

MATTHEW 25 FUND, INC

SEMI-ANNUAL REPORT

June 30, 2005

< unaudited >

Matthew 25 Fund, Inc.
607 West Avenue
Jenkintown, PA 19046
1-888-M25-FUND

Fund Symbol: MXXVX
Website: www.matthew25fund.com

This report is provided for the general information of Matthew 25 Fund shareholders. It is not authorized for distribution unless preceded or accompanied by an effective prospectus, which contains more complete information about the Fund. Please read it carefully before you invest.

Dear Matthew 25 Fund Shareholders,

Our Fund was up 0.64% for the first six months of 2005. From its inception on 10/16/95 through 6/30/05 our Fund has gained 291.95%. This is a compounded annual growth rate of 15.08%.

Thank you and congratulations to our investors and investment advisors who stayed the course when our Fund was down during the first half of the year. We lost some shareholders during this decline; they sold when they should have bought. In their defense, some of these sellers were likely influenced by *Momentum Investing* that is so widely practiced today. This is a valid technique for trading but has some pitfalls for long-term value and growth investors. In fact, I believe *Value Investing* and *Momentum Investing* will sometimes operate inversely to each other. For example, in momentum investing when a stock falls by a predetermined threshold, such as 15%, then one would automatically sell. At the same moment, a value investor may be delighted to buy this same stock at the cheaper price.

This automatic sale technique appeals to many people who still think they are long-term investors, because the logic is to take small losses and try to keep large gains. At this point, I would like to paraphrase an anecdote from Warren Buffett about this technique. He equates this system to a couple who buy a house for \$200,000 and on settlement day they instruct their realtor that if anyone ever offers \$170,000 for their home, then sell it to that buyer. The reason this analogy seems absurd is because people usually have a reasonable idea of the value of their home. However, when buying stocks people usually know the price but have not tried to determine the stock's fair value. Price is what you pay; value is what you purchase. The shareholders who sold during the downturn gave up more value than they received in cash. At our Fund's current price, our portfolio offers solid value.

A fair question that you may be thinking is why was our Fund and the overall market so weak during the first half of this year if there are good values available? In order to answer this I need to give you one of my favorite quotes about market cycles. This came from Bill Miller (Legg Mason Value Trust) quoting John Templeton (Templeton Funds):

"Bull Markets are born on PESSIMISM; grow on SKEPTICISM; mature on OPTIMISM, and die on EUPHORIA. (Reuters News 12/11/03)

So the answer to the question is that we are still in the skepticism stage. I believe that March of 2003 was the birth of the bull market. Calendar years of 2003 and 2004 were definitely in the skepticism stage. I was hopeful that 2005 would be our first year in the optimism stage but so far it is not. The good news is that the optimism stage will come, and remember that we can still make money in skepticism years, for our Matthew 25 Fund returned 32% in 2003 and 20% in 2004. It's just that appreciation comes a bit easier in the later stages of a cycle. If you need a current example of an investment

class that is surely in either the optimism or euphoria stage, just look at the real estate market.

Earlier in this letter I stated that our portfolio offers solid value. What follows are valuations for four of our core holdings. These investments I classify as *Value & Growth Stocks*. My valuations use Wall Street data and estimates except for Federal Agricultural Mortgage Corporation. Currently no other analyst follows this stock, therefore I have used my own estimates. Please remember that these are my return calculations based on public information and my research, and as you know, this information may change over time.

