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ADAMS EXPRESS CO
Form N-CSR
February 13, 2006

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

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED
MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number: 811-00248

THE ADAMS EXPRESS COMPANY

(Exact name of registrant as specified in charter)

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

(Address of principal executive offices) (Zip code)

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

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

Date of fiscal year end: December 31, 2005

Date of reporting period: December 31, 2005

Item 1. Reports to Stockholders.

2005 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 (12/31/05)

NYSE Symbol..... ADX

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Market Price..... \$12.55
 52-Week Range \$12.50 - \$13.35
 Discount..... 14.7%
 Shares Outstanding 86,099,607

Summary Financial Information

| | Year Ended December 31 | |
|---|------------------------|---------------|
| | 2005 | 2004 |
| Net asset value per share | \$ 14.71 | \$ 15.04 |
| Total net assets | 1,266,728,652 | 1,295,548,900 |
| Unrealized appreciation | 316,477,367 | 343,670,412 |
| Net investment income | 18,288,551 | 19,008,405 |
| Total realized gain | 53,817,950 | 54,713,903 |
| Total return (based on market value) | 2.2% | 13.2% |
| Total return (based on net asset value) | 4.5% | 12.1% |
| Expense ratio | 0.45% | 0.43% |

2005 Dividends and Distributions

| Paid | Amount (per share) | Type |
|-------------------|-----------------------|-------------------------|
| March 1, 2005 | \$0.01 | Short-term capital gain |
| March 1, 2005 | 0.04 | Investment income |
| June 1, 2005 | 0.05 | Investment income |
| September 1, 2005 | 0.05 | Investment income |
| December 27, 2005 | 0.55 | Long-term capital gain |
| December 27, 2005 | 0.08 | Short-term capital gain |
| December 27, 2005 | 0.08 | Investment income |
| | \$0.86 | |

2006 Annual Meeting of Stockholders

Location: Gaylord Palms Hotel Resort & Convention Center, Orlando, Florida
 Date: March 28, 2006
 Time: 9:30 a.m.

PORTFOLIO REVIEW

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Ten Largest Portfolio Holdings (12/31/05)

| | Market Value | % of Net Assets |
|------------------------------------|---------------|-----------------|
| Petroleum & Resources Corporation* | \$ 64,227,111 | 5.1 |
| General Electric Co. | 52,143,885 | 4.1 |
| American International Group, Inc. | 34,115,000 | 2.7 |
| Microsoft Corp. | 30,857,000 | 2.4 |
| Pfizer Inc. | 26,118,400 | 2.1 |
| PepsiCo, Inc. | 25,995,200 | 2.0 |
| Bank of America Corp. | 25,382,500 | 2.0 |
| Aqua America, Inc. | 23,552,611 | 1.9 |
| AMBAC Financial Group, Inc. | 22,732,700 | 1.8 |
| Target Corp. | 22,537,700 | 1.8 |
| Total | \$327,662,107 | 25.9% |

*Non-controlled affiliate

Sector Weightings (12/31/05)

[CHART]

| Consumer | Energy | Financial | Health Care | Industrials | Information Technology | Materials | Telecom Services | Utilities | Eq |
|----------|--------|-----------|----------------|-------------|---------------------------|-----------|---------------------|-----------|-----|
| 17.5% | 11.0% | 15.7% | 13.2% | 13.1% | 13.0% | 5.2% | 3.9% | 5.8% | --- |

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THE ADAMS EXPRESS COMPANY

| Calendar Years | Market Value of original shares | Cumulative market value of capital gains distributions taken in shares | Cumulative market value of income dividends taken in shares | Total market value | Total net asset value |
|-------------------|---|--|--|--------------------------|-----------------------------|
| 1991 | \$12,819 | \$ 805 | \$ 373 | \$13,997 | \$14,884 |
| 1992 | 13,493 | 1,736 | 731 | 15,960 | 16,343 |
| 1993 | 12,060 | 2,485 | 970 | 15,515 | 17,169 |
| 1994 | 10,542 | 3,140 | 1,246 | 14,928 | 17,182 |

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| | | | | | |
|------|--------|--------|-------|--------|--------|
| 1995 | 12,478 | 4,832 | 1,987 | 19,297 | 22,286 |
| 1996 | 13,325 | 6,450 | 2,675 | 22,450 | 26,939 |
| 1997 | 16,319 | 9,669 | 3,876 | 29,864 | 35,207 |
| 1998 | 17,963 | 12,773 | 4,853 | 35,589 | 43,488 |
| 1999 | 22,644 | 19,049 | 6,727 | 48,420 | 58,103 |
| 2000 | 21,252 | 21,262 | 6,710 | 49,224 | 55,600 |
| 2001 | 14,391 | 17,641 | 5,054 | 37,086 | 41,858 |
| 2002 | 10,697 | 14,569 | 4,172 | 29,438 | 33,754 |
| 2003 | 12,559 | 18,889 | 5,385 | 36,833 | 42,620 |
| 2004 | 13,277 | 21,908 | 6,484 | 41,669 | 47,767 |
| 2005 | 12,701 | 22,979 | 6,877 | 42,557 | 49,882 |

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 1991-2005. Fees for the reinvestment of interim dividends are assumed as 2% of the amount reinvested (maximum of \$2.50) and commissions of \$0.05 per share. There is no charge for reinvestment of year-end distributions. 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]

| | Market Value of Original Investment | Cumulative Market Value of Shares from Capital Gains Distributions | Cumulative Market Value of Shares from Income Dividends | Total Market Value | Net Asset Value of Total Shares |
|------|--|--|---|--------------------------|---------------------------------------|
| | ----- | ----- | ----- | ----- | ----- |
| | \$10,000 | | | \$13,997 | \$11,348 |
| 1991 | 12,819 | \$ 805 | \$ 373 | 13,997 | 14,884 |
| 1992 | 13,493 | 1,736 | 731 | 15,960 | 16,343 |
| 1993 | 12,060 | 2,485 | 970 | 15,515 | 17,169 |
| 1994 | 10,542 | 3,140 | 1,246 | 14,928 | 17,182 |
| 1995 | 12,478 | 4,832 | 1,987 | 19,297 | 22,286 |
| 1996 | 13,325 | 6,450 | 2,675 | 22,450 | 26,939 |
| 1997 | 16,319 | 9,669 | 3,876 | 29,864 | 35,207 |
| 1998 | 17,953 | 12,773 | 4,853 | 35,589 | 43,488 |
| 1999 | 22,644 | 19,049 | 6,727 | 48,420 | 58,103 |
| 2000 | 21,252 | 21,262 | 6,710 | 49,224 | 55,600 |
| 2001 | 14,391 | 17,641 | 5,054 | 37,086 | 41,858 |
| 2002 | 10,697 | 14,569 | 4,172 | 29,438 | 33,754 |
| 2003 | 12,559 | 18,889 | 5,385 | 36,833 | 42,620 |
| 2004 | 13,277 | 21,908 | 6,484 | 41,669 | 47,767 |
| 2005 | 12,701 | 22,979 | 6,877 | 42,557 | 49,882 |

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LETTER TO STOCKHOLDERS

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The Year in Review

We are pleased to report that the Fund's total return on net assets for the year was 4.5%, slightly below that of the S&P 500 Index at 4.9%, but significantly above the Dow Jones Industrial Average's return of 1.7%. Our broadly-diversified portfolio of stocks benefited from our emphasis on dividend-paying issues but was affected somewhat by our focus on large-capitalization, relatively low-risk stocks.

Through the first ten months of the year, the Fund outperformed the S&P 500, returning 1.5% compared to the Index's 1.1% return. The Fund's performance in December also beat that of the Index for the month. During the month of November, however, the situation was different, as the Index, led by the smallest capitalization companies and those with the highest volatility, outperformed the Fund by 1.8%. This difference in November caused the Index to beat the Fund by 0.4% for the full year.

The U.S. equity market moved very little during the year as a whole, though some sectors did significantly better than others. Energy prices were a focus of attention for much of the year, as were the actions by the Federal Reserve in increasing short-term interest rates. Investors believed that both would potentially slow domestic economic activity and perhaps cause a recession. The hurricanes that came ashore on the Gulf Coast and Florida not only caused energy prices to jump, but also dramatically slowed economic activity in those areas. Earnings estimates for many companies were reduced to reflect slower growth, causing valuations to shrink or expand only modestly. As a result, there was little inclination to bid up stocks in the U.S. Many money managers sought investments outside the United States in areas where growth was more likely to accelerate. Others, such as ourselves, focused on companies in sectors that would not be as severely impacted by slower growth and companies with large overseas operations. Examples of these include our investments in Bunge, a leading global agriproducts processor, as well as the more widely known Avon Products and Del Monte Foods. With businesses generating strong cash flows and industrial capacity utilization averaging about 80%, we also anticipated improvement in the industrial sector, investing in Automatic Data Processing and Cintas, the latter company a beneficiary of North American jobs growth reflecting its leading position in uniforms. As with all of our investments, these were made for the long term, and are expected to perform well over a time frame of several years.

Our large investments, relative to the S&P 500, in utilities, telecommunication services, and energy stocks, and our relatively small exposure to consumer discretionary stocks were positive contributors to our performance in 2005. Our holdings in consumer staples and health care stocks did well during the year, while the materials and industrial sectors lagged. Our financial and technology stocks, though underweighted compared to the Index, were negative contributors and were largely responsible for the difference between the Fund's performance and that of the S&P 500. There were significant changes in our holdings within both of these sectors which should improve their relative performance in the future.

Investment Results

At the end of 2005 our net assets were \$1,266,728,652 or \$14.71 per share on 86,099,607 shares outstanding. This compares with \$1,295,548,900 or \$15.04 per share on 86,135,292 shares outstanding a year earlier.

