,000 | 1,595,000 |
| Genentech, Inc. (B)(C) | 250,000 | 13,105,000 |
| HCA Inc. | 450,000 | 17,167,500 |
| Johnson & Johnson | 265,000 | 14,927,450 |
| Laboratory Corp. of America Holdings (B)(C) | 300,000 | 13,116,000 |
| MedImmune, Inc. (B) | 225,000 | 5,332,500 |
| Medtronic Inc. | 310,000 | 16,089,000 |
| Pfizer Inc. (C) | 1,100,000 | 33,660,000 |
| Wyeth Co. | 325,000 | 12,155,000 |
| Zimmer Holdings Inc. (B)(C) | 110,000 | 8,694,400 |
| | | 158,834,000 |
| Industrials 12.6% | | |
| Canadian National Railway Co. | 255,000 | 12,367,500 |
| Donnelley (R.R.) & Sons Co. | 355,000 | 11,118,600 |
| Emerson Electric Co. | 200,000 | 12,378,000 |
| General Electric Co. | 1,487,700 | 49,956,966 |
| Illinois Tool Works Inc. | 135,000 | 12,577,950 |
| Parker-Hannifin Corp. | 225,000 | 13,243,500 |
| 3M Co. | 165,000 | 13,195,050 |
| United Parcel Service, Inc. | 80,000 | 6,073,600 |
| United Technologies Corp. | 265,000 | 24,745,700 |
| | | 155,656,866 |

SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2004

(unaudited)

| | Prin. Amt. or Shares | Value (A) |
|--|-------------------------|--------------------|
| Information Technology 14.2% | | |
| Communication Equipment 2.4% | | |
| Avaya Inc. (B) | 600,000 | \$ 8,364,000 |
| Corning Inc. (B) | 1,170,000 | 12,963,600 |
| Lucent Technologies Inc. (B)(C) | 2,820,000 | 8,939,400 |
| | | <u>30,267,000</u> |
| Computer Related 9.3% | | |
| BEA Systems Inc. (B)(C) | 800,000 | 5,528,000 |
| BMC Software Inc. (B)(C) | 310,000 | 4,901,100 |
| Cisco Systems, Inc. (B) | 1,200,000 | 21,720,000 |
| Dell Inc. (B) | 400,000 | 14,240,000 |
| DiamondCluster International Inc. (B) | 497,500 | 6,069,500 |
| Microsoft Corp. | 800,000 | 22,120,000 |
| Oracle Corp. (B) | 880,000 | 9,926,400 |
| Sapient Corp. (B)(C) | 1,150,000 | 8,774,500 |
| Siebel Systems Inc. (B) | 800,000 | 6,032,000 |
| Sun Microsystems Inc. (B) | 515,000 | 2,080,600 |
| Symantec Corp. 3.00% Conv. Sub. Notes due 2006 | \$500,000 | 1,610,938 |
| Symantec Corp. (B)(C) | 215,000 | 11,799,200 |
| | | <u>114,802,238</u> |
| Electronics 2.5% | | |
| Cree, Inc. (B)(C) | 500,000 | 15,265,000 |
| Intel Corp. | 310,000 | 6,218,600 |
| Soletron Corp. (B)(C) | 1,850,000 | 9,157,500 |
| | | <u>30,641,100</u> |
| Materials 4.9% | | |
| Air Products and Chemicals, Inc. | 250,000 | \$ 13,595,000 |
| du Pont (E.I.) de Nemours and Co. | 400,000 | 17,120,000 |
| Rohm & Haas Co. | 400,000 | 17,188,000 |
| Smurfit-Stone Container Corp. (B)(C) | 650,000 | 12,590,500 |
| | | <u>60,493,500</u> |
| Telecom Services 4.5% | | |

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| | | |
|--|---------|------------------|
| Alltel Corp.(C) | 350,000 | 19,218,500 |
| BellSouth Corp. | 315,000 | 8,542,800 |
| SBC Communications Inc. | 595,000 | 15,440,250 |
| Vodafone Group plc | | |
| ADS (C) | 492,613 | 11,876,899 |
| | | <hr/> |
| | | 55,078,449 |
| | | <hr/> |
| Utilities 6.7% | | |
| Aqua America, Inc.(C) | 900,000 | 19,899,000 |
| Black Hills Corp. (C) | 245,000 | 6,806,100 |
| CINergy Corp. (C) | 300,000 | 11,880,000 |
| Duke Energy Corp. (C) | 611,560 | 13,998,608 |
| Keyspan Corp. | 400,000 | 15,680,000 |
| MDU Resources Group, Inc.(C) | 575,000 | 15,139,750 |
| | | <hr/> |
| | | 83,403,458 |
| | | <hr/> |
| Total Stocks and Convertible Securities | | |
| (Cost \$913,240,742) (E) | | \$ 1,178,269,019 |
| | | <hr/> |

SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2004

(unaudited)

| | Prin. Amt. | Value (A) |
|---|---------------|----------------------|
| Short-Term Investments 4.1% | | |
| U.S. Government Obligations 2.0% | | |
| U.S. Treasury Bills, 1.38%, due 11/18/04 | \$ 24,900,000 | \$ 24,844,611 |
| Commercial Paper 2.1% | | |
| American General Finance Corp., 1.69 - 1.75%, due 10/12/04-10/21/04 | 5,770,000 | 5,765,724 |
| ChevronTexaco Funding Corp., 1.72%, due 10/14/04 | 5,300,000 | 5,296,708 |
| General Electric Capital Corp., 1.53%, due 10/5/04 | 2,900,000 | 2,899,507 |
| General Electric Capital Services, Corp., 1.58%, due 10/7/04 | 3,000,000 | 2,999,210 |
| Toyota Motor Credit Corp., 1.72 - 1.74%, due 10/19/04-10/26/04 | 8,515,000 | 8,506,346 |
| | | 25,467,495 |
| Total Short-Term Investments (Cost \$50,312,106) | | \$ 50,312,106 |
| | | Value (A) |
| Securities Lending Collateral 6.1% | | |
| Money Market Fund | | |
| BNY Institutional Cash Reserves Fund, 1.79%, due 10/1/04 | \$ | 75,405,097 |
| Total Securities Lending Collateral (Cost \$75,405,097) | | 75,405,097 |
| Total Investments 105.5% (Cost \$1,038,957,945) | | 1,303,986,222 |
| Cash, receivables and other assets, less liabilities (5.5)% | | (67,382,577) |
| Net Assets 100.0% | \$ | 1,236,603,645 |

Notes:

(A)

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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) The aggregate market value of stocks held in escrow at September 30, 2004 covering open call option contracts written was \$19,513,350. In addition, the aggregate market value of securities segregated by the Company's custodian required to collateralize open put option contracts written was \$19,497,500.

SCHEDULE OF OUTSTANDING OPTION CONTRACTS

September 30, 2004

(unaudited)

Contracts
(100

| shares each) | Security | Strike Price | Contract Expiration Date | | Appreciation/ (Depreciation) |
|----------------------------|--------------------------------------|-----------------|--------------------------------|----|---------------------------------|
| COVERED CALLS | | | | | |
| 150 | AMBAC Financial Group, Inc. | \$ 80 | Nov | 04 | \$ (19,951) |
| 150 | AMBAC Financial Group, Inc. | 80 | Jan | 05 | (34,951) |
| 250 | American International Group, Inc. | 80 | Feb | 05 | 19,399 |
| 200 | Brinker International Inc. | 40 | Jan | 05 | 17,299 |
| 100 | ConocoPhillips | 80 | Jan | 05 | (36,300) |
| 100 | Genentech, Inc. | 60 | Dec | 04 | 200 |
| 100 | Illinois Tool Works Inc. | 100 | Dec | 04 | 1,700 |
| 100 | Illinois Tool Works Inc. | 105 | Mar | 05 | (3,400) |
| 150 | Investors Financial Services Corp. | 47.50 | Oct | 04 | 3,450 |
| 150 | Investors Financial Services Corp. | 50 | Oct | 04 | 9,300 |
| 150 | Investors Financial Services Corp. | 50 | Jan | 05 | 1,799 |
| 100 | Laboratory Corp. of America Holdings | 45 | Jan | 05 | (5,675) |
| 200 | Parker-Hannifin Corp. | 65 | Feb | 05 | (4,351) |
| 200 | Procter & Gamble Co. | 60 | Oct | 04 | 8,700 |
| 100 | Ryland Group Inc. | 105 | Jan | 05 | (2,801) |
| 100 | Symantec Corp. | 55 | Oct | 04 | (2,400) |
| 100 | Symantec Corp. | 55 | Jan | 05 | (26,300) |
| 150 | Symantec Corp. | 65 | Apr | 05 | (10,331) |
| 150 | 3M Co. | 90 | Jan | 05 | 9,149 |
| 100 | United Technologies Corp. | 100 | Nov | 04 | 5,200 |
| 100 | United Technologies Corp. | 105 | Nov | 04 | 12,100 |
| 100 | United Technologies Corp. | 110 | Feb | 05 | 5,700 |
| 3,000 | | | | | (52,464) |
| COLLATERALIZED PUTS | | | | | |
| 250 | Avaya Inc. | 12.50 | Dec | 04 | 17,999 |
| 200 | Bank of America Corp. | 35 | Nov | 04 | 9,700 |
| 60 | Canadian National Railway Co. | 35 | Oct | 04 | 4,070 |
| 250 | du Pont (E.I.) de Nemours and Co. | 37.50 | Oct | 04 | 21,749 |
| 150 | Fifth Third Bancorp | 45 | Jan | 05 | 300 |
| 100 | Gannett Co., Inc. | 75 | Oct | 04 | 7,350 |
| 250 | Microsoft Corp. | 22.50 | Oct | 04 | 22,999 |
| 100 | Murphy Oil Corp. | 50 | Oct | 04 | 7,700 |
| 175 | Murphy Oil Corp. | 75 | Nov | 04 | 3,034 |
| 200 | Murphy Oil Corp. | 60 | Jan | 05 | 13,200 |
| 175 | Murphy Oil Corp. | 65 | Jan | 05 | 1,252 |
| 200 | Pfizer Inc. | 30 | Dec | 04 | (5,100) |
| 250 | Ryland Group Inc. | 65 | Oct | 04 | 24,249 |
| 150 | Ryland Group Inc. | 70 | Oct | 04 | 13,800 |
| 100 | Ryland Group Inc. | 60 | Jan | 05 | 16,199 |
| 150 | Schlumberger Ltd. | 50 | Jan | 05 | 11,550 |
| 200 | Target Corp. | 40 | Oct | 04 | 31,125 |
| 100 | Target Corp. | 35 | Jan | 05 | 6,700 |
| 250 | United Parcel Service, Inc. | 65 | Jan | 05 | 18,749 |
| 250 | Wachovia Corp. | 40 | Jan | 05 | 14,499 |
| 100 | Wyeth Co. | 30 | Oct | 04 | 9,200 |