Earnings Growth Valuation

Federal Agricultural Mortgage Corp. (AGM)

2004 EPS	\$2.11
Estimated Growth Rates 3-5 yrs.	10.00%
EPS est. in 2008	\$3.09
Projected PE Ratio	16.5
Projected Price 2008	\$50.99
Dividend	\$0.40
6/30/05 price	\$22.05
Projected Annual Rate of Return	27.89%

Black & Decker Corp. (BDK)

2004 EPS	\$5.38
Estimated Growth Rates 3-5 yrs.	10.00%
EPS est. in 2008	\$7.88
Projected PE Ratio	16.5
Projected Price 2008	\$130.02
Dividend	\$1.12
6/30/05 price	\$89.85
Projected Annual Rate of Return	12.00%

MBIA Inc. (MBI)

2004 EPS	\$5.25
Estimated Growth Rates 3-5 yrs.	12.50%
EPS est. in 2008	\$8.41
Projected PE Ratio	17.0
Projected Price 2008	\$142.97
Dividend	\$1.12
6/30/05 price	\$59.31
Projected Annual Rate of Return	29.40%

Polaris Industries Inc. (PII)

2004 EPS	\$3.04
Estimated Growth Rates 3-5 yrs.	13.00%
EPS est. in 2008	\$4.96
Projected PE Ratio	17.5
Projected Price 2008	\$86.80
Dividend	\$1.12
6/30/05 price	\$54.00
Projected Annual Rate of Return	15.89%

Hopefully, this letter helps you better understand our Fund's long-term investment methodology. Please look closely at our Fund's Financial Statements, and if you have any questions, then feel free to call or write me. As always, thank you for allowing us to work for you.

