

GENERAL AMERICAN INVESTORS CO INC
Form N-CSRS
August 04, 2008

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: 811-00041

GENERAL AMERICAN INVESTORS COMPANY, INC.

(Exact name of registrant as specified in charter)

100 Park Avenue, 35th Floor, New York, New York 10017

(Address of principal executive offices) (Zip code)

Eugene S. Stark
General American Investors Company, Inc.
100 Park Avenue
35th Floor
New York, New York 10017
(Name and address of agent for service)

Copy to:
John E. Baumgardner, Jr., Esq.
Sullivan & Cromwell LLP
125 Broad Street
New York, New York 10004

Registrant's telephone number, including area code: 212-916-8400

Date of fiscal year end: December 31

Date of reporting period: June 30, 2008

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ITEM 1. REPORTS TO STOCKHOLDERS.

GENERAL AMERICAN INVESTORS
COMPANY, INC.

SEMI-ANNUAL REPORT
JUNE 30, 2008

A Closed-End Investment Company
listed on the New York Stock Exchange

100 PARK AVENUE

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NEW YORK, NY 10017
212-916-8400 1-800-436-8401
E-mail: InvestorRelations@gainv.com
www.generalamericaninvestors.com

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TO THE STOCKHOLDERS

For the six months ended June 30, 2008, the net asset value per Common Share decreased 4.5%, while the investment return to our stockholders was negative by 6.1%. By comparison, our benchmark, the Standard & Poor's 500 Stock Index (including income) decreased 11.9%. For the twelve months ended June 30, 2008, the return on the net asset value per Common Share was -7.4%, and the return to our stockholders was -6.8%; these compare with a return of -13.2% for the S&P 500. During each period, the discount at which our shares traded continued to fluctuate and on June 30, 2008, it was 10.5%.

As set forth in the accompanying financial statements (unaudited), as of June 30, 2008, the net assets applicable to the Company's Common Stock were \$1,141,320,885 equal to \$36.15 per Common Share.

The decrease in net assets resulting from operations for the six months ended June 30, 2008 was \$54,812,857. During this period, the net realized gain on securities sold was \$33,093,704, and the decrease in net unrealized appreciation was \$87,661,514. Net investment income for the six months was \$5,704,953, and distributions to Preferred Stockholders amounted to \$5,950,000.

The worldwide market weakness of the first quarter has continued unabated. The combination of historically high personal consumption and low savings, together with the constrained balance sheets of lending institutions, continues to weigh on our economy. In addition to rising energy prices and the falling value of houses, the specter of stagflation, that unpleasant combination of slow growth and rising prices, may also explain the pronounced lack of investor enthusiasm.

While it is undoubtedly true that investment returns for the financial sector are likely to be lower in the future, owing to the de-leveraging effects of shrinking balance sheets and new share issuance, equity prices appear to have largely adjusted to the new reality. Firms with permanent capital like ours are positioned to benefit, moreover, from the buying opportunities that market dislocation can provide.

Information about the Company, including our investment objectives, operating policies and procedures, investment results, record of dividend and distribution payments, financial reports and press releases, is on our website and has been updated through June 30, 2008. It can be accessed on the internet at www.generalamericaninvestors.com.

By Order of the Board of Directors,

General American Investors Company, Inc.

Spencer Davidson

Chairman of the Board
President and Chief Executive Officer
July 9, 2008

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2 STATEMENT OF ASSETS AND LIABILITIES June 30, 2008 (Unaudited)

General American Investors

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ASSETS

INVESTMENTS, AT VALUE (NOTE 1a)

| | |
|--|------|
| Common and preferred stocks (cost \$849,000,051) | \$1, |
| Corporate note (cost \$13,621,576) | -- |
| Money market fund (cost \$2,924,321) | 1, |
| Total investments (cost \$865,545,948) | 1, |

CASH, RECEIVABLES AND OTHER ASSETS

| | |
|---|-----------|
| Cash | \$236,395 |
| Receivable for securities sold | 310,117 |
| Premiums deposited with brokers for options written | 3,898,415 |
| Dividends, interest and other receivables | 1,497,613 |
| Pension asset, excess funded | 9,598,415 |
| Prepaid expenses and other assets | 3,245,493 |