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| | | | | | |
|-------|----------------------|----|-----|----|------------|
| 100 | Wyeth Co. | 35 | Oct | 04 | 12,750 |
| 150 | Zimmer Holdings Inc. | 60 | Dec | 04 | 15,675 |
| 100 | Zimmer Holdings Inc. | 65 | Dec | 04 | 14,749 |
| 100 | Zimmer Holdings Inc. | 60 | Mar | 05 | 11,699 |
| <hr/> | | | | | |
| 4,110 | | | | | 305,197 |
| <hr/> | | | | | |
| | | | | | \$ 252,733 |
| | | | | | <hr/> |

CHANGES IN PORTFOLIO SECURITIES

During the Three Months Ended September 30, 2004

(unaudited)

| | Shares | | |
|--------------------------------------|------------------------|------------|----------------------------|
| | Additions | Reductions | Held September 30, 2004 |
| Avaya Inc. | 25,000 | | 600,000 |
| Bank of America Corp. | 220,000 ⁽¹⁾ | | 440,000 |
| Clear Channel Communications Inc. | 205,000 | | 205,000 |
| Lucent Technologies Inc. | 280,000 | | 2,820,000 |
| Ryland Group Inc. | 65,000 | | 65,000 |
| Smurfit-Stone Container Corp. | 48,650 | | 650,000 |
| Unilever plc ADR | 300,000 | | 300,000 |
| Zimmer Holdings Inc. | 20,000 | | 110,000 |
| Albemarle Corp. | | 52,850 | |
| AMBAC Financial Group, Inc. | | 10,000 | 390,000 |
| Aqua America, Inc. | | 27,500 | 900,000 |
| BankNorth Group, Inc. | | 400,000 | |
| BellSouth Corp. | | 100,000 | 315,000 |
| Black & Decker Corp. | | 250,000 | |
| Black Hills Corp. | | 10,000 | 245,000 |
| Dean Foods Co. | | 55,900 | 506,600 |
| Donnelley (R.R.) & Sons Co. | | 20,000 | 355,000 |
| Hospira Inc. | | 35,000 | |
| Ingersoll-Rand Co. Ltd. | | 196,000 | |
| Investors Financial Services Corp. | | 5,000 | 430,000 |
| Johnson & Johnson | | 70,000 | 265,000 |
| Laboratory Corp. of America Holdings | | 60,000 | 300,000 |
| MDU Resources Group, Inc. | | 100,000 | 575,000 |
| United Technologies Corp. | | 10,000 | 265,000 |

⁽¹⁾ By 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

| December 31 | Value of Net Assets | Shares Outstanding* | Net Asset Value per Share* | Dividends from Net Investment Income per Share* | Distributions from Net Realized Gains per Share* |
|--------------------------------|--------------------------------|--------------------------------|---|--|---|
| 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 |
| 2003 | 1,218,862,456 | 84,886,412 | 14.36 | .17 | .61 |
| September 30, 2004 (unaudited) | 1,236,603,645 | 83,731,662 | 14.77 | .13 | .02 |

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

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

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 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 |
| <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 |
| | \$50.00 |

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Electronic Funds Transfer
(monthly minimum)
Maximum per transaction
Maximum per year

\$25,000.00
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

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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

*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.