Sincerely,

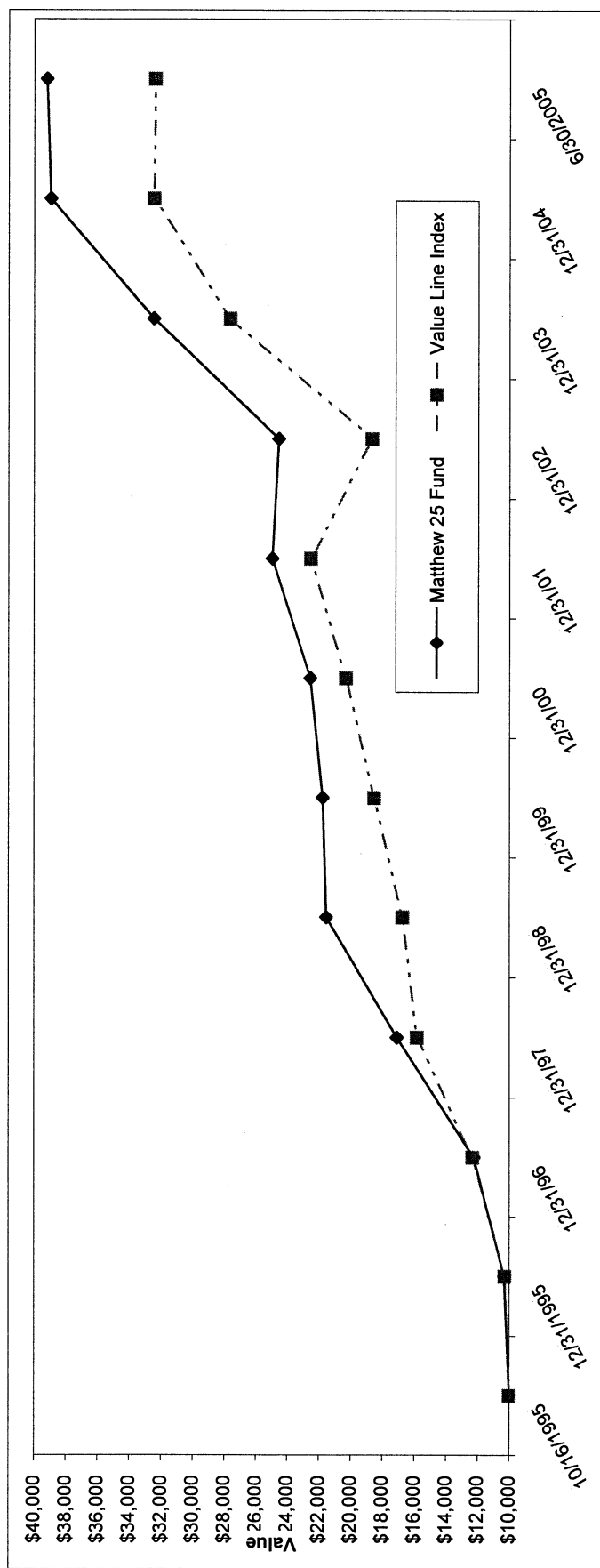


Mark Mulholland
President

Except for any historical information, the matters discussed in this letter contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements involve risks and uncertainties, including activities, events or developments that the Advisor expects, believes or anticipates will or may occur in the future. A number of factors could cause actual results to differ from those indicated in the forward-looking statements. Such statements are subject to a number of assumptions, risks and uncertainties. Readers are cautioned that such statements are not guarantees of future performance and that actual results may differ materially from those set forth in the forward-looking statements. The Advisor undertakes no obligation to publicly update or revise forward-looking statements whether as a result of new information or otherwise.

The graph below represents the changes in value for an initial \$10,000 investment in the Matthew 25 Fund from its inception, October 16, 1995 to years ending 1995 through 2004, and the six months ended 6/30/05. These changes are then compared to a \$10,000 investment in the Value Line Index, which is an index comprised of 1,665 stocks, for the same period. The Fund's returns include the reinvestment of all dividends, but do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares. Past performance is not predictive of future performance. Investment return and principal value will fluctuate, so that your shares, when redeemed, may be worth more or less than the original cost.

Incep.	Yr. Ended	Yr. Ended	Yr. Ended	Yr. Ended	Yr. Ended	Yr. Ended	Yr. Ended	Yr. Ended	Yr. Ended	Yr. Ended	6 Mo. Ended
10/16/95	12/31/95	12/31/96	12/31/97	12/31/98	12/31/99	12/31/00	12/31/01	12/31/02	12/31/03	12/31/04	6/30/05
\$10,000	\$10,320	\$12,248	\$17,104	\$21,539	\$21,772	\$22,560	\$24,972	\$24,554	\$32,441	\$38,946	\$39,195
\$10,000	\$10,287	\$12,322	\$15,827	\$16,748	\$18,517	\$20,304	\$22,513	\$18,661	\$27,628	\$32,418	\$32,347



Matthew 25 Fund	76 Days	Annual Return	12/31/95	12/31/96	12/31/97	12/31/98	12/31/99	12/31/00	12/31/01	12/31/02	12/31/03	Annual Return	12/31/04	Annual Return	12/31/05	Six Months
Value Line Index	3.20%	18.68%	39.65%	25.93%	1.08%	3.62%	10.69%	10.88%	17.11%	48.05%	20.05%	17.34%	0.64%	(0.22)%		
	2.87%	19.78%	28.45%	5.82%	10.56%	9.65%	10.88%	17.11%	48.05%	20.05%	17.34%	0.64%	(0.22)%			

	One Year 6/30/04-6/30/05	Three Year 6/30/02-6/30/05	Five Year 6/30/00-6/30/05	Since Inception 10/16/95-6/30/05
Matthew 25 Fund	18.88%	16.77%	13.07%	15.08%
Value Line Index	9.86%	15.64%	11.01%	12.84%

MATTHEW 25 FUND, INC.
TOP TEN HOLDINGS & ASSET ALLOCATION
JUNE 30, 2005

Top Ten Holdings
(% of Net Assets)

Polaris Industries, Inc.	16.48%
Federal Agricultural Mortgage Corporation	16.41%
MBIA, Inc.	11.59%
Boykin Lodging	7.02%
Ameritrade Clearing, Inc.	6.37%
Advanta Corporation	5.83%
AC Moore, Inc.	5.79%
Black & Decker, Inc.	5.65%
El Paso Corporation	5.02%
First Data Corporation	4.84%
	<hr/>
	85.00%

Asset Allocation
(% of Net Assets)