Net investment income for 2005 was \$18,288,551 compared to \$19,008,405 for 2004. These earnings are equal to \$0.22 and \$0.23 per share, respectively, on the average number of shares outstanding throughout each year. The extraordinary dividend that Microsoft paid in 2004, which added \$2,400,000 or \$0.03 to our earnings that year, was not repeated in 2005. Our 0.45% expense

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ratio (expenses to average net assets) in 2005 was once again very low compared to the fund industry in general.

Net realized gains amounted to \$53,817,950 during the year, while the unrealized appreciation on investments decreased from \$343,670,412 at December 31, 2004 to \$316,477,367 at year end.

Dividends and Distributions

The total dividends and distributions paid in 2005 were \$0.86 per share compared to \$0.90 in 2004. As announced on November 10, 2005, a year-end distribution consisting of investment income of \$0.08 and capital gains of \$0.63 was made on December 27, 2005, both realized and taxable in 2005. On January 12, 2006, an additional distribution of \$0.05 per share was declared payable March 1, 2006, representing the balance of undistributed net investment income and capital gains earned during 2005 and an initial distribution from 2006 net investment income, all taxable to shareholders in 2006.

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LETTER TO STOCKHOLDERS (CONTINUED)

Outlook for 2006

Many of the factors that impacted economic growth in 2005 remain strong influences on potential growth in 2006. Principal among these are rising interest rates and high energy prices. The Federal Reserve increased short-term rates eight times in 2005 after five increases in 2004. The rate changes have so far had little impact on longer-term rates, resulting in a recent inversion of the yield curve in which the rate on ten-year Treasury bonds is lower than the rate on two-year notes. In the past, such an inversion has been a harbinger of slower growth, if not recession. Nonetheless, the Fed is expected to raise rates two to four more times in 2006 in order to avoid significant price inflation. Expectations of the Fed action are wide-ranging due to the retirement of Chairman Greenspan and the accession of Mr. Bernanke to that position. Once Mr. Bernanke takes over, it is anticipated that the direction of the Fed will become clearer.

Energy prices in this country have risen dramatically over the past two years due to increasing worldwide demand, principally in the Far East and the U.S., and very limited increases in supplies of both oil and natural gas. Further, the damage caused by hurricanes in 2005 to U.S. oil and gas production and processing facilities was extensive. After rising 33% in 2004, crude oil prices rose another 36% in 2005 to close the year at \$61.04 per barrel. While energy in the form of oil and gas constitutes a much smaller part of the economy now than in the past, the impact on industrial production and transportation costs is still sizeable. Of as much concern is the effect on consumers, who comprise two-thirds of the economy. Gasoline prices peaked above \$3 per gallon and remain well above 2004 prices, while natural gas, used for heating in much of the Northeast and Midwest, closed 93% higher in 2005 than at year-end 2004. Winter weather has been mild to date and natural gas prices have fallen, but consumers will experience heating costs some 40% above last winter on top of the higher gasoline costs. The consequence is that spending on goods and services is being redirected to energy. This, combined with slow growth in wages, has resulted in a decline in consumer spending that is likely to continue in 2006 and act as a damper on economic growth.

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As mentioned previously, manufacturing capacity in this country is being utilized at about an 80% level, normally a point at which companies begin to add capacity in order to avoid backlogs and bottlenecks. Through 2004 and most of 2005, spending on machinery and equipment grew at a solid, though unexceptional, pace while companies accumulated cash and/or repurchased shares. With an anticipated slowdown in U.S. consumer spending and a surprisingly strong dollar inhibiting exports, the pace of industrial expansion is more likely to slow than accelerate. The one factor that may impact this projection is the ongoing effort to rebuild the areas along the Gulf Coast that were hard hit by the hurricanes. Substantial government funding and private investment are being directed at this project. With the exception of the energy industry, however, there is not a large industrial base in the area to be rebuilt; so most funds will be directed at infrastructure and residential construction, benefiting a relatively narrow segment of the economy.

With the unexciting economic outlook discussed, the likelihood of another year of single-digit returns in the stock market appears strong. S&P 500 earnings growth has been decelerating, albeit from a high level, for over two years and earnings are expected to grow by only 7% in 2006. Massive share repurchases will result in higher earnings per share growth, perhaps as much as 2%, but should not influence valuations. The principal argument for better returns hangs on the decline in valuations that has already occurred. In generating large amounts of cash and not reinvesting in the business, companies have improved the condition of their balance sheets but have not invested in a means of growth. Since cash generates modest returns for shareholders, it does not add much to the valuation of a company. Should managements decide to spend money on capacity additions or acquisitions, there would be reason to expect that valuations should rise.

We believe that the energy, utility, and industrial segments of the economy will selectively invest in operations, and that continued consolidation (by acquisition) in the financial arena is likely. With overweight positions in the first three and holdings in major banks as well as smaller regional ones, the portfolio is poised to do well in 2006. Our emphasis on large-capitalization companies with broad geographic exposure, solid long-term growth prospects, and attractive dividends should also inure to the benefit of shareholders this year.

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LETTER TO STOCKHOLDERS (CONTINUED)

Share Repurchase Program

On December 8, 2005, 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 be repurchased when the discount of the market price of the shares from the net asset value is 10% or greater.

From the beginning of 2006 through January 25, 2006, a total of 195,800 shares have been repurchased at a total cost of \$2,528,171 and a weighted average discount from net asset value of 14.3%.

Director Changes

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There have been a number of changes in the composition of the Board of Directors in the past year, some of which were noted in our quarterly reports. Mr. W. David MacCallan, Chairman of the Company for twenty years before retiring in 1991, passed away in August. Mr. Landon Peters passed away earlier in the year and Mr. W. Perry Neff retired. Both had been directors for many years and their advice and guidance are missed. In October, Dr. Susan Schwab was nominated to be Deputy U.S. Trade Representative and confirmed in November, necessitating her resignation from the Board. Though a director for only five years, Dr. Schwab brought a fresh perspective and broad international experience to the Board that will be difficult to replace. To address these departures, the Board of Directors elected two new directors, Dr. Roger W. Gale and Dr. Craig R. Smith, who joined the Board effective December 1, 2005. Each has broad experience in corporate governance. In addition, Dr. Gale brings to the Board specific knowledge of the energy and utility industries, and Dr. Smith brings specific knowledge of the pharmaceutical and biotech industries. We welcome them and look forward to their participation in the Board's activities.

The proxy statement for the Annual Meeting of Stockholders to be held in Orlando, Florida on March 28, 2006, is expected to be mailed on or about February 17, 2006.

By order of the Board of Directors,

/s/ Douglas G. Ober
Douglas G. Ober,

Chairman and Chief
Executive Officer

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

President

January 26, 2006

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STATEMENT OF ASSETS AND LIABILITIES

December 31, 2005

Assets

Investments* at value:

| | |
|--|-----------------|
| Common stocks and convertible securities (cost \$901,760,470) | \$1,181,835,303 |
| Non-controlled affiliate, Petroleum & Resources Corporation (cost \$27,963,162) | 64,227,111 |
| Short-term investments (cost \$15,867,999) | 15,867,999 |
| Securities lending collateral (cost \$52,716,334) | 52,716,334 |
| | \$1,314,646,747 |

Cash

Dividends receivable
Prepaid pension cost
Prepaid expenses and other assets

Total Assets

1,314,646,747

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Liabilities

Investment securities purchased
 Open written option contracts at value (proceeds \$561,935)
 Obligations to return securities lending collateral
 Accrued expenses and other liabilities

| | |
|-------------------|-------|
| Total Liabilities | |
| Net Assets | \$1,2 |

Net Assets

Common Stock at par value \$1.00 per share, authorized 150,000,000 shares;
 issued and outstanding 86,099,607 shares (includes 13,941 restricted shares
 and restricted stock units for 7,500 shares) (Note 6) \$ 8
 Additional capital surplus
 Unearned compensation -- restricted stock awards (Note 6)
 Undistributed net investment income
 Undistributed net realized gain on investments
 Unrealized appreciation on investments 3

| | |
|---|-------|
| Net Assets Applicable to Common Stock | \$1,2 |
| Net Asset Value Per Share of Common Stock | |

*See schedule of investments on pages 14 through 16.

