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ADAMS EXPRESS CO  
Form N-30D  
February 19, 2003

[LOGO of Adams Express Company]

Annual Report

2002

building for the future  
with solid investments\R\

2002 AT A GLANCE

The Company

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

Stock Data

NYSE Symbol..... ADX  
Market Price as of 12/31/02 \$10.57  
Discount..... 12.8%  
52-Week Range..... \$14.55-\$9.86  
Shares Outstanding..... 84,536,250

Summary Financial Information

|   | Year Ended December 31 |               |
|---|------------------------|---------------|
|   | 2002                   | 2001          |
| Net asset value per share               | \$ 12.12               | \$ 16.05      |
| Total net assets                        | 1,024,810,092          | 1,368,366,316 |
| Unrealized appreciation                 | 94,587,538             | 424,993,559   |
| Net investment income                   | 16,738,360             | 21,091,920    |
| Total realized gain                     | 44,530,335             | 113,686,714   |
| Total return (based on market value)    | (20.6)%                | (24.7)%       |
| Total return (based on net asset value) | (19.4)%                | (24.7)%       |
| Expense ratio                           | 0.34%                  | 0.19%         |

2002 Dividends and Distributions

| Paid          | Amount<br>(per share) | Type                    |
|---------------|-----------------------|-------------------------|
| March 1, 2002 | \$0.03                | Long-term capital gain  |
| March 1, 2002 | 0.03                  | Short-term capital gain |
| March 1, 2002 | 0.02                  | Investment income       |

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|                   |      |                        |
|-------------------|------|------------------------|
| June 1, 2002      | 0.08 | Investment income      |
| September 1, 2002 | 0.08 | Investment income      |
| December 27, 2002 | 0.51 | Long-term capital gain |
| December 27, 2002 | 0.01 | Investment income      |

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\$0.76  
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### 2003 Annual Meeting of Stockholders

Location: Hyatt Regency O'Hare, Chicago, Illinois

Date: March 25, 2003

Time: 11:00 a.m.

Holders of Record: February 14, 2003

### PORTFOLIO REVIEW

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#### Ten Largest Portfolio Holdings (12/31/02)

|                                    | Market Value % of Net Assets |       |
|------------------------------------|------------------------------|-------|
| American International Group, Inc. | \$ 44,178,600                | 4.3   |
| Petroleum & Resources Corporation* | 38,091,413                   | 3.7   |
| General Electric Co.               | 28,793,875                   | 2.8   |
| United Technologies Corp.          | 23,537,200                   | 2.3   |
| Wells Fargo & Co.                  | 23,435,000                   | 2.3   |
| Cisco Systems, Inc.                | 22,990,500                   | 2.2   |
| AMBAC Financial Group, Inc.        | 22,496,000                   | 2.2   |
| Johnson & Johnson                  | 19,335,600                   | 2.0   |
| HCA Inc.                           | 18,675,000                   | 1.8   |
| PepsiCo, Inc.                      | 18,576,800                   | 1.8   |
| -----                              |                              |       |
| Total                              | \$260,109,988                | 25.4% |

\*Non-controlled affiliate

#### Sector Weightings (12/31/02)

[CHART]

|           |       |
|-----------|-------|
| Consumer  | 11.0% |
| Energy    | 5.2%  |
| Financial | 16.6% |

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|                           |       |
|---------------------------|-------|
| Health Care               | 14.0% |
| Industrials               | 12.1% |
| Information<br>Technology | 9.3%  |
| Materials                 | 1.9%  |
| Telecom Serives           | 4.9%  |
| Utilities                 | 9.2%  |
| Cash & Equivalent         | 15.2% |

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### LETTER TO STOCKHOLDERS

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Each year at this time we appreciate the opportunity to share with you our perspective on the past year. In addition, we discuss what the new year might hold for the economy, equity markets in general, and your fund.

#### The Year in Review

The year 2002 began on a slow note, as companies expressed their guarded optimism as to revenue and earnings growth in the first quarter but cautious views on the outlook for the rest of the year. As the quarter progressed, the strong economic growth in the period became evident, yet investor confidence did not revive. Consequently, the Dow Jones Industrials showed a slight gain and the other principal market indices showed losses.

In the second quarter, revelations of improper accounting, executive greed, and general company malfeasance were followed by bankruptcy filings of record size and government investigations of managements. The robust economic growth of the first quarter nearly disappeared and the possibility of a double-dip recession became a concern. These worries impacted the stock market quite negatively and by late July, the Dow Jones Industrials had fallen 23%. The Standard & Poor's 500 was down 30% and the NASDAQ was off 37%.

The Securities and Exchange Commission, in an effort to restore investor confidence, set new rules for financial statements, with threats of criminal charges against managements if fraud were uncovered. This was the first of a number of steps taken by the Bush Administration and Congress to shore up the financial markets. The Sarbanes-Oxley Act was passed by Congress in July in an effort to make sweeping changes in the way companies do business and in the oversight responsibilities of corporate boards of directors. A brief rally ensued, but the market began to slide again and continued to drop until early October. At that point, the market indices were down by 27% for the Dow, 32% for the S&P 500, and 43% for the NASDAQ.

In October and November, the first signs of a turnaround became evident. The economy had strengthened in the third quarter and security valuations had begun to look attractive enough to interest investors. Individuals, having pulled \$98 billion out of equity mutual funds in the June-October period, began to put

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some money back into stocks. As was the pattern earlier in the year, however, the market rally ran out of steam in December. Leading economic indicators were weak, the probability of war with Iraq increased, and the holiday selling season was lackluster. Consumer spending, the bulwark of the economy through the worst of the industrial slowdown, seemed to be losing strength, while the industrial sector was not yet recovering measurably.

No sector of the market provided a positive return in 2002. The consumer staples group lost the least, with a (4.4)% return. This is an area in which we increased our investments during the year, though we remain underweighted relative to the S&P 500 Index. The fund's largest sector holdings, in financials, returned (9.6)%, over 5% better than the sector index. Other outperforming sectors included our industrials by nearly 15% and utilities by 7%. Both the industrials and utilities are overweighted in our portfolio relative to the index. The two portfolio sectors which underperformed their comparable sector indices were health care and technology. Our holdings in energy (including Petroleum & Resources Corporation), telecommunications services, materials and the consumer discretionary group performed in line with the comparable industry sectors.

The Adams Express Company portfolio is comprised primarily of large-capitalization stocks, historically representing the most stable and conservatively-managed companies in the investment universe. For the three-year period ending in 2002, the largest-capitalization stocks of the S&P 500 have had the poorest returns of the entire index. In our opinion, one major reason for this poor performance last year was the disillusionment of investors with the financial reports provided by these companies. The number of large companies using accounting gimmickry to meet Wall Street earnings expectations was apparently much larger than had been thought, causing the level of trust in all financial reports to decline markedly. While the Sarbanes-Oxley legislation should ameliorate this situation somewhat, it will take time.

For the year ended December 31, 2002, the return on net assets of the Company, including income and capital gains, was (19.4)%, better than the (22.1)% return for the Standard & Poor's 500 Index but trailing the (15.0)% return for the Dow Jones Industrials. The discount from net asset value of the Adams Express Company's stock price widened from 11.4% to 12.8%, producing a return based on market prices of (20.6)%.

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### LETTER TO STOCKHOLDERS (CONTINUED)

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#### Investment Results

At the end of 2002 our net assets were \$1,024,810,092 or \$12.12 per share on 84,536,250 shares outstanding as compared with \$1,368,366,316 or \$16.05 per share on 85,233,262 shares outstanding a year earlier.

Net investment income for 2002 was \$16,738,360 compared to \$21,091,920 for 2001. These earnings are equal to \$0.20 and \$0.26 per share, respectively, on the average number of shares outstanding throughout the year. In 2002, our 0.34% expense ratio (expenses to average net assets) was once again at a very low level compared to the industry.