TOTAL ASSETS

LIABILITIES

| | |
|--|-----------|
| Payable for securities purchased | 591,417 |
| Preferred dividend accrued but not yet declared | 231,389 |
| Outstanding options written, at value (premiums deposited with brokers \$3,898,415) (note 1a) | 3,253,750 |
| Pension benefit liability | 3,212,048 |
| Accrued thrift plan liability | 3,485,661 |
| Accrued expenses and other liabilities | 3,242,585 |

TOTAL LIABILITIES

5.95% CUMULATIVE PREFERRED STOCK, SERIES B -
8,000,000 shares at a liquidation value of \$25 per share (note 2)

NET ASSETS APPLICABLE TO COMMON STOCK - 31,573,058 shares (note 2) \$1,
==

NET ASSET VALUE PER COMMON SHARE

NET ASSETS APPLICABLE TO COMMON STOCK

| | |
|---|--------------|
| Common Stock, 31,573,058 shares at par value (note 2) | \$31,573,058 |
| Additional paid-in capital (note 2) | 602,738,135 |
| Undistributed realized gain on investments | 33,191,074 |
| Undistributed net investment income | 7,233,177 |
| Accumulated other comprehensive income (note 6) | 1,116,826 |
| Unallocated distributions on Preferred Stock | (6,181,389) |
| Unrealized appreciation on investments and options | 471,650,004 |

NET ASSETS APPLICABLE TO COMMON STOCK \$1,
==

(see notes to financial statements)

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3 STATEMENT OF OPERATIONS Six Months Ended June 30, 2007 (Unaudited)

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General American Investors

INCOME

| | |
|---|--------------|
| Dividends (net of foreign withholding taxes of \$355,915) | \$11,515,415 |
| Interest | 1,112,132 |

EXPENSES

| | |
|---|-----------|
| Investment research | 4,226,979 |
| Administration and operations | 1,507,715 |
| Office space and general | 710,182 |
| Directors' fees and expenses | 144,679 |
| Auditing and legal fees | 125,145 |
| Transfer agent, custodian and registrar fees and expenses | 93,651 |
| Stockholders' meeting and reports | 65,431 |
| Miscellaneous taxes | 48,812 |

NET INVESTMENT INCOME

REALIZED GAIN (LOSS) AND CHANGE IN UNREALIZED APPRECIATION ON INVESTMENTS (NOTES 1d AND 4)

| | |
|---|--------------|
| Net realized gain on investments: | |
| Long transactions (note 1b) | 31,469,145 |
| Written option transactions (note 1c) | 1,624,559 |
| Net decrease in unrealized appreciation | (87,661,514) |

NET LOSS ON INVESTMENTS

DISTRIBUTIONS TO PREFERRED STOCKHOLDERS

DECREASE IN NET ASSETS RESULTING FROM OPERATIONS

(see notes to financial statements)

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STATEMENT OF CHANGES IN NET ASSETS

General American Investors

Six Months
Ended
June 30, 2008
(Unaudited)

OPERATIONS

| | |
|--|--------------|
| Net investment income | \$5,704,953 |
| Net realized gain on investments | 33,093,704 |
| Net decrease in unrealized appreciation | (87,661,514) |
| | (48,862,857) |
| Distributions to Preferred Stockholders: | |
| From net investment income | - |

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| | |
|--|-----------------|
| From short-term capital gains | - |
| From long-term capital gains | - |
| Unallocated distributions | (5,950,000) |
| | ----- |
| Decrease in net assets from Preferred distributions | (5,950,000) |
| | ----- |
| INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | (54,812,857) |
| | ----- |
| OTHER COMPREHENSIVE INCOME (Adjustment to apply FAS 158 (Note 6)) | 8,263 |
| | ----- |
| DISTRIBUTIONS TO COMMON STOCKHOLDERS | |
| | ----- |
| From net investment income | (183,597) |
| From short-term capital gains | - |
| From long-term capital gains | (6,613,893) |
| | ----- |
| DECREASE IN NET ASSETS FROM COMMON DISTRIBUTIONS | (6,797,490) |
| | ----- |
| CAPITAL SHARE TRANSACTIONS (NOTE 2) | |
| | ----- |
| Value of Common Shares issued in payment of dividends and distributions | - |
| Cost of Common Shares purchased | - |
| | ----- |
| INCREASE IN NET ASSETS - CAPITAL TRANSACTIONS | - |
| | ----- |
| NET INCREASE (DECREASE) IN NET ASSETS | (61,602,084) |
| NET ASSETS APPLICABLE TO COMMON STOCK | |
| | ----- |
| BEGINNING OF PERIOD | 1,202,922,969 |
| | ----- |
| END OF PERIOD (including undistributed net investment income of \$7,233,177 and \$1,711,821, respectively) | \$1,141,320,885 |
| | ===== |
| (see notes to financial statements) | |