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

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Investment Income

Income:

Dividends:

From unaffiliated issuers \$ 21,459,106
 From non-controlled affiliate 1,429,917
 Interest and other income 1,077,929

| | |
|--------------|------------|
| Total income | 23,966,952 |
|--------------|------------|

Expenses:

Investment research 2,542,262
 Administration and operations 1,233,079
 Directors' fees 297,094
 Reports and stockholder communications 360,702
 Transfer agent, registrar and custodian expenses 382,382
 Auditing and accounting services 117,332
 Legal services 140,303
 Occupancy and other office expenses 336,488
 Travel, telephone and postage 93,575
 Other 175,184

| | |
|----------------|-----------|
| Total expenses | 5,678,401 |
|----------------|-----------|

| | |
|-----------------------|------------|
| Net Investment Income | 18,288,551 |
|-----------------------|------------|

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| | |
|---|---------------|
| Realized Gain and Change in Unrealized Appreciation on Investments | |
| Net realized gain on security transactions | 51,712,794 |
| Net realized gain distributed by regulated investment company (non-controlled affiliate) | 2,105,156 |
| Change in unrealized appreciation on investments | (27,193,045) |
| ----- | |
| Net Gain on Investments | 26,624,905 |
| ----- | |
| Change in Net Assets Resulting from Operations | \$ 44,913,456 |
| ----- | |

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

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STATEMENTS OF CHANGES IN NET ASSETS

| | For the Year Ended | |
|---|--------------------|-----------------|
| | Dec. 31, 2005 | Dec. 31, 2004 |
| ----- | | |
| From Operations: | | |
| Net investment income | \$ 18,288,551 | \$ 19,008,405 |
| Net realized gain on investments | 53,817,950 | 54,713,903 |
| Change in unrealized appreciation on investments | (27,193,045) | 61,557,921 |
| ----- | | |
| Change in net assets resulting from operations | 44,913,456 | 135,280,229 |
| ----- | | |
| Distributions to Stockholders From: | | |
| Net investment income | (18,634,893) | (20,157,724) |
| Net realized gain from investment transactions | (53,672,531) | (55,099,990) |
| ----- | | |
| Decrease in net assets from distributions | (72,307,424) | (75,257,714) |
| ----- | | |
| From Capital Share Transactions: | | |
| Value of shares issued in payment of distributions | 30,523,934 | 35,690,590 |
| Cost of shares purchased (note 4) | (32,052,187) | (19,026,661) |
| Deferred compensation (notes 4, 6) | 101,973 | -- |
| ----- | | |
| Change in net assets from capital share transactions | (1,426,280) | 16,663,929 |
| ----- | | |
| Total Change in Net Assets | (28,820,248) | 76,686,444 |
| ----- | | |
| Net Assets: | | |
| Beginning of year | 1,295,548,900 | 1,218,862,456 |
| ----- | | |
| End of year (including undistributed net investment income of \$4,672,704 and \$5,038,545, respectively) | \$1,266,728,652 | \$1,295,548,900 |
| ----- | | |

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

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NOTES TO FINANCIAL STATEMENTS

1. Significant Accounting Policies

The Adams Express Company (the Company) is registered under the Investment Company Act of 1940 as a diversified investment company. The Company's investment objectives as well as the nature and risk of its investment transactions are set forth in the Company's registration statement.

Security Valuation -- Investments in securities traded on a national security exchange are valued at the last reported sale price on the day of valuation. Over-the-counter and listed securities for which a sale price is not available are valued at the last quoted bid price. Short-term investments (excluding purchased options) are valued at amortized cost. Purchased and written options are valued at the last quoted asked price.

Affiliated Companies -- Investments in companies 5% or more of whose outstanding voting securities are held by the Company are defined as "Affiliated Companies" in Section 2(a)(3) of the Investment Company Act of 1940.

Security Transactions and Investment Income -- Investment transactions are accounted for on the trade date. Gain or loss on sales of securities and options is determined on the basis of identified cost. Dividend income and distributions to shareholders are recognized on the ex-dividend date, and interest income is recognized on the accrual basis.

2. Federal Income Taxes

The Company's policy is to distribute all of its taxable income to its shareholders in compliance with the requirements of the Internal Revenue Code applicable to regulated investment companies. Therefore, no federal income tax provision is required. For federal income tax purposes, the identified cost of securities at December 31, 2005 was \$997,820,714, and net unrealized appreciation aggregated \$316,826,033, of which the related gross unrealized appreciation and depreciation were \$427,836,385 and \$111,010,352, respectively. As of December 31, 2005, the tax basis of distributable earnings was \$2,762,118 of undistributed ordinary income and \$54,856 of undistributed long-term capital gain.

Distributions paid by the Company during the year ended December 31, 2005 were classified as ordinary income of \$26,198,384, and long-term capital gain of \$46,109,040. In comparison, distributions paid by the Company during the year ended December 31, 2004 were classified as ordinary income of \$22,205,063, and long-term capital gain of \$53,052,651. 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

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

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Purchases and sales of portfolio securities, other than options and short-term investments, during the year ended December 31, 2005 were \$160,621,657 and \$194,270,442, respectively. Options may be written (sold) or purchased by the Company. The Company, as writer of an option, bears the risks of possible illiquidity of the option markets and from movements in security values. The risk associated with purchasing an option is limited to the premium originally paid. A schedule of outstanding option contracts as of December 31, 2005 can be found on page 17.

Transactions in written covered call and collateralized put options during the year ended December 31, 2005 were as follows:

| | Covered Calls | | Collateralized Puts | |
|---|---------------|------------|---------------------|------------|
| | Contracts | Premiums | Contracts | Premiums |
| Options outstanding, December 31, 2004 | 3,600 | \$ 386,349 | 2,655 | \$ 268,082 |
| Options written | 10,175 | 1,097,880 | 8,830 | 1,067,897 |
| Options terminated in closing purchase transactions | (1,511) | (173,528) | (1,425) | (201,221) |
| Options expired | (6,614) | (679,646) | (6,395) | (675,722) |
| Options exercised | (3,330) | (386,761) | (1,200) | (141,395) |
| | | | | |
| Options outstanding, December 31, 2005 | 2,320 | \$ 244,294 | 2,465 | \$ 317,641 |
| | | | | |

4. Capital Stock

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

On December 27, 2004, the Company issued 2,745,430 shares of its Common Stock at a price of \$13.00 per share (the average market price on December 13, 2004) to stockholders of record November 23, 2004 who elected to take stock in payment of the distribution from 2004 capital gain and investment income.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

On December 27, 2005, the Company issued 2,400,624 shares of its Common Stock at a price of \$12.715 per share (the average market price on December 12, 2005) to stockholders of record November 22, 2005 who elected to take stock in payment of the distribution from 2005 capital gain and investment income.

The Company may purchase shares of its Common Stock from time to time at such prices and amounts as the Board of Directors may deem advisable. Transactions in Common Stock for 2005 and 2004 were as follows:

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| | Shares | | Amount | |
|---|-------------|-------------|----------------|---------------|
| | 2005 | 2004 | 2005 | 2004 |
| Shares issued in payment of distributions | 2,400,624 | 2,745,430 | \$ 30,523,934 | \$ 35,690,590 |
| Shares purchased (at a weighted average discount from net asset value of 12.6% and 13.0%, respectively) | (2,458,500) | (1,496,550) | (32,052,187) | (19,026,661) |
| Restricted shares/units granted under the equity incentive compensation plan | 22,191 | -- | 101,973 | -- |
| Net change | (35,685) | 1,248,880 | \$ (1,426,280) | \$ 16,663,929 |

5. Retirement Plans

The Company provides retirement benefits for its employees under a non-contributory qualified defined benefit pension plan and a non-contributory nonqualified defined benefit pension plan. The benefits are based on years of service and compensation during the last five years of employment.

The Company uses a December 31 measurement date for its plans.

| | 2005 | 2004 |
|--|--------------|-------------|
| Change in benefit obligation | | |
| Benefit obligation at beginning of year | \$ 8,349,320 | \$7,343,955 |
| Service cost | 359,998 | 307,074 |
| Interest cost | 504,330 | 451,715 |
| Actuarial loss | (42,715) | 508,456 |
| Benefits paid | (219,135) | (261,880) |
| Benefit obligation at end of year | \$ 8,951,798 | \$8,349,320 |
| Change in plan assets | | |
| Fair value of plan assets at beginning of year | \$ 9,976,905 | \$9,442,594 |
| Actual return on plan assets | 292,963 | 777,347 |
| Employer contribution | 12,563 | 18,844 |
| Benefits paid | (219,135) | (261,880) |
| Fair value of plan assets at end of year | \$10,063,296 | \$9,976,905 |
| Funded status | \$ 1,111,498 | \$1,627,585 |
| Unrecognized net loss | 1,727,768 | 1,542,040 |
| Unrecognized prior service cost | 456,052 | 503,135 |

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Net amount recognized \$ 3,295,318 \$3,672,760

Amounts recognized in the statement of assets and liabilities consist of:

| | 2005 | 2004 |
|-----------------------|--------------|--------------|
| | ----- | ----- |
| Prepaid pension cost | \$ 5,453,911 | \$ 5,642,052 |
| Accrued pension cost | (2,158,593) | (1,969,292) |
| | ----- | ----- |
| Net amount recognized | \$ 3,295,318 | \$ 3,672,760 |
| | ----- | ----- |

The accumulated benefit obligation for all defined benefit pension plans was \$6,947,921 and \$6,710,981 at December 31, 2005 and 2004, respectively.

| | 2005 | 2004 |
|---|------------|------------|
| | ----- | ----- |
| Components of net periodic pension cost | | |
| Service cost | \$ 359,998 | \$ 307,074 |
| Interest cost | 504,330 | 451,715 |
| Actual return on plan assets | (292,963) | (777,347) |
| Amortization of prior service cost | 126,553 | 127,977 |
| Amortization of net loss | 188,462 | 113,201 |
| Deferred asset gain | (504,070) | 30,506 |
| | ----- | ----- |
| Net periodic pension cost | \$ 382,310 | \$ 253,126 |
| | ----- | ----- |

Assumptions used to determine benefit obligations and costs are:

| | 2005 | 2004 |
|--|-------|-------|
| | ----- | ----- |
| Discount rate | 5.75% | 5.75% |
| Expected long-term return on plan assets | 8.00% | 8.00% |
| Rate of compensation increase | 7.00% | 7.00% |

The assumption for the expected long-term return on plan assets is based on the actual long-term historical returns realized by the plan assets, weighted according to the current asset mix.

The asset allocations at December 31, 2005 and 2004, by asset category, are as follows:

| 2005 | 2004 |
|-------|-------|
| ----- | ----- |

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| | | | |
|---|-----|-----|--|
| Asset Category | | | |
| Equity Securities & Equity Mutual Funds | 70% | 71% | |
| Fixed Income Mutual Funds | 28% | 25% | |
| Cash | 2% | 4% | |

Equity securities include The Adams Express Company Common Stock in the amount of \$616,864 (6% of total plan assets) and \$610,779 (6% of total plan assets) at December 31, 2005 and 2004, respectively.