Net realized gains amounted to \$44,530,335 during the year, while the unrealized appreciation on investments decreased from \$424,993,559 at December 31, 2001 to \$94,587,538 at year end.

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### Dividends and Distributions

The total dividends and distributions paid in 2002 were \$0.76 per share compared to \$1.65 in 2001. As announced on November 14, 2002, a year-end distribution consisting of investment income of \$0.01 and capital gains of \$0.51 was made on December 27, 2002, both realized and taxable in 2002. On January 9, 2003, an additional distribution of \$0.05 per share was declared payable March 1, 2003, representing the balance of undistributed net investment income and capital gains earned during 2002 and an initial distribution from 2003 net investment income, all taxable to shareholders in 2003.

Net investment income for the Company in the year 2002 was substantially less than in prior years. We are not alone in experiencing this drop in investment income. In recent years, many companies have reduced their dividends. Some, who used to give a small annual increase, have ceased doing so, while others have simply discontinued paying any dividends, often choosing instead to repurchase shares on the theory that this will increase stock prices. The widespread reduction in dividends is starkly demonstrated by the decline in the dividend yield for the S&P 500, which has fallen from over 3.5% in 1990 to 1.8% at the end of 2002. At the same time, we have come into a period of sharply declining interest rates, which limits the amount we can earn on our short-term investments.

These factors have made it very difficult for Adams Express to maintain a long-term portfolio that addresses one of our fundamental objectives - to provide a reasonable income. Because finding companies that pay a high dividend and also fit our investment criteria has been increasingly difficult, we consequently - but reluctantly - decided to limit the interim distribution to \$0.05. We will continue to manage the portfolio with a long-term view and hope that future conditions will be such that increased income distributions will be possible. The reduction or elimination of double taxation of corporate dividends should have a positive impact on conditions. As always, annual capital gains cannot be predicted.

### Outlook for 2003

As mentioned, the final quarter of 2002 concluded with a soft holiday selling season and little indication of future spending intentions on the part of consumers or corporations. The boom in home refinancing, which has provided much of the wherewithal for consumer spending, has essentially been completed. Factory utilization remains well below 100%, so in most industries there is no apparent need to add capacity in the near term. Fundamentally, we do not see much impetus to economic growth in this country and would expect to see only modest increases in corporate revenues and earnings.

There are, however, a number of events taking place that may have a significant impact on the economy. During 2002, the price of oil rose by over 50% as tensions between the U.S. and Iraq escalated, with the expectation of war growing at year-end. The situation was compounded by the general strike in Venezuela, which brought oil production in that country to a near halt. Should the price of oil remain at the current high level, economic growth both here and abroad would be negatively impacted. At a recent meeting, the OPEC ministers agreed to increase production as necessary to bring the price of oil back to a more reasonable level. There does not appear, however, to be sufficient current reserve capacity in the rest of OPEC to supplant fully the Iraqi and Venezuelan production, so there will likely be some economic drag from energy prices.

A major stimulus to economic growth in this country has been proposed by the government in the form of a variety of fiscal policy changes. While there is doubt that a final bill, including tax incentives and government expenditures, will take the form of the initial proposal, there is very likely to be a sizeable fiscal stimulus package assembled. This would presumably begin to

impact the U.S. economy early in the second half of the year, with growth accelerating through the

LETTER TO STOCKHOLDERS (CONTINUED)

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period. This stimulus is likely to be at least partially offset by increased state and local taxation, though, as those entities try to balance their budgets.

The short-term effects on the stock market of a potential war in Iraq and a shift in fiscal policy are difficult to predict. We are fortunate to be able to take a longer-term perspective with our investments and have made a number of changes to the portfolio in order to position it best to reflect an improving economic outlook later in the year. We also have a large holding of cash and equivalents (15.8% of assets at year-end) with which to take advantage of opportunities for investment as they present themselves.

Share Repurchase Program

On December 12, 2002, the Board of Directors authorized the repurchase by management of an additional 5% of the outstanding shares of the Company over the ensuing year. The repurchase program is subject to the same restriction as in the past, namely that shares can only be repurchased as long as the discount of the market price of the shares from the net asset value is greater than 10%.

From the beginning of 2003 through February 13, a total of 453,100 shares have been repurchased at a total cost of \$4,870,775 and a weighted average discount from net asset value of 11.8%.

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The proxy statement for the Annual Meeting of Stockholders to be held in Chicago, Illinois on March 25, 2003, will be mailed on or about February 21, 2003 to holders of record on February 14, 2003.

By order of the Board of Directors,

|                     |                     |
|---------------------|---------------------|
| /s/ Douglas G. Ober | /s/ Joseph M. Truta |
| Douglas G. Ober,    | Joseph M. Truta,    |
| Chairman and Chief  | President           |
| Executive Officer   |                     |

February 14, 2003

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Forward-Looking Statements

This report contains "forward-looking statements" within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934. By their nature, all forward-looking statements involve risks and uncertainties, and actual results could differ materially from those contemplated by the forward-looking statements. Several factors that could materially affect the Company's actual results are the performance of the portfolio of stocks held by the Company, the conditions in the U.S. and international financial markets,

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the price at which shares of the Company will trade in the public markets, and other factors discussed in the Company's periodic filings with the Securities and Exchange Commission.

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### STATEMENT OF ASSETS AND LIABILITIES

December 31, 2002

Assets

Investments\* at value:

|  |               |
|--|---------------|
| Common stocks and convertible securities<br>(cost \$741,368,200)                   | \$825,098,427 |
| Non-controlled affiliate, Petroleum & Resources Corporation<br>(cost \$27,963,162) | 38,091,413    |
| Short-term investments (cost \$155,489,346)  | 155,489,346   |

|                                   |        |
|-----------------------------------|--------|
| Cash                              | 99     |
| Securities lending collateral     | 63,374 |
| Receivables:                      |        |
| Investment securities sold        | 4,182  |
| Dividends and interest            | 798    |
| Prepaid expenses and other assets | 7,184  |

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|              |           |
|--------------|-----------|
| Total Assets | 1,094,317 |
|--------------|-----------|

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Liabilities

|   |        |
|---|--------|
| Investment securities purchased                               | 2,080  |
| Open written option contracts at value (proceeds \$1,228,000) | 498    |
| Obligations to return securities lending collateral           | 63,374 |
| Accrued expenses and other liabilities                        | 3,553  |

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|                   |        |
|-------------------|--------|
| Total Liabilities | 69,507 |
|-------------------|--------|

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|            |             |
|------------|-------------|
| Net Assets | \$1,024,810 |
|------------|-------------|

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Net Assets

|  |           |
|--|-----------|
| Common Stock at par value \$1.00 per share, authorized 150,000,000 shares;<br>issued and outstanding 84,536,250 shares | \$ 84,536 |
| Additional capital surplus   | 837,980   |
| Undistributed net investment income  | 4,872     |
| Undistributed net realized gain on investments   | 2,833     |
| Unrealized appreciation on investments   | 94,587    |

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|                                       |             |
|---------------------------------------|-------------|
| Net Assets Applicable to Common Stock | \$1,024,810 |
|---------------------------------------|-------------|

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|   |     |
|---|-----|
| Net Asset Value Per Share of Common Stock | \$1 |
|---|-----|

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

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

|   |                  |
|---|------------------|
| Investment Income   |                  |
| Income:   |                  |
| Dividends:  |                  |
| From unaffiliated issuers   | \$ 17,292,223    |
| From non-controlled affiliate   | 842,054          |
| Interest and other income   | 2,662,914        |
| -----   |                  |
| Total income  | 20,797,191       |
| -----   |                  |
| Expenses:   |                  |
| Investment research   | 1,399,322        |
| Administration and operations   | 905,139          |
| Directors' fees   | 209,750          |
| Reports and stockholder communications  | 351,620          |
| Transfer agent, registrar and custodian expenses  | 373,541          |
| Auditing and accounting services  | 96,608           |
| Legal services  | 89,386           |
| Occupancy and other office expenses   | 303,049          |
| Travel, telephone and postage   | 133,507          |
| Other   | 196,909          |
| -----   |                  |
| Total expenses  | 4,058,831        |
| -----   |                  |
| Net Investment Income   | 16,738,360       |
| -----   |                  |
| Realized Gain and Change in Unrealized Appreciation on Investments                          |                  |
| Net realized gain on security transactions  | 43,248,115       |
| Net realized gain distributed by regulated investment company<br>(non-controlled affiliate) | 1,282,220        |
| Change in unrealized appreciation on investments  | (330,406,021)    |
| -----   |                  |
| Net Loss on Investments   | (285,875,686)    |
| -----   |                  |
| Change in Net Assets Resulting from Operations  | \$ (269,137,326) |
| -----   |                  |

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

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STATEMENTS OF CHANGES IN NET ASSETS

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For the Year End

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Dec. 31, 2002 Dec.