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FINANCIAL HIGHLIGHTS

General American Investors

The following table shows per share operating performance data, total investment return, ratios and supplemental data for the six months ended June 30, 2008 and for each year in the five-year period ended December 31, 2007. This information has been derived from information contained in the financial statements and market price data for the Company's shares.

| | Six Months Ended June 30, 2008 (Unaudited) | Year Ended December | | | |
|--------------------------------------|---|---------------------|---------|---------|---------|
| | | 2007 | 2006 | 2005 | 2004 |
| PER SHARE OPERATING PERFORMANCE | | | | | |
| Net asset value, beginning of period | \$38.10 | \$40.54 | \$39.00 | \$35.49 | \$33.11 |

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| | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|
| Net investment income | .18 | .31 | .34 | .19 | .32 |
| Net gain (loss) on investments - realized and unrealized | (1.72) | 3.39 | 4.72 | 5.85 | 3.48 |
| Other comprehensive income | - | .02 | .03 | - | - |
| | ----- | ----- | ----- | ----- | ----- |
| Distributions on Preferred Stock: | | | | | |
| Dividends from net investment income | - | (.02) | (.04) | (.03) | (.09) |
| Distributions from net short-term capital gains | - | (.03) | (.01) | (.08) | - |
| Distributions from net long-term capital gains | - | (.36) | (.36) | (.30) | (.32) |
| Unallocated | (.19) | - | - | - | - |
| | ----- | ----- | ----- | ----- | ----- |
| | (.19) | (.41) | (.41) | (.41) | (.41) |
| | ----- | ----- | ----- | ----- | ----- |
| Total from investment operations | (1.73) | 3.31 | 4.68 | 5.63 | 3.39 |
| | ----- | ----- | ----- | ----- | ----- |
| Distributions on Common Stock: | | | | | |
| Dividends from net investment income | (.01) | (.33) | (.29) | (.15) | (.23) |
| Distributions from net short-term capital gains | - | (.38) | (.04) | (.44) | - |
| Distributions from net long-term capital gains | (.21) | (5.04) | (2.81) | (1.53) | (.78) |
| | ----- | ----- | ----- | ----- | ----- |
| | (.22) | (5.75) | (3.14) | (2.12) | (1.01) |
| | ----- | ----- | ----- | ----- | ----- |
| Capital Stock transaction - effect of Preferred Stock offering | - | - | - | - | - |
| | ----- | ----- | ----- | ----- | ----- |
| Net asset value, end of period | \$36.15 | \$38.10 | \$40.54 | \$39.00 | \$35.49 |
| | ===== | ===== | ===== | ===== | ===== |
| Per share market value, end of period | \$32.36 | \$34.70 | \$37.12 | \$34.54 | \$31.32 |
| | ===== | ===== | ===== | ===== | ===== |
| TOTAL INVESTMENT RETURN - Stockholder return, based on market price per share | (6.09)%* | 8.72% | 16.78% | 17.40% | 8.79% |
| RATIOS AND SUPPLEMENTAL DATA | | | | | |
| Net assets applicable to Common Stock, end of period (000's omitted) | \$1,141,321 | \$1,202,923 | \$1,199,453 | \$1,132,942 | \$1,036,393 |
| Ratio of expenses to average net assets applicable to Common Stock | 1.19%** | 1.11% | 1.06% | 1.25% | 1.15% |
| Ratio of net income to average net assets applicable to Common Stock | 0.98%** | 0.78% | 0.86% | 0.51% | 0.94% |
| Portfolio turnover rate | 12.77%* | 31.91% | 19.10% | 20.41% | 16.71% |
| PREFERRED STOCK | | | | | |
| Liquidation value, end of period (000's omitted) | \$200,000 | \$200,000 | \$200,000 | \$200,000 | \$200,000 |
| Asset coverage | 671% | 701% | 700% | 666% | 618% |
| Liquidation preference per share | \$25.00 | \$25.00 | \$25.00 | \$ 25.00 | \$25.00 |
| Market value per share | \$23.36 | \$21.99 | \$24.44 | \$24.07 | \$24.97 |