The primary objective of the Company's pension plan is to provide capital appreciation, current income, and preservation of capital through a portfolio of stocks and fixed income securities. The equity portion of the portfolio may range from 50% to 75% of total portfolio assets. The fixed income portion of the portfolio may range from 25% to 50% of total portfolio assets and cash may range from 0% to 25% of total portfolio assets. Subject to these allocation ranges, the portfolio may be invested in any of the following securities: common stocks, preferred stocks, American Depository Receipts, foreign securities, mutual funds, convertible securities, municipal bonds, corporate bonds, U.S. government securities, and U.S. government agency securities.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The Company's policy is to contribute annually to the plans those amounts that can be deducted for federal income tax purposes, plus additional amounts as the Company deems appropriate in order to provide assets sufficient to meet benefits to be paid to plan participants. The Company anticipates making no contribution to the plans in 2006.

The following benefit payments, which reflect expected future service, are expected to be paid:

| | - | Pension Benefits ----- |
|-----------------|---|---------------------------|
| 2006 | | \$ 303,636 |
| 2007 | | 295,634 |
| 2008 | | 556,056 |
| 2009 | | 543,695 |
| 2010 | | 614,579 |
| Years 2011-2015 | | 3,122,127 |

The Company also sponsors a defined contribution plan that covers substantially all employees. The Company expensed contributions of \$181,236 and \$147,811 for the years ended December 31, 2005 and December 31, 2004, respectively. The Company does not provide postretirement medical benefits.

6. Stock-Based Compensation

The Stock Option Plan adopted in 1985 ("1985 Plan") permits the issuance of stock options and stock appreciation rights for the purchase of up to 2,610,146

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shares of the Company's Common Stock at the fair market value on the date of grant. The exercise price of the options and related stock appreciation rights is reduced by the per share amount of capital gains paid by the Company during subsequent years. Options are exercisable beginning not less than one year after the date of grant and stock appreciation rights are exercisable beginning not less than two years after the date of grant. The stock appreciation rights allow the holders to surrender their rights to exercise their options and receive cash or shares in an amount equal to the difference between the option exercise price and the fair market value of the Common Stock at the date of surrender. All options terminate 10 years from the date of grant if not exercised. With the adoption of the 2005 Equity Incentive Compensation Plan at the 2005 Annual Meeting, no further grants will be made under the 1985 Plan, although unexercised awards granted in 2004 and prior years remain outstanding.

A summary of option activity under the 1985 Plan as of December 31, 2005, and changes during the period then ended, is presented below:

| | Options | Weighted- Average Exercise Price | Weighted- Average Remaining Life (Years) |
|----------------------------------|----------|---|---|
| | ----- | ----- | ----- |
| Outstanding at January 1, 2005 | 283,297 | \$11.76 | |
| Exercised | (28,531) | -- | |
| Forfeited | -- | -- | |
| | | | |
| Outstanding at December 31, 2005 | 254,766 | \$11.71 | 5.71 |
| | | | |
| Exercisable at December 31, 2005 | 152,357 | \$11.74 | 5.73 |
| | | | |

The options outstanding as of December 31, 2005 are set forth below:

| Exercise price | Options Outstanding | Weighted Average Exercise Price | Weighted Average Remaining Life (Years) |
|----------------------------------|------------------------|--|--|
| ----- | ----- | ----- | ----- |
| \$4.00-\$7.49 | 7,642 | \$ 4.10 | 1.00 |
| \$7.50-\$10.99 | 92,192 | 9.62 | 5.22 |
| \$11.00-\$14.49 | 103,784 | 11.53 | 7.04 |
| \$14.50-\$17.99 | 51,148 | 16.96 | 4.59 |
| | | | |
| Outstanding at December 31, 2005 | 254,766 | \$11.71 | 5.71 |
| | | | |

Compensation cost resulting from stock options and stock appreciation rights granted under the 1985 Plan is based on the intrinsic value of the award, recognized over the award's vesting period, and remeasured at each reporting date through the date of settlement. The total compensation cost recognized for the year ended December 31, 2005 was \$78,689.

The 2005 Equity Incentive Compensation Plan ("2005 Plan") permits the grant of stock options, restricted stock awards and other stock incentives to key

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employees and all non-employee directors. The 2005 Plan provides for the issuance of up to 3,413,131 shares of the Company's Common Stock. Restricted stock was granted to key employees on April 27, 2005 at fair market value on that date, vesting over a three year period. Restricted stock units were granted to non-employee directors on April 27, 2005 and to new directors on December 1, 2005 at fair market value on grant date and vest over a one year period from the date of grant. The total fair value of units that vested in 2005 was \$9,889 due to the death of a director, which thereby accelerated the vesting schedule. The number of shares of Common Stock which remain available for

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

future grants under the 2005 Plan at December 31, 2005 is 3,390,940 shares. The Company pays dividends and dividend equivalents on outstanding awards, which are charged to net assets when paid. Dividends and dividend equivalents paid on restricted awards that are later forfeited are reclassified to compensation expense.

A summary of the status of the Company's awards granted under the 2005 Plan as of December 31, 2005, and changes during the period then ended, is presented below:

| Awards | Shares/Units | Weighted Average Grant-Date Fair Value |
|------------------------------|--------------|--|
| Balance at January 1, 2005 | -- | -- |
| Granted: | | |
| Restricted stock | 13,941 | \$12.56 |
| Restricted stock units | 8,250 | 12.58 |
| Vested | (750) | 12.56 |
| Forfeited | -- | -- |
| Balance at December 31, 2005 | 21,441 | \$12.57 |

Compensation costs resulting from restricted stock and restricted stock units granted under the 2005 Plan are recognized over the requisite service period based on the fair value of the awards on grant date. Any unearned compensation is subsequently expensed as services are rendered. The fair value of restricted stock is based on the average of the high and low market price on the date an award is granted. The total compensation costs for restricted stock granted to employees for the year ended December 31, 2005 were \$39,129. The total compensation costs for restricted stock units granted to non-employee directors under the 2005 Plan for the year ended December 31, 2005 were \$62,844. As of December 31, 2005, there were total unrecognized compensation costs of \$177,421 related to nonvested share-based compensation arrangements granted under the 2005 Plan. Those costs are expected to be recognized over a weighted average period of 1.9 years.

7. Expenses

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The aggregate remuneration paid or accrued during the year ended December 31, 2005 to officers and directors amounted to \$2,546,465, of which \$297,094 was paid as fees to directors who were not officers.

8. Portfolio Securities Loaned

The Company makes loans of securities to brokers, secured by cash, U.S. Government securities, or bank letters of credit. The Company accounts for securities lending transactions as secured financing and receives compensation in the form of fees or retains a portion of interest on the investment of any cash received as collateral. The Company also continues to receive interest or dividends on the securities loaned. The loans are secured at all times by collateral of at least 102% of the fair value of the securities loaned plus accrued interest. At December 31, 2005, the Company had securities on loan of \$51,293,357, and held collateral of \$52,716,334, consisting of an investment trust fund which may invest in money market instruments, commercial paper, repurchase agreements, U.S. Treasury Bills, and U.S. agency obligations.

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FINANCIAL HIGHLIGHTS

| | Year Ended December 31 | | | | |
|---|------------------------|---------|---------|---------|---------|
| | 2005 | 2004 | 2003 | 2002 | 2001 |
| <hr/> | | | | | |
| Per Share Operating Performance | | | | | |
| Net asset value, beginning of year | \$15.04 | \$14.36 | \$12.12 | \$16.05 | \$14.36 |
| <hr/> | | | | | |
| Net investment income | 0.22 | 0.23* | 0.19 | 0.20 | 0.19 |
| Net realized gains and increase (decrease) in unrealized appreciation | 0.32 | 1.39 | 2.85 | (3.38) | (3.38) |
| <hr/> | | | | | |
| Total from investment operations | 0.54 | 1.62 | 3.04 | (3.18) | (3.18) |
| <hr/> | | | | | |
| Less distributions | | | | | |
| Dividends from net investment income | (0.22) | (0.24) | (0.17) | (0.19) | (0.19) |
| Distributions from net realized gains | (0.64) | (0.66) | (0.61) | (0.57) | (0.57) |
| <hr/> | | | | | |
| Total distributions | (0.86) | (0.90) | (0.78) | (0.76) | (0.76) |
| <hr/> | | | | | |
| Capital share repurchases | 0.05 | 0.02 | 0.04 | 0.05 | 0.05 |
| Reinvestment of distributions | (0.06) | (0.06) | (0.06) | (0.04) | (0.04) |
| <hr/> | | | | | |
| Total capital share transactions | (0.01) | (0.04) | (0.02) | 0.01 | 0.01 |
| <hr/> | | | | | |
| Net asset value, end of year | \$14.71 | \$15.04 | \$14.36 | \$12.12 | \$14.36 |
| <hr/> | | | | | |
| Per share market price, end of year | \$12.55 | \$13.12 | \$12.41 | \$10.57 | \$12.41 |
| <hr/> | | | | | |
| Total Investment Return | | | | | |
| Based on market price | 2.2% | 13.2% | 25.2% | (20.6)% | (20.6)% |

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| | | | | | |
|--|-------------|-------------|-------------|-------------|-------|
| Based on net asset value | 4.5% | 12.1% | 26.3% | (19.4)% | |
| Ratios/Supplemental Data | | | | | |
| Net assets, end of year (in 000's) | \$1,266,729 | \$1,295,549 | \$1,218,862 | \$1,024,810 | \$1,3 |
| Ratio of expenses to average net assets | 0.45% | 0.43% | 0.47% | 0.34% | |
| Ratio of net investment income to average net assets | 1.44% | 1.54% | 1.45% | 1.42% | |
| Portfolio turnover | 12.96% | 13.43% | 12.74% | 17.93% | |
| Number of shares outstanding at end of year (in 000's) | 86,100 | 86,135 | 84,886 | 84,536 | |

*In 2004 the Fund received \$2,400,000, or \$0.03 per share, in an extraordinary dividend from Microsoft Corp.