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|  |                 |         |
|--|-----------------|---------|
| From Operations:   |                 |         |
| Net investment income  | \$ 16,738,360   | \$ 21   |
| Net realized gain on investments   | 44,530,335      | 113     |
| Change in unrealized appreciation on investments   | (330,406,021)   | (622)   |
| <hr style="border-top: 1px dashed black;"/>  |                 |         |
| Change in net assets resulting from operations   | (269,137,326)   | (487)   |
| <hr style="border-top: 1px dashed black;"/>  |                 |         |
| Distributions to Stockholders From:  |                 |         |
| Net investment income  | (15,955,830)    | (21)    |
| Net realized gain from investment transactions   | (47,121,926)    | (111)   |
| <hr style="border-top: 1px dashed black;"/>  |                 |         |
| Decrease in net assets from distributions  | (63,077,756)    | (133)   |
| <hr style="border-top: 1px dashed black;"/>  |                 |         |
| From Capital Share Transactions:   |                 |         |
| Value of shares issued in payment of exercised options and distributions                                 | 26,003,033      | 68      |
| Cost of shares purchased (note 4)  | (37,344,175)    | (30)    |
| <hr style="border-top: 1px dashed black;"/>  |                 |         |
| Change in net assets from capital share transactions   | (11,341,142)    | 37      |
| <hr style="border-top: 1px dashed black;"/>  |                 |         |
| Total Decrease in Net Assets   | (343,556,224)   | (583)   |
| <hr style="border-top: 1px dashed black;"/>  |                 |         |
| Net Assets:  |                 |         |
| Beginning of year  | 1,368,366,316   | 1,951   |
| <hr style="border-top: 1px dashed black;"/>  |                 |         |
| End of year (including undistributed net investment income of \$4,872,269 and \$3,788,120, respectively) | \$1,024,810,092 | \$1,368 |
| <hr style="border-top: 1px dashed black;"/>  |                 |         |

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

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### NOTES TO FINANCIAL STATEMENTS

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#### 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

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distributions to shareholders are recognized on the ex-dividend date, and interest income is recognized on the accrual basis.

### 2. Federal Income Taxes

The Company's policy is to distribute all of its taxable income to its shareholders in compliance with the requirements of the Internal Revenue Code applicable to regulated investment companies. Therefore, no federal income tax provision is required. For federal income tax purposes, the identified cost of securities, including options, at December 31, 2002 was \$924,832,397, and net unrealized appreciation aggregated \$95,074,789, of which the related gross unrealized appreciation and depreciation were \$299,619,812 and \$204,545,023, respectively. As of December 31, 2002, the tax basis of distributable earnings was \$1,332,166 of undistributed ordinary income and \$1,907,258 of undistributed long-term capital gain.

Distributions paid by the Company during the year ended December 31, 2002 were classified as ordinary income of \$18,510,961, and long-term capital gain of \$44,566,795. The distributions are determined in accordance with income tax regulations which may differ from generally accepted accounting principles. Accordingly, periodic reclassifications are made within the Company's capital accounts to reflect income and gains available for distribution under income tax regulations.

### 3. Investment Transactions

Purchases and sales of portfolio securities, other than options and short-term investments, during the year ended December 31, 2002 were \$187,187,537 and \$310,239,542, 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 December 31, 2002 can be found on page 17.

Transactions in written covered call and collateralized put options during the year ended December 31, 2002 were as follows:

|   | Covered Calls |            | Collateralized Puts |             |
|---|---------------|------------|---------------------|-------------|
|   | Contracts     | Premiums   | Contracts           | Premiums    |
| Options outstanding,<br>December 31,<br>2001              | 1,400         | \$ 179,644 | 800                 | \$ 88,697   |
| Options written   | 12,446        | 1,371,372  | 18,725              | 2,156,419   |
| Options terminated in<br>closing purchase<br>transactions | (1,899)       | (233,629)  | (855)               | (123,686)   |
| Options expired   | (5,029)       | (621,374)  | (8,887)             | (1,065,796) |
| Options exercised   | (871)         | (131,957)  | (3,588)             | (391,690)   |
| Options outstanding,<br>December 31,<br>2002              | 6,047         | \$ 564,056 | 6,195               | \$ 663,944  |

All investment decisions are made by a committee, and no one person is

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

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

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### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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Board of Directors may deem advisable. Transactions in Common Stock for 2002 and 2001 were as follows:

|   | Shares      |             | Amount         |               |
|---|-------------|-------------|----------------|---------------|
|   | 2002        | 2001        | 2002           | 2001          |
| Shares issued in payment of dividends   | 2,426,788   | 4,755,400   | \$ 26,003,033  | \$ 68,287,544 |
| Shares purchased (at a weighted average discount from net asset value of 10.9% and 10.0%, respectively) | (3,123,800) | (1,814,400) | (37,344,175)   | (30,709,784)  |
| Net change  | (697,012)   | 2,941,000   | \$(11,341,142) | \$ 37,577,760 |

The cost of the 697,012 shares of Common Stock held by the Company at December 31, 2002 amounted to \$7,554,426.

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

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appreciation rights allow the optionees to surrender their rights to exercise their options and receive cash or shares in an amount equal to the difference between the option price and the fair market value of the common stock at the date of surrender.

Under the plan, the exercise price of the options and related stock appreciation rights is reduced by the per share amount of capital gain paid by the Company during subsequent years. At the beginning of 2002, there were 345,567 options outstanding with a weighted average exercise price of \$8.7445 per share. During 2002, the Company granted options, including stock appreciation rights, for 68,073 shares of common stock with a weighted average exercise price of \$14.2482 per share. During the year, stock appreciation rights relating to 96,384 stock option shares were exercised at a weighted average market price of \$12.6173 per share and the stock options relating to these rights which had a weighted average exercise price of \$3.3392 per share were cancelled. Stock options and stock appreciation rights relating to 58,233 shares, and having a weighted average exercise price of \$10.8055, were cancelled. At December 31, 2002, there were outstanding exercisable options to purchase 56,255 common shares at \$2.6042-\$19.0400 per share (weighted average price of \$12.3445), and unexercisable options to purchase 202,768 common shares at \$2.6042-\$19.0400 per share (weighted average price of \$10.87). The weighted average remaining contractual life of outstanding exercisable and unexercisable options was 5.2835 years and 5.9604 years, respectively. Total compensation expense recognized in 2002 related to the stock option and stock appreciation rights plan was \$(508,725). At December 31, 2002, there were 1,256,531 shares available for future option grants.

### 5. Retirement Plans

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

The actuarially computed net pension cost credit for the year ended December 31, 2002 was \$4,453, and consisted of service expense of \$217,675, interest expense of \$405,224, expected return on plan assets of \$836,561, and net amortization expense of \$209,209.