*Not annualized

**Annualized

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General American Investors

| Shares | COMMON AND PREFERRED STOCKS | |
|---|---------------------------------------|----------------------|
| AEROSPACE/DEFENSE (6.0%) | | |
| 300,000 | The Boeing Company | |
| 600,700 | Textron Inc. | |
| 325,000 | United Technologies Corporation | |
| | | (COST \$78,462,056) |
| BUILDING AND REAL ESTATE (5.0%) | | |
| 2,306,590 | CEMEX, S.A. de C.V. ADR (a) (c) | (COST \$31,830,094) |
| COMMUNICATIONS AND INFORMATION SERVICES (7.6%) | | |
| 915,000 | Cisco Systems, Inc. (a) | |
| 324,100 | Lamar Advertising Company Class A (a) | |
| 1,038,500 | MetroPCS Communications, Inc. (a) | |
| 800,000 | QUALCOMM Incorporated | |
| | | (COST \$79,024,954) |
| COMPUTER SOFTWARE AND SYSTEMS (13.1%) | | |
| 700,000 | Activision, Inc. (a) | |
| 1,555,000 | Dell Inc. (a) | |
| 570,000 | Microsoft Corporation | |
| 410,000 | NetEase.com, Inc. (a) | |
| 70,000 | Nintendo Co., Ltd. | |
| 890,000 | Teradata Corporation (a) | |
| 335,000 | THQ Inc. (a) | |
| | | (COST \$123,287,451) |
| CONSUMER PRODUCTS AND SERVICES (8.5%) | | |
| 350,000 | Diageo plc ADR | |
| 375,000 | Heineken N. V. | |
| 466,100 | Hewitt Associates, Inc. Class A (a) | |
| 425,000 | Nestle S.A. | |
| 240,000 | PepsiCo, Inc. | |
| | | (COST \$75,732,527) |
| ENVIRONMENTAL CONTROL (INCLUDING SERVICES) (4.6%) | | |
| 881,500 | Republic Services, Inc. | |
| 680,000 | Waste Management, Inc. | |
| | | (COST \$39,285,764) |
| FINANCE AND INSURANCE (19.8%) | | |

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BANKING (2.5%)

| | |
|---------|----------------------|
| 300,000 | M&T Bank Corporation |
| 485,000 | Wachovia Corporation |

(COST \$4,524,141)

INSURANCE (13.5%)

| | |
|-----------|-------------------------------------|
| 325,000 | The Allstate Corporation |
| 325,000 | American International Group, Inc. |
| 325,000 | Arch Capital Group Ltd. (a) |
| 185,000 | AXIS Capital Holdings Limited |
| 200 | Berkshire Hathaway Inc. Class A (a) |
| 315,000 | Everest Re Group, Ltd. |
| 1,275,000 | Fidelity National Financial, Inc. |
| 265,000 | MetLife, Inc. |
| 275,000 | PartnerRe Ltd. |
| 100,000 | Transatlantic Holdings, Inc. |

(COST \$87,551,980)

OTHER (3.8%)

| | |
|-----------|--|
| 450,000 | American Express Company |
| 10,000 | Epoch Holding Corporation, Series A Convertible Preferred 4.6% (d) (f) |
| 1,025,000 | Nelnet, Inc. (a) |

(COST \$51,081,155)

(COST \$143,157,276)

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7 STATEMENT OF INVESTMENTS June 30, 2008 (Unaudited) - continued