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SCHEDULE OF INVESTMENTS

December 31, 2005

| | Shares | Value (A) |
|--|-----------|---------------|
| ----- | | |
| Stocks and Convertible Securities -- 98.4% | | |
| Consumer -- 17.5% | | |
| Consumer Discretionary -- 7.1% | | |
| BJ's Wholesale Club, Inc. (B)..... | 500,000 | \$ 14,780,000 |
| Clear Channel Communications, Inc..... | 350,000 | 11,007,500 |
| Comcast Corp..... | 352,500 | 9,150,900 |
| Gannett Co., Inc..... | 112,500 | 6,814,125 |
| Newell Rubbermaid Inc. (C)..... | 515,000 | 12,246,700 |
| Outback Steakhouse, Inc..... | 315,000 | 13,107,150 |
| Target Corp..... | 410,000 | 22,537,700 |
| | | ----- |
| | | 89,644,075 |
| | | ----- |
| Consumer Staples -- 10.4% | | |
| Avon Products, Inc..... | 420,000 | 11,991,000 |
| Bunge Ltd..... | 235,000 | 13,303,350 |
| Coca-Cola Co..... | 200,000 | 8,062,000 |
| Dean Foods Co. (B)..... | 450,000 | 16,947,000 |
| Del Monte Foods Co. (B)..... | 1,115,000 | 11,629,450 |
| PepsiCo, Inc..... | 440,000 | 25,995,200 |
| Procter & Gamble Co..... | 340,000 | 19,679,200 |
| Safeway Inc..... | 423,000 | 10,008,180 |
| Unilever plc ADR..... | 345,000 | 13,841,400 |
| | | ----- |
| | | 131,456,780 |
| | | ----- |
| Energy -- 11.0% | | |
| BP plc ADR..... | 270,000 | 17,339,400 |
| ConocoPhillips..... | 345,000 | 20,072,100 |
| Exxon Mobil Corp..... | 130,000 | 7,302,100 |
| Murphy Oil Corp..... | 209,600 | 11,316,304 |
| Petroleum & Resources Corporation (D)... | 1,985,996 | 64,227,111 |

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| | | |
|---|---------|-------------|
| Schlumberger Ltd..... | 190,000 | 18,458,500 |
| | | ----- |
| | | 138,715,515 |
| | | ----- |
| Financial -- 15.7% | | |
| Banking -- 11.2% | | |
| Bank of America Corp..... | 550,000 | 25,382,500 |
| Bankatlantic Bancorp..... | 430,000 | 6,020,000 |
| Compass Bancshares Inc..... | 300,000 | 14,487,000 |
| Fifth Third Bancorp (C)..... | 280,000 | 10,561,600 |
| Investors Financial Services Corp. (C) .. | 382,500 | 14,087,475 |
| North Fork Bancorporation, Inc..... | 525,000 | 14,364,000 |
| Wachovia Corp..... | 370,000 | 19,558,200 |
| Wells Fargo & Co..... | 325,000 | 20,419,750 |
| Wilmington Trust Corp..... | 420,000 | 16,342,200 |
| | | ----- |
| | | 141,222,725 |
| | | ----- |
| Insurance -- 4.5% | | |
| AMBAC Financial Group, Inc..... | 295,000 | 22,732,700 |
| American International Group, Inc..... | 500,000 | 34,115,000 |
| | | ----- |
| | | 56,847,700 |
| | | ----- |

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SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2005

| | Shares | Value (A) |
|---|-----------|---------------|
| Health Care -- 13.2% | | |
| Abbott Laboratories..... | 350,000 | \$ 13,800,500 |
| Advanced Medical Optics, Inc..... | 235,000 | 9,823,000 |
| Bristol-Myers Squibb Co..... | 345,000 | 7,928,100 |
| Genentech, Inc. (B)..... | 220,000 | 20,350,000 |
| HCA Inc..... | 250,000 | 12,625,000 |
| Johnson & Johnson..... | 255,000 | 15,325,500 |
| Laboratory Corp. of America Holdings (B) .. | 225,000 | 12,116,250 |
| MedImmune, Inc. (B)..... | 225,000 | 7,879,500 |
| Medtronic, Inc..... | 310,000 | 17,846,700 |
| Pfizer Inc..... | 1,120,000 | 26,118,400 |
| Wyeth Co..... | 325,000 | 14,972,750 |
| Zimmer Holdings, Inc. (B)..... | 125,000 | 8,430,000 |
| | | ----- |
| | | 167,215,700 |
| | | ----- |
| Industrials -- 13.1% | | |
| Cintas Corp..... | 300,000 | 12,354,000 |
| Curtiss-Wright Corp..... | 230,000 | 12,558,000 |
| Donnelley (R.R.) & Sons Co..... | 260,000 | 8,894,600 |
| Emerson Electric Co..... | 200,000 | 14,940,000 |

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| | | |
|--|-----------|-------------|
| General Electric Co..... | 1,487,700 | 52,143,885 |
| Illinois Tool Works Inc..... | 125,000 | 10,998,750 |
| Masco Corp..... | 450,000 | 13,585,500 |
| 3M Co..... | 160,000 | 12,400,000 |
| United Parcel Service, Inc..... | 155,000 | 11,648,250 |
| United Technologies Corp..... | 300,000 | 16,773,000 |
| | | ----- |
| | | 166,295,985 |
| | | ----- |
| Information Technology -- 13.0% | | |
| Communication Equipment -- 2.0% | | |
| Avaya Inc. (B)..... | 600,000 | 6,402,000 |
| Corning Inc. (B)..... | 600,000 | 11,796,000 |
| Lucent Technologies Inc. (B)..... | 2,900,000 | 7,714,000 |
| | | ----- |
| | | 25,912,000 |
| | | ----- |
| Computer Related -- 8.9% | | |
| Automatic Data Processing Inc..... | 300,000 | 13,767,000 |
| BEA Systems, Inc. (B)..... | 800,000 | 7,520,000 |
| Cisco Systems, Inc. (B)..... | 1,200,000 | 20,544,000 |
| Dell Inc. (B)..... | 400,000 | 11,996,000 |
| DiamondCluster International, Inc. (B).... | 340,000 | 2,699,600 |
| Microsoft Corp..... | 1,180,000 | 30,857,000 |
| Oracle Corp. (B)..... | 880,000 | 10,744,800 |
| Sapient Corp..... | 1,150,000 | 6,543,500 |
| Siebel Systems, Inc. (B)..... | 800,000 | 8,464,000 |
| | | ----- |
| | | 113,135,900 |
| | | ----- |
| Electronics -- 2.1% | | |
| Cree, Inc. (B) (C)..... | 500,000 | 12,620,000 |
| Intel Corp..... | 310,000 | 7,737,600 |
| Solectron Corp. (B)..... | 1,850,000 | 6,771,000 |
| | | ----- |
| | | 27,128,600 |
| | | ----- |

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SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2005

| | Prin. Amt. or Shares | Value (A) |
|--|-------------------------|------------|
| Materials -- 5.2% | | |
| Air Products and Chemicals, Inc..... | 250,000 \$ | 14,797,500 |
| duPont (E.I.) de Nemours and Co..... | 360,000 | 15,300,000 |
| Martin Marietta Materials, Inc..... | 100,000 | 7,672,000 |
| Rohm & Haas Co..... | 400,000 | 19,368,000 |
| Smurfit-Stone Container Corp. (B)..... | 650,000 | 9,210,500 |
| | | ----- |
| | | 66,348,000 |

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| | | |
|--|--------------|-----------------|
| ----- | | |
| Telecom Services -- 3.9% | | |
| Alltel Corp..... | 300,000 | 18,930,000 |
| AT&T Corp..... | 595,000 | 14,571,550 |
| BellSouth Corp..... | 200,000 | 5,420,000 |
| Vodafone Group plc ADS..... | 492,613 | 10,576,401 |
| | | ----- |
| | | 49,497,951 |
| | | ----- |
| Utilities -- 5.8% | | |
| Aqua America, Inc..... | 862,733 | 23,552,611 |
| Black Hills Corp..... | 245,000 | 8,479,450 |
| Duke Energy Corp. (C)..... | 611,560 | 16,787,322 |
| Keyspan Corp..... | 140,000 | 4,996,600 |
| MDU Resources Group, Inc..... | 575,000 | 18,825,500 |
| | | ----- |
| | | 72,641,483 |
| | | ----- |
| Total Stocks and Convertible Securities | | |
| (Cost \$929,723,632) (E)..... | | 1,246,062,414 |
| | | ----- |
| Short-Term Investments -- 1.2% | | |
| U.S. Government Obligations -- 0.9% | | |
| U.S. Treasury Bills, 3.91%, due 2/16/06..... | \$12,000,000 | 11,940,047 |
| | | ----- |
| Time Deposit -- 0.0% | | |
| JP Morgan Grand Cayman, 3.30%, due 1/3/06..... | | 429,609 |
| | | ----- |
| Commercial Paper -- 0.3% | | |
| General Electric Capital Corp., 4.26%, due 1/5/06..... | \$ 3,500,000 | 3,498,343 |
| | | ----- |
| Total Short-Term Investments | | |
| (Cost \$15,867,999)..... | | 15,867,999 |
| | | ----- |
| Securities Lending Collateral -- 4.2% | | |
| Brown Brothers Investment Trust, 4.23%, due 1/3/06..... | | 52,716,334 |
| | | ----- |
| Total Securities Lending Collateral | | |
| (Cost \$52,716,334)..... | | 52,716,334 |
| | | ----- |
| Total Investments -- 103.8% | | |
| (Cost \$998,307,965)..... | | 1,314,646,747 |
| Cash, receivables, prepaid expenses and other assets, less | | |
| liabilities -- (3.8)%..... | | (47,918,095) |
| | | ----- |
| Net Assets -- 100.0%..... | | \$1,266,728,652 |
| | | ----- |

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 8 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, 2005 covering open call option contracts written was \$14,586,290. In addition, the required aggregate market value of securities segregated by the custodian to collateralize open put option contracts written was \$11,152,500.