In determining the actuarial present value of the projected benefit obligation, the interest rate used for the weighted average discount rate was 7.25%, the expected rate of annual salary increases was 7.0%, and the expected long-term rate of return on plan assets was 8.0%.

On January 1, 2002, the projected benefit obligation for service rendered to date was \$5,701,564. During 2002, the projected benefit obligation increased due to service cost and interest cost of \$217,675 and \$405,224 respectively, and decreased due to benefits paid in the amount of \$224,521. The projected benefit obligation at December 31, 2002 was \$6,099,942.

On January 1, 2002, the fair value of plan assets was \$10,569,275. During 2002, the fair value of plan assets increased due to the expected return on plan assets of \$836,561 and decreased due to benefits paid in the amount of \$224,521. At December 31, 2002, the fair value of plan assets amounted to \$11,181,315, which resulted in excess plan assets of \$5,081,373. The remaining components of prepaid pension cost on December 31, 2002 included \$645,437 in unrecognized loss and \$511,959 in unrecognized prior service cost. Prepaid pension cost included in other assets at December 31, 2002 was \$6,238,769.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Company does not provide postretirement medical benefits.

6. Expenses

The cumulative amount of accrued expenses at December 31, 2002 for employees and former employees of the Company was \$2,560,205. Aggregate remuneration paid or accrued during the year ended December 31, 2002 to key employees and directors amounted to \$1,625,437.

7. Portfolio Securities Loaned

The Company makes loans of securities to brokers, secured by cash deposits, U.S. Government securities, or bank letters of credit. The Company accounts for securities lending transactions as secured financing and receives compensation in the form of fees or retains a portion of interest on the investment of any cash received as collateral. The Company also continues to receive interest or dividends on the securities loaned. The loans are secured by collateral of at least 102%, at all times, of the fair value of the securities loaned plus accrued interest. Gain or loss in the fair value of the securities loaned that may occur during the term of the loan will be for the account of the Company. At December 31, 2002, the Company had securities on loan of \$58,937,364, and held cash collateral of \$63,374,239.

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

THE ADAMS EXPRESS COMPANY

| Calendar<br>Years | Market<br>value<br>of<br>original<br>shares | Cumulative<br>market value<br>of capital<br>gains<br>distributions<br>taken in | Cumulative<br>market value<br>of income<br>dividends<br>taken in<br>shares | Total<br>market<br>value | Total net<br>asset<br>value |
|-------------------|---|--|--|--------------------------|-----------------------------|
|-------------------|---|--|--|--------------------------|-----------------------------|

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shares

| Year | Initial Investment | Dividends | Capital Gains | Total Value | Final Value |
|------|--------------------|-----------|---------------|-------------|-------------|
| 1988 | \$ 9,863           | \$ 879    | \$ 321        | \$11,063    | \$12,083    |
| 1989 | 10,448             | 1,990     | 864           | 13,302      | 15,618      |
| 1990 | 9,863              | 2,794     | 1,356         | 14,013      | 15,979      |
| 1991 | 12,705             | 4,720     | 2,285         | 19,710      | 20,959      |
| 1992 | 13,373             | 6,203     | 2,890         | 22,466      | 23,006      |
| 1993 | 11,952             | 6,876     | 3,027         | 21,855      | 24,184      |
| 1994 | 10,448             | 7,363     | 3,210         | 21,021      | 24,196      |
| 1995 | 12,367             | 10,288    | 4,532         | 27,187      | 31,399      |
| 1996 | 13,206             | 12,799    | 5,621         | 31,626      | 37,952      |
| 1997 | 16,173             | 18,153    | 7,744         | 42,070      | 49,597      |
| 1998 | 17,803             | 23,005    | 9,353         | 50,161      | 61,296      |
| 1999 | 22,442             | 33,138    | 12,641        | 68,221      | 81,866      |
| 2000 | 21,063             | 35,874    | 12,447        | 69,384      | 78,371      |
| 2001 | 14,263             | 28,871    | 9,139         | 52,273      | 59,000      |
| 2002 | 10,602             | 23,505    | 7,380         | 41,487      | 47,571      |

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

Investment income dividends and capital gains distributions are taken in additional shares. This chart covers the years 1988-2002. Assumes commissions of \$0.05 per share on the initial shares invested. Fees for the reinvestment of dividends are assumed as outlined on page 21. No adjustment has been made for any income taxes payable by stockholders on income dividends or on capital gains distributions, or the sale of any shares. These results should not be considered representative of the dividend income or capital gain or loss which may be realized in the future.

[CHART]

| Year | Market Value of Original Shares | Cumulative Market Value of Shares from Income Dividends | Net Asset Value of Total Shares | Cumulative Market Value of Shares from Capital Gains Distributions |
|------|---------------------------------|---|---------------------------------|--|
| 1988 | \$9,863                         | \$11,063  | \$12,083                        | \$10,742   |
| 1989 | 10,448                          | 13,302  | 15,618                          | 12,438   |
| 1990 | 9,863                           | 14,013  | 15,979                          | 12,657   |
| 1991 | 12,705                          | 19,710  | 20,959                          | 17,425   |
| 1992 | 13,373                          | 22,466  | 23,006                          | 19,576   |
| 1993 | 11,952                          | 21,855  | 24,184                          | 18,828   |
| 1994 | 10,448                          | 21,021  | 24,196                          | 17,811   |
| 1995 | 12,367                          | 27,187  | 31,399                          | 22,655   |
| 1996 | 13,206                          | 31,626  | 37,952                          | 26,005   |
| 1997 | 16,173                          | 42,070  | 49,597                          | 34,326   |
| 1998 | 17,803                          | 50,161  | 61,296                          | 40,808   |
| 1999 | 22,442                          | 68,221  | 81,866                          | 55,580   |
| 2000 | 21,063                          | 69,384  | 78,371                          | 56,937   |
| 2001 | 14,263                          | 52,273  | 59,000                          | 43,134   |
| 2002 | 10,602                          | 41,487  | 47,571                          | 34,107   |

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## FINANCIAL HIGHLIGHTS

|  | Year Ended December 31 |             |             |             |             |
|--|------------------------|-------------|-------------|-------------|-------------|
|  | 2002                   | 2001        | 2000        | 1999        | 1998        |
| <b>Per Share Operating Performance*</b>                  |                        |             |             |             |             |
| Net asset value, beginning of year                       | \$16.05                | \$23.72     | \$26.85     | \$21.69     | \$19.01     |
| Net investment income                                    | 0.20                   | 0.26        | 0.26        | 0.25        | 0.30        |
| Net realized gains and change in unrealized appreciation | (3.38)                 | (6.21)      | (1.51)      | 6.71        | 3.90        |
| Total from investment operations                         | (3.18)                 | (5.95)      | (1.25)      | 6.96        | 4.20        |
| <b>Less distributions</b>                                |                        |             |             |             |             |
| Dividends from net investment income                     | (0.19)                 | (0.26)      | (0.22)      | (0.26)      | (0.30)      |
| Distributions from net realized gains                    | (0.57)                 | (1.39)      | (1.63)      | (1.37)      | (1.10)      |
| Total distributions                                      | (0.76)                 | (1.65)      | (1.85)      | (1.63)      | (1.40)      |
| Capital share repurchases                                | 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                   | (0.07)      | (0.03)      | (0.17)      | (0.12)      |
| Net asset value, end of year                             | \$12.12                | \$16.05     | \$23.72     | \$26.85     | \$21.69     |
| Per share market price, end of year                      | \$10.57                | \$14.22     | \$21.00     | \$22.38     | \$17.75     |
| <b>Total Investment Return</b>                           |                        |             |             |             |             |
| Based on market price                                    | (20.6)%                | (24.7)%     | 1.7%        | 36.1%       | 19.3%       |
| Based on net asset value                                 | (19.4)%                | (24.7)%     | (4.3)%      | 33.6%       | 23.7%       |
| <b>Ratios/Supplemental Data</b>                          |                        |             |             |             |             |
| Net assets, end of year (in 000's)                       | \$1,024,810            | \$1,368,366 | \$1,951,563 | \$2,170,802 | \$1,688,080 |
| Ratio of expenses to average net assets                  | 0.34%                  | 0.19%       | 0.24%       | 0.32%       | 0.22%       |
| Ratio of net investment income to average net assets     | 1.42%                  | 1.33%       | 0.97%       | 1.06%       | 1.48%       |
| Portfolio turnover                                       | 17.93%                 | 19.15%      | 12.74%      | 15.94%      | 22.65%      |
| Number of shares outstanding at end of year (in 000's)*  | 84,536                 | 85,233      | 82,292      | 80,842      | 77,810      |

\* 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.