General American Investors

| | |
|--------|---|
| Shares | COMMON AND PREFERRED STOCKS (continued) |
|--------|---|

HEALTH CARE / PHARMACEUTICALS (3.5%)

| | |
|---------|--------------------------------|
| 70,000 | Biogen Idec Inc. (a) |
| 529,900 | Cytokinetics, Incorporated (a) |
| 200,000 | Genentech, Inc. (a) |
| 119,500 | Gilead Sciences, Inc. (a) |
| 190,000 | Novo Nordisk B |

(COST \$19,519,876)

MACHINERY AND EQUIPMENT (2.5%)

| | |
|-----------|--------------|
| 1,000,000 | ABB Ltd. ADR |
|-----------|--------------|

(COST \$10,779,026)

METAL (1.4%)

| | |
|---------|----------------------------------|
| 371,000 | Carpenter Technology Corporation |
|---------|----------------------------------|

(COST \$22,541,198)

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MISCELLANEOUS (4.1%)

| | |
|-----------|---------------------|
| Other (b) | (COST \$49,552,605) |
|-----------|---------------------|

OIL AND NATURAL GAS (INCLUDING SERVICES) (23.1%)

| | | |
|-----------|------------------------------------|---------------------|
| 549,800 | Apache Corporation | |
| 800,000 | Halliburton Company | |
| 600,000 | Patterson-UTI Energy, Inc. | |
| 2,470,000 | Weatherford International Ltd. (a) | |
| | | (COST \$84,814,970) |

RETAIL TRADE (13.3%)

| | | |
|-----------|------------------------------|---------------------|
| 575,000 | Costco Wholesale Corporation | |
| 725,000 | The Home Depot, Inc. | |
| 333,100 | Target Corporation | |
| 1,675,000 | The TJX Companies, Inc. | |
| 470,000 | Wal-Mart Stores, Inc. | |
| | | (COST \$54,317,368) |

TECHNOLOGY (2.3%)

| | | |
|-----------|-------------------|---------------------|
| 1,900,000 | Xerox Corporation | (COST \$25,689,854) |
|-----------|-------------------|---------------------|

TRANSPORTATION (0.9%)

| | | |
|---------|---------------------------|---------------------|
| 236,100 | Alexander & Baldwin, Inc. | (COST \$11,005,032) |
|---------|---------------------------|---------------------|

| | |
|--|----------------------|
| TOTAL COMMON AND PREFERRED STOCKS (115.7%) | (COST \$849,000,051) |
|--|----------------------|

Principal Amount CORPORATE NOTE

CONSUMER PRODUCTS AND SERVICES (1.2%)

| | | |
|--------------|---|---------------------|
| \$13,750,000 | General Motors Nova Scotia Finance Company 6.85% Guaranteed Notes due 10/15/08 (f) | (COST \$13,621,576) |
|--------------|---|---------------------|

Shares SHORT-TERM SECURITY AND OTHER ASSETS

| | | |
|-----------|-------------------------------------|--------------------|
| 2,924,321 | SSgA Prime Money Market Fund (0.2%) | (COST \$2,924,321) |
|-----------|-------------------------------------|--------------------|

| | |
|--------------------------------|----------------------|
| TOTAL INVESTMENTS (e) (117.1%) | (COST \$865,545,948) |
|--------------------------------|----------------------|

| | |
|--|--|
| Cash, receivables and other assets less liabilities (0.4%) | |
| PREFERRED STOCK (-17.5%) | |

NET ASSETS APPLICABLE TO COMMON STOCK (100%)