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SCHEDULE OF OUTSTANDING OPTION CONTRACTS

December 31, 2005

| Contracts (100 shares each) | Security | Strike Price | Contract Expiration Date | Appreciation/ (Depreciation) |
|-----------------------------------|----------|-----------------|--------------------------------|---------------------------------|
|-----------------------------------|----------|-----------------|--------------------------------|---------------------------------|

COVERED CALLS

| | | | | |
|-------|------------------------------------|-------|--------|----------|
| 100 | AMBAC Financial Group, Inc..... | \$ 80 | Jan 06 | \$ 9,699 |
| 100 | AMBAC Financial Group, Inc..... | 80 | Feb 06 | (301) |
| 100 | American International Group, Inc. | 70 | Feb 06 | (800) |
| 250 | Aqua America, Inc..... | 30 | Jun 06 | (5,486) |
| 150 | ConocoPhillips..... | 65 | Feb 06 | 5,549 |
| 150 | ConocoPhillips..... | 75 | May 06 | 8,549 |
| 150 | Dean Foods Co..... | 40 | Mar 06 | 299 |
| 100 | Emerson Electric Co..... | 85 | Jun 06 | 3,700 |
| 100 | Genentech, Inc..... | 105 | Feb 06 | 3,200 |
| 100 | HCA Inc..... | 55 | Feb 06 | 6,200 |
| 100 | Illinois Tool Works, Inc..... | 90 | Jan 06 | 5,200 |
| 100 | Illinois Tool Works, Inc..... | 100 | Jun 06 | 2,200 |
| 170 | Martin Marietta Materials, Inc.... | 75 | Jan 06 | (37,911) |
| 100 | Schlumberger Ltd..... | 100 | Jan 06 | (1,801) |
| 100 | Target Corp..... | 60 | Jan 06 | 9,200 |
| 250 | Target Corp..... | 65 | Apr 06 | 14,248 |
| 100 | United Technologies Corp..... | 55 | Jan 06 | (5,800) |
| 100 | Zimmer Holdings, Inc..... | 95 | Jan 06 | 9,700 |
| ----- | | | | ----- |
| 2,320 | | | | 25,645 |
| ----- | | | | ----- |

COLLATERALIZED PUTS

| | | | | |
|-------|------------------------------------|-------|--------|----------|
| 250 | Advanced Medical Optics, Inc..... | 40 | Jan 06 | 20,498 |
| 20 | Advanced Medical Optics, Inc..... | 35 | Apr 06 | 840 |
| 200 | Advanced Medical Optics, Inc..... | 40 | Apr 06 | (6,601) |
| 170 | Advanced Medical Optics, Inc..... | 35 | Jul 06 | (12,061) |
| 250 | Avon Products, Inc..... | 25 | Jan 06 | 24,004 |
| 250 | Bank of America Corp..... | 42.50 | Jan 06 | 29,874 |
| 125 | Comcast Corp..... | 30 | Jan 06 | (40,376) |
| 100 | Exxon Mobil Corp..... | 55 | Jan 06 | 11,199 |
| 100 | Martin Marietta Materials, Inc.... | 65 | Jan 06 | 11,449 |
| 150 | Martin Marietta Materials, Inc.... | 65 | Apr 06 | 17,918 |
| 250 | Outback Steakhouse, Inc..... | 40 | Feb 06 | 2,999 |
| 100 | Target Corp..... | 47.50 | Apr 06 | 5,199 |
| 100 | 3M Co..... | 65 | Jan 06 | 8,700 |
| 150 | Zimmer Holdings, Inc..... | 55 | Jan 06 | 13,799 |
| 250 | Zimmer Holdings, Inc..... | 60 | Jan 06 | 25,499 |
| ----- | | | | ----- |

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2,465

112,940

\$138,585
=====

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CHANGES IN PORTFOLIO SECURITIES

During the Three Months Ended December 31, 2005
(unaudited)

| | Shares | | Held Dec. 31, 2005 |
|--------------------------------------|--------------|------------|-----------------------|
| | Additions | Reductions | |
| Advanced Medical Optics, Inc..... | 235,000 | | 235,000 |
| Aqua America, Inc..... | 233,333/(1)/ | 270,600 | 862,733 |
| Avon Products, Inc..... | 420,000 | | 420,000 |
| Bankatlantic Bancorp..... | 130,000 | | 430,000 |
| Bunge Ltd..... | 30,000 | | 235,000 |
| Comcast Corp..... | 2,500 | | 352,500 |
| Curtiss-Wright Corp..... | 34,500 | | 230,000 |
| Fifth Third Bancorp..... | 10,000 | | 280,000 |
| Gannett Co., Inc..... | 15,000 | | 112,500 |
| Investors Financial Services Corp... | 2,500 | | 382,500 |
| Masco Corp..... | 450,000 | | 450,000 |
| Microsoft Corp..... | 40,000 | | 1,180,000 |
| North Fork Bancorporation, Inc..... | 75,000 | | 525,000 |
| Outback Steakhouse, Inc..... | 15,000 | | 315,000 |
| CCE Spinco, Inc..... | 43,750/(2)/ | 43,750 | -- |
| ConocoPhillips..... | | 35,000 | 345,000 |
| Corning Inc..... | | 15,000 | 600,000 |
| Dean Foods Co..... | | 50,000 | 450,000 |
| DiamondCluster International, Inc... | | 157,500 | 340,000 |
| Genentech, Inc..... | | 20,000 | 220,000 |
| HCA Inc..... | | 60,000 | 250,000 |
| Laboratory Corp. of America Holdings | | 10,000 | 225,000 |
| Martin Marietta Materials, Inc..... | | 20,000 | 100,000 |
| Provident Bankshares Corp..... | | 110,000 | -- |
| Symantec Corp..... | | 400,000 | -- |
| Wells Fargo & Co..... | | 75,000 | 325,000 |

(1) By stock split.

(2) Received one share for every eight shares of Clear Channel Communications, Inc. held.

Common Stock
Listed on the New York Stock Exchange
and the Pacific Exchange

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

Website: www.adamsexpress.com

E-mail: contact@adamsexpress.com

Counsel: Chadbourne & Parke L.L.P.

Independent Registered Public Accounting Firm: PricewaterhouseCoopers LLP

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

Custodian of Securities: Brown Brothers Harriman & Co.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of The Adams Express Company (hereafter referred to as the "Company") at December 31, 2005, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards 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, 2005 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Baltimore, Maryland

January 13, 2006

HISTORICAL FINANCIAL STATISTICS

| | | | | Dividends | Distributions |
|---------|------------|--------------|------------|------------|---------------|
| | | | Net Asset | From Net | From Net |
| | Value Of | Shares | Value | Investment | Realized |
| | Net Assets | Outstanding* | Per Share* | Income | Gains |
| Dec. 31 | | | | Per Share* | Per Share* |

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| | | | | | |
|------|----------------|------------|---------|-------|--------|
| 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 |
| 2003 | 1,218,862,456 | 84,886,412 | 14.36 | .17 | .61 |
| 2004 | 1,295,548,900 | 86,135,292 | 15.04 | .24 | .66 |
| 2005 | 1,266,728,652 | 86,099,607 | 14.71 | .22 | .64 |

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

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OTHER INFORMATION

Statement on Quarterly Filing of Complete Portfolio Schedule

In addition to publishing its complete schedule of portfolio holdings in the First and Third Quarter Reports to shareholders, the Company also files its complete schedule of portfolio holdings with the Securities and Exchange Commission for the first and third quarters of each fiscal year on Form N-Q. The Company's Forms N-Q are available on the Commission's website at www.sec.gov. The Company's Forms N-Q may be reviewed and copied at the Commission's Public Reference Room, and information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330. The Company also posts its Forms N-Q on its website at: www.adamsexpress.com. under the heading "Financial Reports".

Annual Certification

The Company's CEO has submitted to the New York Stock Exchange the annual CEO certification as required by Section 303A.12(a) of the NYSE Listed Company Manual.

Proxy Voting Policies and Record

A description of the policies and procedures that the Company uses to determine how to vote proxies relating to portfolio securities owned by the Company and information as to how the Company voted proxies relating to portfolio securities during the 12 month period ended June 30, 2005 are available (i) without charge, upon request, by calling the Company's toll free number at (800) 638-2479; (ii) on the Company's website by clicking on "Corporate Information" heading on the website; and (iii) on the Securities and Exchange Commission's website at www.sec.gov.

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

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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.

Privacy Policy

In order to conduct its business, the 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.

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.

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SHAREHOLDER INFORMATION AND SERVICES

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, American Stock Transfer & Trust Company's INVESTORS CHOICE Plan (see page 22).

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

The daily net asset value (NAV) per share and closing market price may be obtained from our website at 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

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premium.