## SCHEDULE OF INVESTMENTS

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December 31, 2002

|  | Prin. Amt.<br>or Shares | Value (A)    |
|--|-------------------------|--------------|
| -----                                      |                         |              |
| Stocks and Convertible Securities -- 84.2% |                         |              |
| Consumer -- 11.0%                          |                         |              |
| BJ's Wholesale Club, Inc. (B).....         | 475,000                 | \$ 8,692,500 |
| Brinker International Inc. (B).....        | 515,000                 | 16,608,750   |
| Coca-Cola Co.....                          | 200,000                 | 8,764,000    |
| Dean Foods Co. (B).....                    | 477,400                 | 17,711,540   |
| Hershey Foods Corp.....                    | 70,000                  | 4,720,800    |
| PepsiCo, Inc.....                          | 440,000                 | 18,576,800   |
| Procter & Gamble Co.....                   | 170,000                 | 14,609,800   |
| Safeway, Inc. (B) (C).....                 | 415,000                 | 9,694,400    |
| Target Corp.....                           | 460,000                 | 13,800,000   |
|  |                         | -----        |
|  |                         | 113,178,590  |
|  |                         | -----        |
| Energy -- 5.2%                             |                         |              |
| BP plc ADR (C).....                        | 270,000                 | 10,975,501   |
| Exxon Mobil Corp.....                      | 130,000                 | 4,542,200    |
| Petroleum & Resources Corporation (D)..    | 1,985,996               | 38,091,413   |
|  |                         | -----        |
|  |                         | 53,609,114   |
|  |                         | -----        |
| Financial -- 16.6%                         |                         |              |
| Banking -- 10.1%                           |                         |              |
| BankNorth Group, Inc.....                  | 474,000                 | 10,712,400   |
| Federal Home Loan Mortgage Corp.....       | 160,000                 | 9,448,000    |
| Investors Financial Services Corp.....     | 495,000                 | 13,558,050   |
| Mellon Financial Corp.....                 | 420,000                 | 10,966,200   |
| Provident Bankshares Corp.....             | 335,021                 | 7,742,681    |
| Wachovia Corp.....                         | 380,000                 | 13,847,200   |
| Wells Fargo & Co.....                      | 500,000                 | 23,435,000   |
| Wilmington Trust Corp.....                 | 420,000                 | 13,305,600   |
|  |                         | -----        |
|  |                         | 103,015,131  |
|  |                         | -----        |
| Insurance -- 6.5%                          |                         |              |
| AMBAC Financial Group, Inc.....            | 400,000                 | 22,496,000   |
| American International Group, Inc.....     | 763,675                 | 44,178,600   |
|  |                         | -----        |
|  |                         | 66,674,600   |
|  |                         | -----        |

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SCHEDULE OF INVESTMENTS (CONTINUED)

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December 31, 2002



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|  | Prin. Amt.<br>or Shares | Value (A)     |
|--|-------------------------|---------------|
| -----  |                         |               |
| Health Care -- 14.0%                             |                         |               |
| Abbott Laboratories.....                         | 350,000                 | \$ 14,000,000 |
| Affymetrix Inc. (B).....                         | 210,000                 | 4,806,900     |
| Bristol-Myers Squibb Co.....                     | 345,000                 | 7,986,750     |
| Enzon Pharmaceuticals, Inc. (B) (C).....         | 100,000                 | 1,672,000     |
| Genentech, Inc. (B).....                         | 300,000                 | 9,948,000     |
| GlaxoSmithKline plc ADR (C).....                 | 250,360                 | 9,378,486     |
| HCA Inc. (C).....                                | 450,000                 | 18,675,000    |
| Johnson & Johnson.....                           | 360,000                 | 19,335,600    |
| Lilly (Eli) & Co. (C).....                       | 190,000                 | 12,065,000    |
| Pfizer Inc.....                                  | 484,500                 | 14,811,165    |
| Pharmacia Corp.....                              | 368,900                 | 15,420,020    |
| Vertex Pharmaceuticals Inc. (B).....             | 248,016                 | 3,931,054     |
| Wyeth Co.....                                    | 300,000                 | 11,220,000    |
|  |                         | -----         |
|  |                         | 143,249,975   |
|  |                         | -----         |
| Industrials -- 12.1%                             |                         |               |
| Black & Decker Corp.....                         | 300,000                 | 12,867,000    |
| Boeing Co.....                                   | 300,000                 | 9,897,000     |
| Canadian National Railway Co.....                | 107,300                 | 4,459,388     |
| Corning Inc. (B) (C).....                        | 1,170,000               | 3,872,700     |
| General Electric Co.....                         | 1,182,500               | 28,793,875    |
| Ingersoll-Rand Co. Ltd.....                      | 162,200                 | 6,984,332     |
| R.R. Donnelley & Sons Co.....                    | 500,000                 | 10,885,000    |
| 3M Co.....                                       | 145,000                 | 17,878,500    |
| United Parcel Service, Inc. (C).....             | 80,000                  | 5,046,400     |
| United Technologies Corp.....                    | 380,000                 | 23,537,200    |
|  |                         | -----         |
|  |                         | 124,221,395   |
|  |                         | -----         |
| Information Technology -- 9.3%                   |                         |               |
| Communication Equipment -- 1.8%                  |                         |               |
| Ericsson (L.M.) Telephone Co. ADR (B) (C).....   | 200,000                 | 1,348,000     |
| Lucent Technologies Inc. (B) (C).....            | 400,000                 | 504,000       |
| Nokia Corp. ADR (B).....                         | 1,050,000               | 16,275,000    |
|  |                         | -----         |
|  |                         | 18,127,000    |
|  |                         | -----         |
| Computer Related -- 6.1%                         |                         |               |
| BEA Systems Inc. (B).....                        | 400,000                 | 4,588,000     |
| BMC Software Inc. (B).....                       | 310,000                 | 5,304,100     |
| Cisco Systems, Inc. (B).....                     | 1,755,000               | 22,990,500    |
| Diamondcluster International Inc. (B).....       | 497,500                 | 1,562,150     |
| Oracle Corp. (B).....                            | 880,000                 | 9,504,000     |
| Sapient Corp. (B).....                           | 1,150,000               | 2,357,500     |
| Siebel Systems Inc. (B) (C).....                 | 770,000                 | 5,759,600     |
| Sun Microsystems, Inc. (B).....                  | 515,000                 | 1,601,650     |
| Symantec Corp. 3.00% Conv. Sub. Notes due 2006.. | \$500,000               | 704,688       |
| Symantec Corp. (B) (C).....                      | 200,000                 | 8,090,000     |
|  |                         | -----         |
|  |                         | 62,462,188    |
|  |                         | -----         |