Miscellaneous Transportation Equipment	16.48%
Federal & Federally Sponsored Credit Agencies	16.41%
Surety Insurance	11.59%
Real Estate Investment Trust	7.02%
Security Brokers, Dealers & Flotation	6.37%
Personal Credit Institution	5.83%
Miscellaneous Shopping Goods Stores	5.79%
Metalworking Machinery & Equipment	5.65%
Savings Institution	5.06%
Gas Production & Distribution	5.02%
Finance Services	4.84%
Fire, Marine & Casualty Insurance	4.30%
Electric Utility	2.88%
Water Transportation	1.77%
Motorcycles, Bicycles & Parts	0.69%
Short-Term Investment (Money Market Fund)	0.26%
Other Assets less Liabilities	0.04%
	<hr/>
	100.00%

MATTHEW 25 FUND, INC.
EXPENSE EXAMPLE
JUNE 30, 2005

As a shareholder of the Fund, you incur two types of costs: (1) direct costs, such as IRA fees and (2) indirect costs, including management fees and other Fund operating expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds.

The example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire six-month period of January 1, 2005 to June 30, 2005.

Actual Expenses

The first line of the table below provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period. IRAs with less than \$5,000 may be charged \$14 annually for IRA Custodian Fees at the discretion of the Fund's Management or Directors. This \$14 fee is not reflected in the table below.

Hypothetical Example for Comparison Purposes

The second line of the table below provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expenses ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any direct costs, such as IRA fees. Therefore, the second line of the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if IRA fees were included your costs would be higher.

	Beginning Account Value January 1, 2005	Ending Account Value June 30, 2005	Expenses Paid During Period* January 1, 2005 to June 30, 2005
Actual	\$1,000.00	\$1,006.40	\$5.92
Hypothetical (5% return before expenses)	\$1,000.00	\$1,018.94	\$5.91

* Expenses are equal to the Fund's annualized expense ratio of 1.18%, multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period.

MATTHEW 25 FUND, INC.
SCHEDULE OF INVESTMENTS IN SECURITIES
JUNE 30, 2005
<unaudited>

	<u>Number of Shares</u>	<u>Historical Cost</u>	<u>Value</u>
COMMON STOCKS -- 96.82%			
FEDERAL & FEDERALLY SPONSORED CREDIT AGENCY -- 16.41%			
Federal Agricultural Mortgage Corp.	712,500	\$ 16,758,706	\$ 15,710,625
Federal Agricultural Mortgage Corp.Cl. A	12,200	<u>173,131</u>	<u>200,080</u>
		<u>16,931,837</u>	<u>15,910,705</u>
FINANCE SERVICES -- 4.84%			
First Data Corp.	117,000	4,286,472	4,696,380
FIRE, MARINE & CASUALTY INSURANCE -- 4.30%			
Berkshire Hathaway, Class A *	50	3,234,976	4,175,000
GAS PRODUCTION & DISTRIBUTION -- 5.02%			
El Paso Corporation	422,500	3,019,234	4,867,200
METALWORKING MACHINERY & EQUIPMENT -- 5.65%			
Black & Decker, Inc.	61,000	2,421,589	5,480,850
MISC. SHOPPING GOODS STORE -- 5.79%			
AC Moore, Inc.*	177,500	3,647,196	5,610,775
MISC. TRANSPORTATION EQUIPMENT -- 16.48%			
Polaris Industries, Inc.	296,000	7,327,689	15,984,000
MOTORCYCLES, BICYCLES & PARTS -- 0.69%			
Harley Davidson, Inc.	13,500	638,116	669,600
PERSONAL CREDIT INSTITUTION -- 5.83%			
Advanta Corporation, Class A	218,300	2,089,929	5,651,787
REAL ESTATE INVESTMENT TRUST -- 7.02%			
Boykin Lodging *	508,300	4,352,294	6,811,220