Adams Express daily trading is shown in the stock tables of most daily newspapers, often 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 surety 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.

Is direct deposit of my dividend checks available?

Yes, our transfer agent offers direct deposit of your interim dividend and year-end distribution checks. You can request direct deposit with American Stock Transfer either on-line or by calling them at the phone number provided on page 22.

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.

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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.

INVESTORS CHOICE

INVESTORS CHOICE is a direct stock purchase and sale plan, as well as a dividend reinvestment plan, sponsored and administered by our transfer agent, American Stock Transfer & Trust Company (AST). The Plan provides registered stockholders and interested first time investors an affordable alternative for buying, selling, and reinvesting in Adams Express shares.

The costs to participants in administrative service fees and brokerage commissions for each type of transaction are listed below.

| | |
|--|---|
| Initial Enrollment and | |
| Optional Cash Investments | |
| Service Fee | \$2.50 per investment |
| Brokerage Commission | \$0.05 per share |
| Reinvestment of Dividends* | |
| Service Fee | 2% of amount invested (maximum of \$2.50 per investment) |
| Brokerage Commission | \$0.05 per share |
| Sale of Shares | |
| Service Fee | \$10.00 |
| Brokerage Commission | \$0.05 per share |
| Deposit of Certificates for safekeeping (waived if sold) | \$7.50 |
| Book to Book Transfers | Included |
| To transfer shares to another participant or to a new participant | |

Fees are subject to change at any time.

| | |
|---|----------|
| Minimum and Maximum Cash Investments | |
| Initial minimum investment (non-holders) | \$500.00 |
| Minimum optional investment (existing holders) | \$50.00 |
| Electronic Funds Transfer (monthly minimum) | \$50.00 |

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| | |
|-------------------------|-------------|
| Maximum per transaction | \$25,000.00 |
| Maximum per year | NONE |

A brochure which further details the benefits and features of INVESTORS CHOICE as well as an enrollment form may be obtained by contacting AST.

For Non-registered Shareholders

For shareholders whose stock is held by a broker in "street" name, the AST INVESTORS CHOICE Direct Stock Purchase and Sale Plan remains available through many registered investment security dealers. If your shares are currently held in a "street" name or brokerage account, please contact your broker for details about how you can participate in AST's Plan or contact AST.

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

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

Investors Choice Mailing Address:
Attention: Dividend Reinvestment
P.O. Box 922
Wall Street Station
New York, NY 10269-0560
Website: www.amstock.com
E-mail: info@amstock.com

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

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BOARD OF DIRECTORS

Number of
portfolios
in fund

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| Personal Information | Position held with the fund | Term of office | Length of time served | Principal Occupations during the last 5 years | complex overseen by director |
|--|-----------------------------|----------------|-----------------------|--|------------------------------|
| Independent Directors | | | | | |
| Enrique R. Arzac, Ph.D. 7 St. Paul Street, Suite 1140 Baltimore, MD 21202 Age 64 | 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 |
| Phyllis O. Bonanno 7 St. Paul Street, Suite 1140 Baltimore, MD 21202 Age 62 | Director | One Year | Since 2003 | President & CEO of International Trade Solutions, Inc. (consultants). Formerly, President of Columbia College, Columbia, South Carolina, and Vice President of Warnaco Inc. (apparel). | Two |
| Daniel E. Emerson 7 St. Paul Street, Suite 1140 Baltimore, MD 21202 Age 81 | 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 |
| Roger W. Gale, Ph.D. 7 St. Paul Street, Suite 1140 Baltimore, MD 21202 Age 59 | Director | One Year | Since Dec. 2005 | President & CEO of GF Energy, LLC (consultants to electric power companies). Formerly member of management group, PA Consulting Group (energy consultants). | Two |
| Thomas H. Lenagh 7 St. Paul Street, Suite 1140 Baltimore, MD 21202 Age 87 | Director | One Year | Since 1968 | Financial Advisor, Chairman of the Board, Photonics Product Group (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 |
| Kathleen T. McGahran, Ph.D., J.D., C.P.A. 7 St. Paul Street, Suite 1140 Baltimore, MD 21202 Age 55 | Director | One Year | Since 2003 | Principal & Director of Pelham Associates, Inc. (executive education). Adjunct Associate Professor, Columbia Executive Education, Graduate School of Business, Columbia University. Formerly Associate Dean and Director of Executive Education, and Associate Professor, Columbia University. | Two |

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 |
|----------------------|-----------------------------|----------------|-----------------------|---|---|-------|
|----------------------|-----------------------------|----------------|-----------------------|---|---|-------|

Independent Directors (continued)

| | | | | | | |
|--|----------|----------|------------|---|-----|----------|
| John J. Roberts 7 St. Paul Street, Suite 1140 Baltimore, MD 21202 Age 83 | Director | One Year | Since 1976 | Retired Senior Advisor, formerly Vice-Chairman External Affairs, American International Group, Inc. (insurance). Formerly Chairman and CEO of American International Underwriters Corporation. Previously President of American International Underwriters Corporation-U.S./ Overseas Operations. | Two | Director |
|--|----------|----------|------------|---|-----|----------|

| | | | | | | |
|---|----------|----------|-----------------|---|-----|----------|
| Craig R. Smith, M.D. 7 St. Paul Street, Suite 1140 Baltimore, MD 21202 Age 59 | Director | One Year | Since Dec. 2005 | President, Williston Consulting LLC (consultants to pharmaceutical and biotechnology industries). Formerly Chairman, President & CEO of Guilford Pharmaceuticals (pharmaceuticals & biotechnology). | Two | Director |
|---|----------|----------|-----------------|---|-----|----------|

| | | | | | | |
|--|----------|----------|------------|--|-----|----------|
| Robert J. M. Wilson 7 St. Paul Street, Suite 1140 Baltimore, MD 21202 Age 85 | Director | One Year | Since 1975 | Retired President of the Company (since 1986) and retired President of Petroleum & Resources Corporation (since 1986). | Two | Director |
|--|----------|----------|------------|--|-----|----------|

Interested Director

| | | | | | | |
|--|-------------------------------------|----------|---|--|-----|----------|
| Douglas G. Ober 7 St. Paul Street, Suite 1140 Baltimore, MD 21202 Age 59 | Director, Chairman and CEO | One Year | Director Since 1989; Chairman of the Board Since | Chairman & CEO of the Company and Petroleum & Resources Corporation. | Two | Director |
|--|-------------------------------------|----------|---|--|-----|----------|

1991

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THE ADAMS EXPRESS COMPANY

Board Of Directors

Enrique R. Arzac/(1) (3) / Kathleen T.
McGahran/(2) (4) /
Phyllis O. Bonanno/(1) (3) / Douglas G. Ober/(1) /
Daniel E. Emerson/(2) (3) / John J. Roberts/(1) (3) /
Roger W. Gale/(3) (4) / Craig R. Smith/(2) (4) /
Thomas H. Lenagh/(1) (4) / Robert J.M. Wilson/(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 Chief
Executive Officer
Joseph M. Truta President
Lawrence L. Hooper, Jr. Vice President, General
Counsel and Secretary
Maureen A. Jones Vice President, Chief
Financial Officer and
Treasurer
Stephen E. Kohler Vice President -- Research
David R. Schiminger Vice President -- Research
D. Cotton Swindell Vice President -- Research
Christine M. Sloan Assistant Treasurer
Geraldine H. Pare Assistant Secretary

Item 2. Code of Ethics.

On June 12, 2003, the Board of Directors adopted a code of ethics that applies to registrant's principal executive officer and principal financial officer. The code of ethics is available on registrant's website at:

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www.adamsexpress.com. Since the code of ethics was adopted there have been no amendments to it nor have any waivers from any of its provisions been granted.

Item 3. Audit Committee Financial Expert.

The board of directors has determined that at least one of the members of registrant's audit committee meets the definition of audit committee financial expert as that term is defined by the Securities and Exchange Commission. The director on the registrant's audit committee whom the board of directors has determined meets such definition is Kathleen T. McGahran, who is independent pursuant to paragraph (a)(2) of this Item.

Item 4. Principal Accountant Fees and Services.

(a) Audit Fees. The aggregate fees billed for professional services rendered by its independent auditors, PricewaterhouseCoopers LLP, for the audits of the Company's annual and semi-annual financial statements for 2005 and 2004 were \$76,609 and \$54,712, respectively.

(b) Audit Related Fees. There were no audit-related fees in 2005 and 2004.

(c) Tax Fees. The aggregate fees billed to registrant for professional services rendered by PricewaterhouseCoopers LLP for the review of registrant's excise tax calculations and preparations of federal, state and excise tax returns for 2005 and 2004 were \$9,396 and \$9,950, respectively.

(d) All Other Fees. The aggregate fees billed to registrant by PricewaterhouseCoopers LLP other than for the services referenced above for 2005 and 2004 were \$800 and \$0, respectively. The \$800 billed for services in 2005 were in connection with the preparation and review of the registration statement filed with the Securities and Exchange Commission relating to the 2005 Equity Incentive Compensation Plan.

(e) (1) Audit Committee Pre-Approval Policy. As of 2005, all services to be performed for registrant by PricewaterhouseCoopers LLP must be pre-approved by the audit committee. All services performed in 2005 were pre-approved by the committee.

(2) Not applicable.

(f) Not applicable.

(g) The aggregate fees billed by PricewaterhouseCoopers LLP for non-audit professional services rendered to registrant for 2005 and 2004 were \$9,396 and \$9,950, respectively.

(h) The registrant's audit committee has considered the provision by PricewaterhouseCoopers LLP of the non-audit services described above and found that they are compatible with maintaining PricewaterhouseCoopers LLPs independence.