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SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2002

|   | Prin. Amt.<br>or Shares | Value (A)    |
|---|-------------------------|--------------|
| -----   |                         |              |
| Electronics -- 1.4%                               |                         |              |
| Intel Corp.....                                   | 510,000                 | \$ 7,940,700 |
| Solectron Corp. (B) (C).....                      | 2,000,000               | 7,100,000    |
|   |                         | -----        |
|   |                         | 15,040,700   |
|   |                         | -----        |
| Materials -- 1.9%                                 |                         |              |
| Albemarle Corp.....                               | 225,000                 | 6,401,250    |
| Rohm & Haas Co.....                               | 400,000                 | 12,992,000   |
|   |                         | -----        |
|   |                         | 19,393,250   |
|   |                         | -----        |
| Telecom Services -- 4.9%                          |                         |              |
| Alltel Corp.....                                  | 275,000                 | 14,025,000   |
| BellSouth Corp.....                               | 415,000                 | 10,736,050   |
| SBC Communications Inc.....                       | 595,000                 | 16,130,450   |
| Vodafone Group plc ADS (C).....                   | 492,614                 | 8,926,157    |
|   |                         | -----        |
|   |                         | 49,817,657   |
|   |                         | -----        |
| Utilities -- 9.2%                                 |                         |              |
| Black Hills Corp. (C).....                        | 374,500                 | 9,931,740    |
| CINergy Corp.....                                 | 440,000                 | 14,836,800   |
| Duke Energy Corp. 8.25% Conv. Pfd. due 2004 (C).. | 400,000                 | 6,364,000    |
| Duke Energy Corp.....                             | 355,000                 | 6,936,700    |
| Keyspan Corp.....                                 | 400,000                 | 14,096,000   |
| MDU Resources Group, Inc.....                     | 450,000                 | 11,614,500   |
| Northwestern Corp. (C).....                       | 500,000                 | 2,540,000    |
| Philadelphia Suburban Corp.....                   | 875,000                 | 18,025,000   |
| TECO Energy, Inc. (C).....                        | 650,000                 | 10,055,500   |
|   |                         | -----        |
|   |                         | 94,400,240   |
|   |                         | -----        |
| Total Stocks and Convertible Securities           |                         |              |
| (Cost \$769,331,362) (E).....                     |                         | 863,189,840  |
|   |                         | -----        |

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SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2002

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|  | Prin. Amt.   | Value (A)       |
|--|--------------|-----------------|
| -----  |              |                 |
| Short-Term Investments -- 15.2%                                    |              |                 |
| U.S. Government Obligations -- 5.5%                                |              |                 |
| U.S. Treasury Bills, 1.04-1.15%, due 2/6/03-3/27/03.....           | \$56,805,000 | \$ 56,676,144   |
|  |              | -----           |
| Certificates of Deposit -- 1.5%                                    |              |                 |
| Mercantile-Safe Deposit & Trust Co., 1.25%, due 1/23/03-3/27/03... | 15,000,000   | 15,000,000      |
|  |              | -----           |
| Commercial Paper -- 8.2%   |              |                 |
| AIG Funding, Inc., 1.30% due 1/9/03.....                           | 3,550,000    | 3,548,974       |
| American General Finance, Inc., 1.32%, due 1/14/03-1/30/03.....    | 10,390,000   | 10,380,958      |
| BellSouth Corp., 1.24-1.27%, due 1/16/03-1/23/03.....              | 13,575,000   | 13,565,243      |
| Coca-Cola Enterprises, Inc., 1.29%, due 1/21/03.....               | 15,000,000   | 14,989,250      |
| GMAC MINT, 1.36%, due 1/7/03.....                                  | 15,000,000   | 14,996,600      |
| General Electric Capital Corp., 1.18-1.34%, due 1/02/03-1/21/03... | 15,000,000   | 14,990,808      |
| Kraft Foods Inc., 1.25%, due 1/23/03.....                          | 4,850,000    | 4,846,295       |
| Wells Fargo Financial, Inc., 1.24%, due 1/23/03.....               | 6,500,000    | 6,495,074       |
|  |              | -----           |
|  |              | 83,813,202      |
|  |              | -----           |
| Total Short-Term Investments                                       |              |                 |
| (Cost \$155,489,346).....  |              | 155,489,346     |
|  |              | -----           |
| Total Investments -- 99.4%   |              |                 |
| (Cost \$924,820,708).....  |              | 1,018,679,186   |
| Cash, receivables and other assets, less liabilities -- 0.6%....   |              | 6,130,906       |
|  |              | -----           |
| Net Assets -- 100.0%.....  |              | \$1,024,810,092 |

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) All or a portion 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 December 31, 2002 covering open call option contracts written was \$18,323,959. In addition, the required aggregate market value of securities segregated by the custodian to collateralize open put option contracts written was \$23,626,250.

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SCHEDULE OF OUTSTANDING OPTION CONTRACTS

December 31, 2002

Contracts  
(100 shares)

Contract  
Strike Expiration Appreciation/

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| each)               | Security                           | Price | Date   | (Depreciation) |
|---------------------|------------------------------------|-------|--------|----------------|
| COVERED CALLS       |                                    |       |        |                |
| 250                 | Affymetrix Inc.....                | \$35  | Feb 03 | \$ 18,999      |
| 150                 | American International Group, Inc. | 80    | Jan 03 | 14,999         |
| 100                 | American International Group, Inc. | 80    | Feb 03 | 8,100          |
| 250                 | American International Group, Inc. | 100   | Jan 04 | 17,499         |
| 2,000               | Cisco Systems, Inc.....            | 25    | Jan 04 | 90,994         |
| 100                 | Federal Home Loan Mortgage Corp... | 70    | Jan 03 | 11,500         |
| 150                 | HCA Inc.....                       | 55    | Feb 03 | 28,574         |
| 250                 | Investors Financial Services Corp. | 32.50 | Jan 03 | 19,999         |
| 150                 | Johnson & Johnson.....             | 65    | Jan 03 | 12,900         |
| 100                 | Procter & Gamble Co.....           | 105   | Jan 03 | 9,550          |
| 100                 | Symantec Corp.....                 | 45    | Jan 03 | 12,854         |
| 100                 | 3M Co.....                         | 140   | Jan 03 | 19,499         |
| 100                 | 3M Co.....                         | 145   | Jan 03 | 9,425          |
| 1,697               | TECO Energy, Inc.....              | 20    | Feb 03 | 65,501         |
| 400                 | United Technologies Corp.....      | 75    | Jan 03 | 36,899         |
| 150                 | Wells Fargo & Co.....              | 55    | Jan 03 | 13,574         |
| -----               |                                    |       |        | -----          |
| 6,047               |                                    |       |        | 390,866        |
| -----               |                                    |       |        | -----          |
| COLLATERALIZED PUTS |                                    |       |        |                |
| 150                 | Alltel Corp.....                   | 35    | Jan 03 | 17,249         |
| 250                 | Boeing Co.....                     | 25    | Jan 03 | 21,249         |
| 250                 | Canadian National Railway Co.....  | 40    | Feb 03 | 1,499          |
| 250                 | Canadian National Railway Co.....  | 40    | Apr 03 | (14,876)       |
| 250                 | Canadian National Railway Co.....  | 35    | Jul 03 | (11,126)       |
| 350                 | Coca-Cola Co.....                  | 40    | Jan 03 | 29,749         |
| 250                 | Federal Home Loan Mortgage Co..... | 50    | Jan 03 | 31,249         |
| 150                 | General Electric Co.....           | 17.50 | Jan 03 | 13,650         |
| 250                 | HCA Inc.....                       | 35    | Jan 03 | 18,999         |
| 250                 | HCA Inc.....                       | 32.50 | Feb 03 | 10,124         |
| 500                 | Hershey Foods Corp.....            | 55    | Feb 03 | 83,097         |
| 150                 | Ingersoll-Rand Co. Ltd.....        | 37.50 | Jan 03 | 10,725         |
| 250                 | Ingersoll-Rand Co. Ltd.....        | 40    | Jan 03 | 17,749         |
| 250                 | Ingersoll-Rand Co. Ltd.....        | 40    | Feb 03 | (8,393)        |
| 25                  | Ingersoll-Rand Co. Ltd.....        | 32.50 | Mar 03 | 1,012          |
| 20                  | MDU Resources Group, Inc.....      | 22.50 | Jan 03 | 1,420          |
| 50                  | MDU Resources Group, Inc.....      | 20    | Apr 03 | 2,550          |
| 200                 | Murphy Oil Corp.....               | 30    | Jan 03 | 4,649          |
| 500                 | Murphy Oil Corp.....               | 32.50 | Jan 03 | 12,624         |
| 500                 | Murphy Oil Corp.....               | 35    | Jan 03 | 11,499         |
| 150                 | PepsiCo, Inc.....                  | 37.50 | Jan 03 | 11,400         |
| 150                 | Procter & Gamble Co.....           | 65    | Jan 03 | 15,750         |
| 150                 | Procter & Gamble Co.....           | 55    | Apr 03 | 10,575         |
| 100                 | Rohm & Haas Co.....                | 30    | Jan 03 | 9,700          |
| 100                 | Rohm & Haas Co.....                | 35    | Jan 03 | (10,401)       |
| 250                 | Target Corp.....                   | 25    | Jan 03 | 18,999         |
| 200                 | United Parcel Service, Inc.....    | 55    | Apr 03 | 6,099          |
| 250                 | Wyeth Co.....                      | 30    | Jan 03 | 21,374         |
| -----               |                                    |       |        | -----          |
| 6,195               |                                    |       |        | 338,194        |
| -----               |                                    |       |        | -----          |
|                     |                                    |       |        | \$729,060      |
|                     |                                    |       |        | =====          |