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

MATTHEW 25 FUND, INC.
SCHEDULE OF INVESTMENTS IN SECURITIES (CONTINUED)
JUNE 30, 2005
<unaudited>

	<u>Number of Shares</u>	<u>Historical Cost</u>	<u>Value</u>
SAVINGS INSTITUTION -- 5.06%			
Abington Community Bancorp	107,500	\$ 1,250,923	\$ 1,330,850
Ocean Shore Holding Co. *	125,000	1,333,363	1,337,500
Willow Grove Bancorp, Inc.	152,500	689,243	2,235,650
		<u>3,273,529</u>	<u>4,904,000</u>
SECURITY BROKERS, DEALERS & FLOTATION -- 6.37%			
Ameritrade Clearing, Inc. *	332,000	3,779,762	6,178,520
SURETY INSURANCE -- 11.59%			
MBIA, Inc.	189,500	8,701,953	11,239,245
WATER TRANSPORTATION -- 1.77%			
Alexander & Baldwin	37,000	813,331	1,714,950
TOTAL COMMON STOCKS		<u>64,517,907</u>	<u>93,894,232</u>
PREFERRED STOCKS -- 2.88%			
ELECTRIC UTILITIES -- 2.88%			
Pacific G&E Corp. 6% Preferred	104,000	1,808,257	2,792,400
TOTAL PREFERRED STOCKS		<u>1,808,257</u>	<u>2,792,400</u>
SHORT-TERM INVESTMENTS -- 0.26%			
Dreyfus Treasury Prime Fund Class B	248,868	248,868	248,868
TOTAL INVESTMENTS -- 99.96%		\$ <u>66,575,032</u>	96,935,500
Other Assets Less Liabilities -- 0.04%			42,320
NET ASSETS 100.00%			\$ <u><u>96,977,820</u></u>

*Non-income producing security during the period.

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

MATTHEW 25 FUND, INC.
 STATEMENT OF ASSETS AND LIABILITIES
 JUNE 30, 2005
 <unaudited>

ASSETS

Investments in securities at value (cost \$66,326,164)	\$ 96,935,500
Cash	58,367
Receivables:	
Fund shares sold	71,996
Dividends	76,980
TOTAL ASSETS	<u>97,142,843</u>

LIABILITIES

Payable for securities purchased	150,152
Accrued expenses	14,871
TOTAL LIABILITIES	<u>165,023</u>

NET ASSETS: (Equivalent to \$17.33 per share based on 5,597,193 shares of capital stock outstanding 100,000,000 shares authorized, \$0.01 par value)	\$ <u>96,977,820</u>
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COMPOSITION OF NET ASSETS

Shares of common stock	\$ 55,972
Additional paid-in capital	64,653,169
Net unrealized appreciation of investments	30,360,468
Undistributed net investment income	182,714
Undistributed net realized gain on investments	<u>1,725,497</u>

NET ASSETS	\$ <u>96,977,820</u>
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The accompanying notes are an integral part of these financial statements.

MATTHEW 25 FUND, INC.
STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2005
<unaudited>

INVESTMENT INCOME:

Dividends	\$ 717,152
Interest	<u>3,213</u>

TOTAL INVESTMENT INCOME	<u>720,365</u>
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EXPENSES:

Investment advisory fee (Note 2)	448,043
Registration and compliance	15,287
Insurance	13,548
Office expense	10,767
Postage and printing	9,341
Custodian fees	8,640
Shareholder reporting	7,714
Audit	7,009
State and local taxes	4,290
Software	3,953
Bank fees	3,582
IRA expense	2,189
Telephone	1,989
Legal fees	1,035
Directors' fees and expenses	<u>264</u>

TOTAL EXPENSES	<u>537,651</u>
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NET INVESTMENT INCOME	<u>182,714</u>
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REALIZED AND UNREALIZED GAIN ON INVESTMENTS (Note 6)

Net realized gain on investments	1,725,497
Net change in unrealized appreciation of investments	<u>(1,159,968)</u>
Net realized and unrealized gain on investments	<u>565,529</u>

NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	<u><u>\$ 748,243</u></u>
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The accompanying notes are an integral part of these financial statements.