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General American Investors

| Contracts (100 shares each) | COMMON STOCK/EXPIRATION DATE/EXERCISE PRICE | |
|--|---|---|
| CALL OPTIONS | | |
| OIL AND NATURAL GAS (INCLUDING SERVICES) | | |
| 1,691 | Apache Corporation/July 08/\$135.00 | |
| 2,500 | Apache Corporation/July 08/\$140.00 | |
| 1,500 | Apache Corporation/July 08/\$145.00 | |
| | | (PREMIUMS DEPOSITED WITH BROKERS \$3,696,416) |
| HEALTH CARE / PHARMACEUTICALS | | |
| 500 | Genentech, Inc./July 08/\$75.00 | (PREMIUMS DEPOSITED WITH BROKERS \$108,499) |
| | TOTAL CALL OPTIONS | (PREMIUMS DEPOSITED WITH BROKERS \$3,804,915) |
| PUT OPTION | | |
| FINANCE AND INSURANCE | | |
| 500 | American Express Company/July 08/\$42.50 | (PREMIUMS DEPOSITED WITH BROKERS \$93,500) |
| | TOTAL CALL AND PUT OPTIONS | (PREMIUMS DEPOSITED WITH BROKERS \$3,898,415) |
| (See notes to financial statements) | | |

PORTFOLIO DIVERSIFICATION June 30, 2008 (Unaudited)

General American Investors

The diversification of the Company's net assets applicable to its Common Stock by industry group as of June 30, 2008 and 2007 is shown in the following table.

| Industry Category | June 30, 2008 | | Percent Common Ne June 30 |
|--|---------------|-------------|------------------------------|
| | Cost (000) | Value (000) | 2008 |
| Oil and Natural Gas (Including Services) | \$84,815 | \$263,044 | 23.1% |
| Finance and Insurance | | | |
| Banking | 4,524 | 28,694 | 2.5 |
| Insurance | 87,552 | 154,450 | 13.5 |
| Other | 51,081 | 43,682 | 3.8 |
| | 143,157 | 226,826 | 19.8 |
| Retail Trade | 54,317 | 151,922 | 13.3 |
| Computer Software and Systems | 123,288 | 149,414 | 13.1 |

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| | | | |
|--|-----------|-------------|--------|
| Consumer Products and Services | 89,354 | 110,590 | 9.7 |
| Communications and Information Services | 79,025 | 86,848 | 7.6 |
| Aerospace/Defense | 78,462 | 68,560 | 6.0 |
| Building and Real Estate | 31,830 | 56,973 | 5.0 |
| Environmental Control (Including Services) | 39,286 | 51,823 | 4.6 |
| Miscellaneous** | 49,553 | 46,760 | 4.1 |
| | ----- | ----- | ----- |
| Health Care | | | |
| Pharmaceuticals | 19,520 | 39,835 | 3.5 |
| Medical Instruments and Devices | - | - | - |
| | ----- | ----- | ----- |
| | 19,520 | 39,835 | 3.5 |
| | ----- | ----- | ----- |
| Machinery & Equipment | 10,779 | 28,320 | 2.5 |
| Technology | 25,690 | 25,764 | 2.3 |
| Metals | 22,541 | 16,194 | 1.4 |
| Transportation | 11,005 | 10,754 | 0.9 |
| | ----- | ----- | ----- |
| | 862,622 | 1,333,627 | 116.9 |
| Short-Term Securities | 2,924 | 2,924 | 0.2 |
| | ----- | ----- | ----- |
| Total Investments | \$865,546 | 1,336,551 | 117.1 |
| | ===== | | |
| Other Assets and Liabilities - Net | | 4,770 | 0.4 |
| Preferred Stock | | (200,000) | (17.5) |
| | | ----- | ----- |
| Net Assets Applicable to Common Stock | | \$1,141,321 | 100.0% |
| | | ===== | ===== |

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NOTES TO FINANCIAL STATEMENTS (Unaudited)

General American Investors

1. SIGNIFICANT ACCOUNTING POLICIES - General American Investors Company, Inc. (the "Company"), established in 1927, is registered under the Investment Company Act of 1940 as a closed-end, diversified management investment company. It is internally managed by its officers under the direction of the Board of Directors.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

a. SECURITY VALUATION Securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the period. Securities reported on the NASDAQ national market are valued at the official closing price on that day. Listed and NASDAQ securities for which no sales are reported on that day and other securities traded in the over-the-counter market are valued at the last bid price (asked price for options written) on the valuation date. Securities traded primarily in foreign markets are generally valued at the preceding closing price of such securities on their respective exchanges or markets. If, after the close of the foreign market, conditions change significantly, the price of certain foreign securities may be adjusted to reflect fair value as of the time of the valuation of the portfolio. Investments in money market funds are valued at their net asset value. The restricted security is valued at par value (cost), divided by the conversion price of \$6.00 multiplied by the last reported sales price of the publicly traded common stock of the corporation.