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CHANGES IN PORTFOLIO SECURITIES

During the Three Months Ended December 31, 2002  
(unaudited)

|   | Shares         |            | Held<br>Dec. 31, 2002 |
|---|----------------|------------|-----------------------|
|   | Additions      | Reductions |                       |
| Albemarle Corp.....                     | 100,000        |            | 225,000               |
| Alltel Corp.....                        | 65,000         |            | 275,000               |
| BJ's Wholesale Club, Inc.....           | 50,000         |            | 475,000               |
| Boeing Co.....                          | 300,000        |            | 300,000               |
| Canadian National Railway Co.....       | 107,300        |            | 107,300               |
| Federal Home Loan Mortgage Corp.....    | 10,000         |            | 160,000               |
| HCA Inc.....                            | 50,000         |            | 450,000               |
| Ingersoll-Rand Co. Ltd.....             | 162,200        |            | 162,200               |
| MDU Resources Group, Inc.....           | 450,000        |            | 450,000               |
| Petroleum & Resources Corporation.....  | 72,235 / (1) / |            | 1,985,996             |
| Philadelphia Suburban Corp.....         | 10,000         |            | 875,000               |
| R.R. Donnelley & Sons Co.....           | 500,000        |            | 500,000               |
| Rohm & Haas Co.....                     | 40,000         |            | 400,000               |
| Siebel Systems Inc.....                 | 300,000        |            | 770,000               |
| Applera Corp.--Applied Biosystems Group |                | 210,000    | --                    |
| BellSouth Corp.....                     |                | 25,000     | 415,000               |
| Black Hills Corp.....                   |                | 35,500     | 374,500               |
| Ericsson (L.M.) Telephone Co. ADR.....  |                | 1,800,000  | 200,000 / (2) /       |
| Intel Corp.....                         |                | 180,000    | 510,000               |
| Investors Financial Services Corp.....  |                | 105,000    | 495,000               |
| Murphy Oil Corp.....                    |                | 50,000     | --                    |
| Nokia Corp. ADR.....                    |                | 330,000    | 1,050,000             |
| SBC Communications Inc.....             |                | 25,000     | 595,000               |
| Symantec Corp.....                      |                | 50,000     | 200,000               |
| 3M Co.....                              |                | 10,000     | 145,000               |
| United Parcel Service, Inc.....         |                | 235,000    | 80,000                |
| United Technologies Corp.....           |                | 20,000     | 380,000               |
| Wells Fargo & Co.....                   |                | 50,000     | 500,000               |

/(1)/ Received 72,235 shares through dividend reinvestment.

/(2)/ Reverse stock split received .10 share for each share held.

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REPORT OF INDEPENDENT ACCOUNTANTS

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

In our opinion, the accompanying statement of assets and liabilities, including

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the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of The Adams Express Company (hereafter referred to as the "Company") at December 31, 2002, and the results of its operations, the changes in its net assets and the financial highlights for each of the fiscal periods presented, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2002 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Baltimore, Maryland  
January 8, 2003

-----  
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

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## SHAREHOLDER INFORMATION AND SERVICES

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WE ARE OFTEN ASKED --

How do I invest in Adams Express?

Adams Express Common Stock is listed on the New York Stock Exchange and the Pacific Exchange. The stock's ticker symbol is "ADX" and may be bought and sold through registered investment security dealers. Your broker will be able to assist you in this regard. In addition, stock may be purchased through our transfer agent, The Bank of New York's BuyDIRECT Purchase and Sale Plan (see page 21).

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

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

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

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

Your Adams Express stock certificates are valuable documents and should be kept in a safe place. For tax purposes, keep a record of each certificate, including the cost or market value of the shares it covers at the time acquired. If a certificate is lost, destroyed or stolen, notify the Transfer Agent immediately so a "stop transfer" order can be placed on the records to prevent an unauthorized transfer of your certificate. The necessary forms and requirements to permit the issuance of a replacement certificate will then be sent to you. A certificate can be replaced only after the receipt of an affidavit regarding the loss accompanied by an open penalty bond, for which a small premium is paid by the stockholder.

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

Can you send my dividend checks directly to my bank?

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

Who do I notify of a change of address?

The Transfer Agent.

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

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

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

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

SHAREHOLDER INFORMATION AND SERVICES (CONTINUED)

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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/SM/\*

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   |
| A one-time fee for new accounts who are not currently registered holders. |  |
| Optional Cash Investments   |  |
| Service Fee   | \$2.50 per investment  |
| Brokerage Commission  | \$0.05 per share   |
| Reinvestment of Dividends**   |  |
| Service Fee   | 10% of amount invested<br>(maximum of \$2.50 per investment) |
| Brokerage Commission  | \$0.05 per share   |
| Sale of Shares  |  |
| Service Fee   | \$10.00  |
| Brokerage Commission  | \$0.05 per share   |
| Deposit of Certificates for safekeeping                                   | Included   |
| Book to Book Transfers  | Included   |
| To transfer shares to another participant or to a new participant         |  |



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Fees are subject to change at any time.

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

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

For Non-registered Shareholders

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

-----

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

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HISTORICAL FINANCIAL STATISTICS

| Dec. 31 | Value Of<br>Net Assets | Shares<br>Outstanding* | Net Asset<br>Value<br>Per Share* | Dividends<br>From Net<br>Investment<br>Income<br>Per Share* | Distributions<br>From Net<br>Realized<br>Gains<br>Per Share* |
|---------|------------------------|------------------------|----------------------------------|---|--|
| 1988    | \$ 455,825,580         | 42,443,262             | \$10.74                          | \$.33   | \$ .88   |
| 1989    | 550,091,129            | 44,974,408             | 12.23                            | .47   | .91  |
| 1990    | 529,482,769            | 47,219,010             | 11.21                            | .44   | .71  |
| 1991    | 661,895,779            | 49,121,246             | 13.47                            | .36   | .73  |
| 1992    | 696,924,779            | 51,039,938             | 13.65                            | .31   | .77  |
| 1993    | 840,610,252            | 63,746,498             | 13.19                            | .30   | .79  |
| 1994    | 798,297,600            | 66,584,985             | 11.99                            | .33   | .73  |
| 1995    | 986,230,914            | 69,248,276             | 14.24                            | .35   | .76  |
| 1996    | 1,138,760,396          | 72,054,792             | 15.80                            | .35   | .80  |
| 1997    | 1,424,170,425          | 74,923,859             | 19.01                            | .29   | 1.01   |
| 1998    | 1,688,080,336          | 77,814,977             | 21.69                            | .30   | 1.10   |
| 1999    | 2,170,801,875          | 80,842,241             | 26.85                            | .26   | 1.37   |
| 2000    | 1,951,562,978          | 82,292,262             | 23.72                            | .22   | 1.63   |
| 2001    | 1,368,366,316          | 85,233,262             | 16.05                            | .26   | 1.39   |
| 2002    | 1,024,810,092          | 84,536,250             | 12.12                            | .19   | .57  |