MATTHEW 25 FUND, INC.
STATEMENT OF CHANGES IN NET ASSETS

	<unaudited> Six Months Ended June 30, 2005	Year Ended Dec. 31 2004
INCREASE IN NET ASSETS FROM OPERATIONS:		
Net Investment income	\$ 182,714	\$ 695,594
Net realized gain on investments	1,725,497	1,635,057
Net change in unrealized appreciation on investments	<u>(1,159,968)</u>	<u>11,705,936</u>
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS:	748,243	14,036,587
DISTRIBUTIONS TO SHAREHOLDERS	-	(2,330,651)
CAPITAL SHARE TRANSACTIONS (Note 4)	<u>4,218,398</u>	<u>20,303,769</u>
TOTAL INCREASE	4,966,641	32,009,705
NET ASSETS, BEGINNING OF PERIOD	<u>92,011,179</u>	<u>60,001,474</u>
NET ASSETS, END OF PERIOD	\$ <u><u>96,977,820</u></u>	\$ <u><u>92,011,179</u></u>

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

MATTHEW 25 FUND, INC.

FINANCIAL HIGHLIGHTS AND RELATED RATIOS / SUPPLEMENTAL DATA

For a Share Outstanding Throughout the Period Ending:

	<unaudited> Six months ended		Year ended			
	6/30/05	12/31/04	12/31/03	12/31/02	12/31/01	12/31/00
Net asset value, Beginning of period.....	\$17.22	\$14.72	\$11.68	\$11.97	\$10.90	\$10.55
Income from investment operations						
Net investment income (loss).....	0.03	0.13	0.00	0.09	0.00	(0.01)
Net gains (loss) on investments both realized and unrealized.....	<u>0.08</u>	<u>2.82</u>	<u>3.74</u>	<u>(0.29)</u>	<u>1.17</u>	<u>0.39</u>
Total from investment operations.....	<u>0.11</u>	<u>2.95</u>	<u>3.74</u>	<u>(0.20)</u>	<u>1.17</u>	<u>0.38</u>
Less distributions.....	0.00	(0.45)	(0.69)	(0.09)	(0.10)	(0.03)
Return of capital distribution.....	<u>0.00</u>	<u>0.00</u>	<u>(0.01)</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total distributions.....	<u>0.00</u>	<u>(0.45)</u>	<u>(0.70)</u>	<u>(0.09)</u>	<u>(0.10)</u>	<u>(0.03)</u>
Net asset value, End of period.....	\$17.33	\$17.22	\$14.72	\$11.68	\$11.97	\$10.90
Total return.....	0.64%	20.05%	32.12%	(1.67)%	10.69%	3.62%
Net assets, end of period (000's omitted).....	\$96,978	\$92,011	\$60,001	\$41,899	\$35,621	\$27,050
Ratio of expenses, to average net assets.....	1.18% *	1.19%	1.23%	1.24%	1.23%	1.22%
Ratio of net investment income, to average assets.....	0.40% *	1.00%	(0.01)%	0.85%	0.04%	(0.07)%
Portfolio turnover rate.....	11.45%	12.46%	23.52%	38.68%	26.42%	30.80%

*Annualized

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

MATTHEW 25 FUND, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005
<unaudited>

NOTE 1 - *Summary of Significant Accounting Policies*

Nature of Operations

Matthew 25 Fund, Inc. ("the Fund") was incorporated on August 28, 1995 in Pennsylvania and commenced operations on October 16, 1995. The Fund is registered as an open-end, non-diversified management investment company under the Investment Company Act of 1940, and its shares are registered under the Securities Act of 1933. The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements. These policies are in conformity with accounting principles generally accepted in The United States of America.

Security Valuations

Equity securities are valued by using market quotations. Securities that are traded on any stock exchange or on the NASDAQ over-the-counter market are valued at the last quoted sale price. Lacking a last sale price, an equity security is generally valued at its last bid price. When market quotations are not readily available, or when the Advisor determines that the market quotation does not accurately reflect the current market value, or when restricted or illiquid securities are being valued, such securities may be valued as determined in good faith by the Board of Directors. The Board has adopted guidelines for good faith pricing, and has delegated to the Advisor the responsibility for determining fair value prices, subject to review by the Board of Directors.

