

INVESTOR EXPRESS

A semi-annual newsletter for our shareholders.

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150th Anniversary is Celebrated at the Company's Annual Meeting

When Alvin Adams first incorporated The Adams Express Company, westward expansion was at its peak, Franklin Pierce was president, and only months earlier an outbreak of yellow fever had taken the lives of 7,790 in Louisiana. In 1854, the Company was an express company that transported documents, securities and packages across the country and eventually overseas. To a generation that transfers securities ownership electronically and transports its packages by jets rather than trains and steamships, the Company's history is remarkable. Such was the consensus of the shareholders who attended the Annual Meeting on March 30 in Baltimore.

Chairman and Chief Executive Officer Douglas G. Ober reflected back with a brief historical review of the Company's past as an express business for its first 75 years and as an investment company for the last 75 years before leading shareholders and attendees to the current period. "In addition to celebrating a positive year for the investment portfolio, where the fund generated a 26.3% return and maintained one of the

industry's lowest expense ratios of any managed fund portfolio, we are pleased to mark our 150th anniversary," said Mr. Ober.

He noted that the net asset value of a \$10,000 investment made on December 31, 1929, with all dividends and capital gains reinvested since, would have grown to \$14,815,600 by the end of 2003, an average total return of 10.2% per year.

Recent Performance

Adams President Joe Truta put in perspective both the volatile decade of the 1990's and the most recent investment period.

"The past decade provided wide variations in returns compared with average, long-term returns on equities of about 10%," he said. "Adams investors, from 1995-1999, experienced an unprecedented string of 20% annual returns, followed by three years of mid-teens negative returns for the fund and the market."

Last year was a turning point and, for portfolio managers, the relief was palpable. The U.S. equities markets turned in a positive performance last year

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This Adams Express wagon once carried freight during the second half of the 19th century and was damaged in the roof collapse at the B&O Railroad Museum in 2003. The Company stepped forward to help fund its restoration. The Company's Board stands in front of the restored wagon.

Chairman and Chief Executive Officer Doug Ober addresses the historic 150th Anniversary Annual Meeting.



Board Member Landon Peters takes in one of four framed collages of historic memorabilia of Adams Express on display at the Annual Meeting.



Petroleum
& Resources
Corporation

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Meet the CFO



**CHIEF FINANCIAL OFFICER
MAUREEN JONES**

When Chief Financial Officer Maureen Jones arrived at Adams Express in 1988 as assistant to the treasurer, she was well along in a public accounting career. She was a senior auditor for Coopers & Lybrand in Baltimore when she made the move.

Over the last 16 years, the former assistant to the treasurer has been promoted four times. Today, as Vice President, Chief Financial Officer and Treasurer of Adams Express and Petroleum & Resources, Maureen is responsible for all treasury, accounting, and financial controls of both companies. She also interacts with shareholders, the Board of Directors, industry associations and government regulatory agencies concerning the companies' finances. "The current financial environment is one of change. A host of reporting and regulatory changes have resulted from a series of events in the financial industry. I would say this has been a very challenging time for me and keeps the job interesting after all these years," Maureen says.

Ms. Jones has a B.S. in accounting from the University of Baltimore and is a CPA. She serves on the ICI Accounting/Treasurers committee. Outside the office, her priorities are family, as mother of four grown sons, and an ambitious agenda of community work. She has served on nonprofit foundation boards and is currently the president of the Mad Hatter Charity Foundation.

"...for the first time this century," Mr. Truta said. Adams return on net assets was 25.6%, and the return on market value was slightly lower at 25.3%.

Truta reported a positive turnaround across all market sectors last year, reversing the decline in 2002, when, for the first time since the S&P began keeping such records, every economic sector had declined. Looking at the Adams portfolio in 2003, every sector from telecom, which was up a relatively modest 7.7%, to technology, which surged ahead 57.7%, showed signs of recovery.

Costs continue to be kept under strict control. The Company's expense ratio of .47% was well below the average annual expense ratio of stock mutual funds of 1.51%. Had the Company operated at the expense level of the average stock mutual fund, it would have cost shareholders an additional \$12 million, he said.

Future Outlook

Doug Ober was both optimistic and cautionary about the future. He reported strong economic growth in the second half of last year and he expects growth to continue. "Though the consensus of economists is for 4.5 to 5% GDP growth this year, our view is less sanguine," Ober said, expecting growth in the range of 3.5 to 4% this year and 3% next year.

Growth will be moderated by several factors, including sluggish consumer confidence, he noted: "The

consumer has been the driver of this recovery and is needed to keep it going." Slow job creation, high energy prices and continued acts of terror internationally were all dampening consumer confidence, which had turned down in the first quarter of this year. On the positive side, business investment showed initial improvement in the last two quarters of 2003 as companies took advantage of favorable tax incentives that expire at the end of 2004.

Ober expects inflation will not be an issue for the near future. As for the stock market, at 23 times earnings, "it appears pretty fully valued – what we call priced for perfection." Any potential weakness on the earnings, inflation or economic growth front could jeopardize that perfection.

A Citation of congratulations from the Governor of Maryland and a Proclamation from the Mayor of Baltimore declaring March 30 "Adams Express Day in Baltimore," were also presented at the Meeting.

An exhibit of historical artifacts from the express business, including documents and minute books, was on display. One of the Company's early express wagons, damaged in the roof collapse at the B&O Railroad Museum last year, was restored through a contribution from the Company in connection with the anniversary and was displayed for the occasion outside the Legg Mason Building where the meeting was held.

Frequently Asked Questions

I have been in the dividend reinvestment plan for years and it looks to me like the costs have gone up. Is this related to the change in transfer agent to American Stock Transfer ("AST")?

The fees associated with dividend reinvestment have not increased, but AST reports them differently. AST nets out the commission of \$0.05 per share and discloses it with the service fee, whereas The Bank of New York, our prior transfer agent ("the Bank"), built the commission cost into the price per share and showed only the service fee.

In fact, AST charges less to reinvest small amounts than the Bank did. For interim dividends, AST charges 2% of the amount invested not to exceed \$2.50, whereas the Bank charged 10% of the amount invested up to a maximum of \$2.50.

To contact AST, please refer to the inside back cover of the quarterly report included with this mailing.

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Forward-Looking Statements

This newsletter contains "forward-looking statements" within the meaning of the Securities Act of 1933 and the Securities and Exchange Act of 1934. By their very nature, all forward-looking statements involve risks and uncertainties, and actual results could differ materially from those contemplated by the forward-looking statements. Several factors that could materially affect the Company's actual results are the performance of the portfolio of stocks held by the Company, the conditions in the U.S. and international financial markets, the price at which shares of the Company will trade in the public markets, and other factors discussed in the Company's periodic filings with the Securities and Exchange Commission. The Company assumes no obligation to revise, correct or update these statements.