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

THE ADAMS EXPRESS COMPANY  
PRIVACY POLICY

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

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

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

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BOARD OF DIRECTORS

| Personal Information  | Position Held with the Fund | Term of Office | Length of Time Served | Principal Occupations During the Last 5 Years  | Number of Portfolios in Fund Complex Overseen by Director | Other Director |
|---|-----------------------------|----------------|-----------------------|--|---|----------------|
| <b>Independent Directors</b>  |                             |                |                       |  |   |                |
| Enrique R. Arzac<br>7 St. Paul Street,<br>Suite 1140<br>Baltimore, MD 21202<br>Age 61     | Director                    | One Year       | Since 1983            | Professor of Finance and Economics, formerly Vice Dean of Academic Affairs of the Graduate School of Business, Columbia University.  | Two   | Director       |
| Daniel E. Emerson<br>7 St. Paul Street,<br>Suite 1140<br>Baltimore, MD 21202<br>Age 78    | Director                    | One Year       | Since 1982            | Chairman, The National YMCA Fund Inc. Retired Executive Vice President of NYNEX Corp., (communications), Retired Chairman of The Board of both NYNEX Information Resources Co. and NYNEX Mobile Communications Co. Previously Executive Vice President and Director of New York Telephone Company. | Two   | Director       |
| Edward J. Kelly, III<br>7 St. Paul Street,<br>Suite 1140<br>Baltimore, MD 21202<br>Age 49 | Director                    | One Year       | Since October 2001    | President and Chief Executive Officer of Mercantile Bankshares Corporation. Formerly Managing Director with J.P. Morgan Chase & Co. (investment bank and global financial institution).  | Two   | Director       |
| Thomas H. Lenagh<br>7 St. Paul Street,<br>Suite 1140<br>Baltimore, MD 21202<br>Age 84     | Director                    | One Year       | Since 1968            | Financial Advisor, Chairman of the Board, Inrad Corp. (crystals). Formerly Chairman of the Board and CEO of Greiner Engineering Inc. (formerly Systems Planning Corp.) (consultants). Formerly Treasurer and Chief Investment Officer of the Ford Foundation (charitable foundation).              | Two   | Director       |
| W. D. MacCallan<br>7 St. Paul Street,<br>Suite 1140<br>Baltimore, MD 21202<br>Age 75      | Director                    | One Year       | Since 1971            | Retired Chairman of the Board and CEO of the Company and Petroleum & Resources Corporation. Formerly consultant to the Company and Petroleum &   | Two   | Director       |

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Resources Corporation.

|  |          |             |               |  |     |                |
|--|----------|-------------|---------------|--|-----|----------------|
| W. Perry Neff<br>7 St. Paul Street,<br>Suite 1140<br>Baltimore, MD 21202<br>Age 75 | Director | One<br>Year | Since<br>1987 | Private Financial Consultant.<br>Retired Executive Vice President<br>of Chemical Bank. | Two | Di<br>Re<br>(i |
|--|----------|-------------|---------------|--|-----|----------------|

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BOARD OF DIRECTORS (CONTINUED)

| Personal Information | Position Held with the Fund | Term of Office | Length of Time Served | Principal Occupations During the Last 5 Years | Number of Portfolios in Fund Complex Overseen by Director | Other Director |
|----------------------|-----------------------------|----------------|-----------------------|---|---|----------------|
|----------------------|-----------------------------|----------------|-----------------------|---|---|----------------|

Independent Directors (continued)

|  |          |             |               |  |     |                      |
|--|----------|-------------|---------------|--|-----|----------------------|
| Landon Peters<br>7 St. Paul Street,<br>Suite 1140<br>Baltimore, MD 21202<br>Age 72 | Director | One<br>Year | Since<br>1974 | Private Investor. Former<br>Investment Manager, YMCA<br>Retirement Fund. Formerly<br>Executive Vice President and<br>Treasurer and prior thereto<br>Senior Vice President and<br>Treasurer of The Bank of New<br>York. | Two | Dire<br>Reso<br>(inv |
|--|----------|-------------|---------------|--|-----|----------------------|

|  |          |             |               |  |     |   |
|--|----------|-------------|---------------|--|-----|---|
| John J. Roberts<br>7 St. Paul Street,<br>Suite 1140<br>Baltimore, MD 21202<br>Age 80 | Director | One<br>Year | Since<br>1976 | Senior Advisor, formerly Vice-<br>Chairman External Affairs,<br>American International Group,<br>Inc. (insurance). Formerly<br>Chairman and CEO of American<br>International Underwriters<br>Corporation. Previously<br>President of American<br>International Underwriters<br>Corporation-U.S./ Overseas<br>Operations. | Two | Hono<br>Amer<br>Grou<br>Petri<br>Corp<br>comp |
|--|----------|-------------|---------------|--|-----|---|

|  |          |             |               |   |     |                              |
|--|----------|-------------|---------------|---|-----|------------------------------|
| Susan C. Schwab<br>7 St. Paul Street,<br>Suite 1140<br>Baltimore, MD 21202<br>Age 47 | Director | One<br>Year | Since<br>2000 | Dean of the School of Public<br>Affairs at the University of<br>Maryland, College Park.<br>Formerly Director of Corporate<br>Business Development at<br>Motorola, Inc. (electronics). | Two | Dire<br>Reso<br>(inv<br>Calp |
|--|----------|-------------|---------------|---|-----|------------------------------|

|  |          |             |               |   |     |                      |
|--|----------|-------------|---------------|---|-----|----------------------|
| Robert J. M. Wilson<br>7 St. Paul Street,<br>Suite 1140<br>Baltimore, MD 21202 | Director | One<br>Year | Since<br>1975 | Retired President of the<br>Company and retired President of<br>Petroleum & Resources<br>Corporation. | Two | Dire<br>Reso<br>(inv |
|--|----------|-------------|---------------|---|-----|----------------------|

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Age 82

Interested Director

|  |                                  |             |   |  |     |                      |
|--|----------------------------------|-------------|---|--|-----|----------------------|
| Douglas G. Ober<br>7 St. Paul Street,<br>Suite 1140<br>Baltimore, MD 21202<br>Age 56 | Director,<br>Chairman<br>and CEO | One<br>Year | Director<br>Since<br>1989<br>Chairman<br>of the<br>Board<br>Since<br>1991 | Chairman & CEO of the<br>Company and Petroleum &<br>Resources Corporation. | Two | Dire<br>Reso<br>(inv |
|--|----------------------------------|-------------|---|--|-----|----------------------|

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THE ADAMS EXPRESS COMPANY

Board Of Directors

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

-----  
/(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<br>Chief Executive Officer          |
| Joseph M. Truta         | President  |
| Richard F. Koloski      | Executive Vice President                         |
| Lawrence L. Hooper, Jr. | Vice President, Secretary and<br>General Counsel |
| Maureen A. Jones        | Vice President and<br>Chief Financial Officer    |
| Christine M. Sloan      | Assistant Treasurer                              |
| Geraldine H. Pare       | Assistant Secretary                              |

THE ADAMS EXPRESS COMPANY  
Seven St. Paul Street, Suite 1140  
Baltimore, MD 21202  
(410) 752-5900 or (800) 638-2479  
Contact us on the Web at:  
[www.adamsexpress.com](http://www.adamsexpress.com)

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