Federal Income Taxes

The Fund's policy is to comply with the requirements of the Internal Revenue Code that are applicable to regulated investment companies and to distribute all its taxable income to its shareholders. Therefore, no federal income tax provision is required.

Distributions to Shareholders

The Fund intends to distribute to its shareholders substantially all of its net investment income, if any, and net realized capital gains, if any, at year end.

Other

The Fund follows industry practice and records security transactions on the trade date. The specific identification method is used for determining gains or losses for financial statements and income tax purposes. Dividend income is recorded on the ex-dividend date and interest income is recorded on an accrual basis.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

MATTHEW 25 FUND, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005
<unaudited>

NOTE 2 - *Investment Advisory Agreement and Other Related Party Transactions*

The Fund has an investment advisory agreement with The Matthew 25 Management Corporation, (The Advisor) whereby The Advisor receives a fee of 1% per year on the net assets of the Fund. All fees are computed on the average daily closing net asset value of the Fund and are payable monthly. The Advisor has agreed to decrease the investment advisory fee or, if necessary, to reimburse the Fund if and to the extent that the Fund's aggregate annual operating expenses exceed 2.0% of the first \$10,000,000 and 1.5% of the next \$20,000,000.

The management fee for the first six months of 2005, as computed pursuant to the investment advisory agreement, totaled \$448,043.

Mr. Mark Mulholland is the sole director and officer of The Advisor and is also the President of the Fund. In addition, Mr. Mulholland is a broker at Boenning & Scattergood Inc. During the six months ended June 30, 2005, the Fund paid brokerage commissions of \$150 to Boenning & Scattergood Inc. of which Mr. Mulholland received compensation totaling \$0. Boenning & Scattergood Inc. is not otherwise associated with Matthew 25 Fund, Inc. or The Advisor and is not responsible for any of the investment advice rendered to the Fund by The Advisor or Mr. Mulholland.

NOTE 3 - *Investments*

For the six months ended June 30, 2005, purchases and sales of investment securities other than short-term investments aggregated \$16,011,955 and \$10,317,148 respectively. At June 30, 2005, the gross unrealized appreciation for all securities totaled \$31,408,549 and the gross unrealized depreciation for all securities totaled \$1,048,081 or a net unrealized appreciation of \$30,360,468. The aggregate cost of securities for federal income tax purposes at June 30, 2005 was \$66,651,728, including short-term investments.

NOTE 4 - *Capital Share Transactions*

As of June 30, 2005 there were 100,000,000 shares of \$.01 per value capital stock authorized. The total par value and paid-in capital totaled \$64,709,141. Transactions in capital stock were as follows:

	Six Months Ended June 30, 2005		Year Ended December 31, 2004	
	Shares	Amount	Shares	Amount
Shares sold	770,454	\$ 12,576,685	1,489,112	\$ 23,399,607
Shares issued in reinvestment of dividends	-	-	131,915	2,276,856
Shares redeemed	(516,052)	(8,358,287)	(353,285)	(5,372,694)
Net Increase	<u>254,402</u>	<u>\$ 4,218,398</u>	<u>1,267,742</u>	<u>\$ 20,303,769</u>

MATTHEW 25 FUND, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005
<unaudited>

NOTE 5 - *Federal Income Taxes*

Income and long-term capital gain distributions are determined in accordance with Federal income tax regulations, which may differ from accounting principles generally accepted in the United States. As of June 30, 2005, the components of distributable earnings on a tax basis were as follows:

Undistributed ordinary income	\$ 182,714
Undistributed long-term capital gain	\$ 1,725,497
Unrealized appreciation	\$ 30,360,468

The tax character of distributions paid during the years ended December 31, 2004 and 2003 are as follows:

	<u>2004</u>	<u>2003</u>
Ordinary income	\$ 695,594	\$ 0
Long-term capital gain	\$ 1,635,057	\$ 2,695,051
Return of capital distribution	\$ 0	\$ 45,052

Reclassification: In accordance with SOP 93-2, the Fund has recorded a reclassification in the capital accounts. As of December 31, 2003, the Fund recorded permanent book/tax differences of \$848 from net investment loss to Paid-in capital. This reclassification has no impact on the net asset value of the Fund and is designed generally to present undistributed income and net realized gains on a tax basis, which is considered to be more informative to shareholders.