Item 5. Audit Committee of Listed registrants.

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(a) The registrant has a standing audit committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. The members of the audit committee are: Kathleen T. McGahran, chair, Daniel E. Emerson, Craig R. Smith and Robert J.M. Wilson.

(B) Not applicable.

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

Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.

PROXY VOTING POLICIES & PROCEDURES

The Adams Express Company (Adams) follows long-standing general guidelines for the voting of portfolio company proxies and takes very seriously its responsibility to vote all such proxies. The portfolio company proxies are evaluated by our research staff and voted by our portfolio management team, and we annually provide the Board of Directors with a report on how proxies were voted during the previous year. We do not use an outside service to assist us in voting our proxies.

As an internally-managed investment company, Adams uses its own staff of research analysts and portfolio managers. In making the decision to invest in a company for the portfolio, among the factors the research team analyzes is the integrity and competency of the company's management. We must be satisfied that the companies we invest in are run by managers with integrity. Therefore, having evaluated this aspect of our portfolio companies' managements, we give significant weight to the recommendations of the company's management in voting on proxy issues.

We vote proxies on a case-by-case basis according to what we deem to be the best long-term interests of our shareholders. The key over-riding principle in any proxy vote is that stockholders be treated fairly and equitably by the portfolio company's management. In general, on the election of directors and on routine issues that we do not believe present the possibility of an adverse impact upon our investment, after reviewing whether applicable corporate governance requirements as to board and committee composition have been met, we will vote in accordance with the recommendations of the company's management. When we believe that the management's recommendation is not in the best interests of our stockholders, we will vote against that recommendation.

Our general guidelines for when we will vote contrary to the recommendation of the portfolio company management's recommendation are:

Stock Options

Our general guideline is to vote against stock option plans that we believe are unduly dilutive of our stock holdings in the company. We use a general guideline that we will vote

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against any stock option plan that results in dilution in shares outstanding exceeding 4%. Most stock option plans are established to motivate and retain key employees and to reward them for their achievement. An analysis of a stock option plan can not be made in a vacuum but must be made in the context of the company's overall compensation scheme. In voting on stock option plans, we give consideration to whether the stock option plan is broad-based in the number of employees who are eligible to receive grants under the plan. We generally vote against plans that permit re-pricing of grants or the issuance of options with exercise prices below the grant date value of the company's stock.

Corporate Control/ Governance Issues

Unless we conclude that the proposal is favorable to our interests as a long-term shareholder in the company, we have a long-standing policy of voting against proposals to create a staggered board of directors. Staggered boards are used to help create a roadblock to a possible takeover of a company or to entrench incumbent management and board. In conformance with that policy, we will generally vote in favor of shareholder proposals to eliminate the staggered election of directors.

Unless we conclude that the proposal is favorable to our interests as a long-term shareholder in the company, our general policy is to vote against amendments to a company's charter that can be characterized as anti-takeover provisions. For example, we generally vote in favor of stockholder proposals to rescind or require a stockholder vote on anti-takeover provisions such as poison pills and the like.

With respect to so-called golden parachutes and other severance packages, it is our general policy to vote against proposals relating to future employment contracts that provide that compensation will be paid to any director, officer or employee that is contingent upon a merger or acquisition of the company.

We generally vote for proposals to require that the majority of a board of directors consist of independent directors and vote against proposals to establish a retirement plan for non-employee directors.

We have found that most stockholder proposals relating to social issues focus on very narrow issues that either fall within the authority of the company's management, under the oversight of its board of directors, to manage the day-to-day operations of the company or concern matters that are more appropriate for global solutions rather than company-specific ones. We consider these proposals on a case-by-case basis but usually are persuaded management's position is reasonable and vote in accordance with management's recommendation on these types of proposals.

Item 8. Portfolio Managers of Closed-End Management Investment Companies.

- (a) (1) Douglas G. Ober, Chairman and Chief Executive Officer, and Joseph M. Truta, President, comprise the 2

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person portfolio management team for the registrant. Mr. Ober and Mr. Truta have served as portfolio managers for the registrant since 1991. This information is as of February 13, 2006. Mr. Ober is the lead member of the portfolio management team. Mr. Ober and Mr. Truta receive investment recommendations from a team of research analysts and make decisions jointly about any equity transactions in the portfolio. Concurrence of both portfolio managers is required for an investment recommendation to be approved.

(2) Mr. Ober and Mr. Truta also comprise the portfolio management team for registrant's non-controlled affiliate, Petroleum & Resources Corporation (Petroleum), a registered investment company with total net assets of \$761,913,652 as of December 31, 2005. Mr. Ober is Chairman, Chief Executive Officer and President of Petroleum and Mr. Truta is Executive Vice President. This information is as of February 13, 2006. The Petroleum fund is a non-diversified fund focusing on the energy and natural resources sectors and Adams is a diversified fund with a different focus, and there are few material conflicts of interest that may arise in connection with the portfolio managers' management of both funds. The funds do not buy or sell securities or other portfolio holdings to or from the other, and procedures and policies are in place covering the sharing of expenses and the allocation of investment opportunities, including bunched orders and investments in initial public offerings, between the funds.

(3) The portfolio managers are compensated through a three-component plan, consisting of salary, annual cash incentive compensation, and equity incentive compensation. The value of each component in any year is determined by the Compensation Committee, comprised solely of independent director members of the Board of Directors. Salaries are determined by using appropriate industry surveys and information about the local market as well as general inflation statistics. Cash incentive compensation is based on a combination of absolute and relative fund performance over one and three year periods as well as individual success at meeting goals and objectives set by the Board of Directors at the beginning of each year. Target incentives are set based on 80% of salary for the Chief Executive Officer and 60% of salary for the President. Two-thirds of each individual's annual cash incentive is based on fund performance and one third on individual success. The portion based on performance is determined using a scale in which the target can be earned by absolute fund pre-tax performance of 10%. The scale ranges from zero to 125% of target. The result is then modified by an average of the one and three year performance relative to the S&P 500, whereby each one percent outperformance or underperformance by the fund adds or deducts 5% from the percentage of target earned based on the scale. The maximum percentage of target which may be earned is 200% and the minimum is zero. Equity incentive compensation, based on a plan approved by shareholders in 2005, can

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take several forms. Following approval of the plan, grants of restricted stock were made to the portfolio managers in April 2005, with vesting in equal proportions over a three year period. The size of the grants was determined by the Compensation Committee with the assistance of an outside compensation consultant. The basis for the portfolio managers' cash incentive compensation determinations for Petroleum is the same as for Adams, except that the portion of the incentive based upon fund performance uses the Dow Jones Oil and Gas Index and the S&P 500 Index as the benchmarks in a 70%/30% ratio, over a one and three year period. All of the above information is as of December 31, 2005.

(4) Using a valuation date of December 31, 2005, Mr. Ober beneficially owns equity securities in registrant of over \$1,000,000. Mr. Truta beneficially owns equity securities in registrant of over \$1,000,000.

Item 9. Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers.

| Period(2) | Total Number of Shares (or Units) Purchased | Average Price Paid per Share (or Unit) | Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs | Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs |
|-----------|---|--|--|---|
| Jul. 2005 | 273,500 | \$ 13.18 | 273,500 | 2,644,353 |
| Aug. 2005 | 289,000 | \$ 13.24 | 289,000 | 2,355,353 |
| Sep. 2005 | 307,700 | \$ 13.23 | 307,700 | 2,047,653 |
| Oct. 2005 | 158,900 | \$ 12.92 | 158,900 | 1,888,753 |
| Nov 2005 | 76,900 | \$ 13.15 | 76,900 | 1,811,853 |
| Dec 2005 | 157,100 | \$ 12.72 | 157,100 | 4,035,629 |
| Total | 1,263,100(1) | \$ 13.11 | 1,263,100(2) | 4,035,629(2) |

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

(2.a) The Plan was announced on December 9, 2004 and was reapproved on December 8, 2005.

(2.b) The share amount approved in 2004 was 5% of outstanding shares, or approximately 4,172,453 shares, and in 2005 was 5% of outstanding shares, or approximately 4,192,729 shares.

(2.c) The Plan will expire on or about December 8, 2006.

(2.d) None.

(2.e) None.

Item 10. Submission of Matters to a Vote of Security Holders.

There were no material changes to the procedures by which shareholders may recommend nominees to the registrant's board of directors made or implemented after the registrant last provided disclosure in response to the requirements of

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Item 7(d) (2) (ii) (G) of Schedule 14A (17 CFR 240.14a-101), or this Item.

Item 11. Controls and Procedures.

Conclusions of principal officers concerning controls and procedures.

(a) As of February 13, 2006, an evaluation was performed under the supervision and with the participation of the officers of registrant, including the principal executive officer (PEO) and principal financial officer (PFO), of the effectiveness of registrant's disclosure controls and procedures. Based on that evaluation, the registrant's officers, including the PEO and PFO, concluded that, as of February 13, 2006, the registrant's disclosure controls and procedures were reasonably designed so as to ensure that material information relating to the registrant is made known to the PEO and PFO.

(b) There have been no significant changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940 (17 CFR 270.30a-3(d)) that occurred during the registrant's last fiscal half-year that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 12. Exhibits attached hereto. (Attach certifications as exhibits)

(1) Not applicable. See registrant's response to Item 2, above.

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

Signatures:

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

THE ADAMS EXPRESS COMPANY

BY: /s/ Douglas G. Ober

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

Date: February 13, 2006

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

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indicated.

BY: /s/ Douglas G. Ober

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

Date: February 13, 2006

BY: /s/ Maureen A. Jones

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

Date: February 13, 2006