NOTE 6 - *Lease Commitments*

The Fund leases office space under a lease that expires February of 2007. Rent expense was \$5,923 for the six months ended June 30, 2005. Minimum lease payments over the course of the term of the lease are as follows:

2005	\$ 11,965
2006	\$ 11,965
2007	\$ 1,994

ADDITIONAL INFORMATION

PROXY VOTING GUIDELINES

Matthew 25 Management Corp., the Fund's Advisor, is responsible for exercising the voting rights associated with the securities held by the Fund. A description of the policies and procedures used by the Advisor in fulfilling this responsibility is available without charge, upon request, by calling 1-888-M25-FUND.

QUARTERLY FILING OF PORTFOLIO HOLDINGS

The Fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission (SEC) for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q are available on the SEC's website at <http://www.sec.gov>. The Fund's Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room in Washington DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

ADDITIONAL INFORMATION (Continued)
BOARD OF DIRECTORS INFORMATION
Matthew 25 Fund
June 30, 2005

The business and affairs of the Fund are managed under the direction of the Fund's Board of Directors. Information pertaining to the Directors of the Fund are set forth below. The Fund's SAI includes additional information about the Fund's Directors, and is available without charge, by calling 1-888-M25-FUND. Each director may be contacted by writing to the director c/o Matthew 25 Fund, 607 West Avenue, Jenkintown, PA 19046

INDEPENDENT DIRECTORS

Name and Age	Position with Fund	Term of Office and Length of Time Served	Principle Occupation During Last Five Years	Other Directorships
Philip J. Cinelli, D.O. Age 45	Director	1 year with election held annually He has been a Director since 7/8/1996	Physician in Family Practice	Not a director for any other public companies
Samuel B. Clement Age 47	Director	1 year with election held annually He has been a Director since 7/8/1996	Stockbroker with Securities of America	Not a director for any other public companies
Linda Guendelsberger Age 45	Director Secretary of Fund	1 year with election held annually She has been a Director since 7/8/1996	CPA and Partner with Fishbein & Co.	Not a director for any other public companies
Scott Satell Age 41	Director	1 year with election held annually He has been a Director since 7/8/1996	Manufacturer's Representative with BPI Ltd.	Not a director for any other public companies
Steven D. Buck, Esq. Age 45	Director	1 year with election held annually He has been a Director since 7/8/1996	Attorney and Shareholder with Stevens & Lee	Not a director for any other public companies
Mark Mulholland Age 45	Director President of Fund	1 year with election held annually He has been a Director since 7/8/1996	President of Matthew 25 Fund President of Matthew 25 Management Corp. Stockbroker with Boenning & Scattergood	Not a director for any other public companies

INTERESTED DIRECTORS

Steven D. Buck, Esq. Age 45	Director	1 year with election held annually He has been a Director since 7/8/1996	Attorney and Shareholder with Stevens & Lee	Not a director for any other public companies
Mark Mulholland Age 45	Director President of Fund	1 year with election held annually He has been a Director since 7/8/1996	President of Matthew 25 Fund President of Matthew 25 Management Corp. Stockbroker with Boenning & Scattergood	Not a director for any other public companies

Mr. Buck and Mr. Mulholland are Directors of the Fund and are considered "interested persons" as defined by the Investment Company Act of 1940. Mr. Mulholland is an interested person insofar as he is President and owner of the Fund's Investment Adviser. Mr. Buck is not an independent director as long as he or his law firm provides legal advice to the Fund for compensation. Additionally, Mr. Buck's sister Lesley Buck, is the Operations Officer of Matthew 25 Management Corp.