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b. **OPTIONS** The Company may purchase and write (sell) put and call options. The risk associated with purchasing an option is that the Company pays a premium whether or not the option is exercised. Additionally, the Company bears the risk of loss of the premium and a change in market value should the counterparty not perform under the contract. Put and call options purchased are accounted for in the same manner as portfolio securities. Premiums received from writing options that expire unexercised are treated by the Company on the expiration date as realized gains from investments. The difference between the premium received and the amount paid on effecting a closing purchase transaction, including brokerage commissions, is also treated as a realized gain, or, if the premium is less than the amount paid for the closing purchase transaction, as a realized loss. If a call option is exercised, the premium is added to the proceeds from the sale of the underlying security in determining whether the Company has realized a gain or loss. If a put option is exercised, the premium reduces the cost basis for the securities purchased by the Company. The Company as writer of an option bears the market risk of an unfavorable change in the price of the security underlying the written option.

c. **FEDERAL INCOME TAXES** The Company's policy is to fulfill the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all taxable income to its stockholders. Accordingly, no provision for Federal income taxes is required.

d. **INDEMNIFICATIONS** In the ordinary course of business, the Company enters into contracts that contain a variety of indemnifications. The Company's maximum exposure under these arrangements is unknown. However, the Company has not had prior claims or losses pursuant to these indemnification provisions and expects the risk of loss thereunder to be remote.

e. **OTHER** As is customary in the investment company industry, securities transactions are recorded as of the trade date. Dividend income and distributions to stockholders are recorded as of the ex-dividend dates. Interest income, adjusted for amortization of discount and premium on investments, is earned from settlement date and is recognized on the accrual basis. Cost of short-term investments represents amortized cost.

2. **CAPITAL STOCK** - The authorized capital stock of the Company consists of 50,000,000 shares of Common Stock, \$1.00 par value, and 10,000,000 shares of Preferred Stock, \$1.00 par value. With respect to the Common Stock, 31,574,058 and 31,573,058 shares were issued and outstanding, respectively, and 8,000,000 Preferred Shares were issued and outstanding on June 30, 2008.

On September 24, 2003, the Company issued and sold 8,000,000 shares of its 5.95% Cumulative Preferred Stock, Series B in an underwritten offering. The Preferred Shares are noncallable for 5 years and have a liquidation preference of \$25.00 per share plus an amount equal to accumulated and unpaid dividends to the date of redemption. The underwriting discount and other expenses associated with the Preferred Stock offering amounted to \$6,700,000 and were charged to paid-in capital.

The Company is required to allocate distributions from long-term capital gains and other types of income proportionately among holders of shares of Common Stock and Preferred Stock. To the extent that dividends on the shares of Preferred Stock are not paid from long-term capital gains, they will be paid from ordinary income or net short-term capital gains or will represent a return of capital.

Under the Investment Company Act of 1940, the Company is required to maintain an asset coverage of at least 200% for the Preferred Stock. In addition, pursuant to the Rating Agency Guidelines, the Company is required to maintain a certain discounted asset coverage for its portfolio that equals or exceeds the Basic Maintenance Amount under the guidelines established by Moody's Investors

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Service, Inc. The Company has met these requirements since the issuance of the Preferred Stock. If the Company fails to meet these requirements in the future and does not cure such failure, the Company may be required to redeem, in whole or in part, shares of Preferred Stock at a redemption price of \$25.00 per share plus accumulated and unpaid dividends (whether or not earned or declared). In addition, the Company's failure to meet the foregoing asset coverage requirements could restrict its ability to pay dividends on shares of Common Stock and could lead to sales of portfolio securities at inopportune times.

The holders of Preferred Stock have voting rights equivalent to those of the holders of Common Stock (one vote per share) and, generally, vote together with the holders of Common Stock as a single class.

At all times, holders of Preferred Stock will elect two members of the Company's Board of Directors and the holders of Preferred and Common Stock, voting as a single class, will elect the remaining directors. If the Company fails to pay dividends on the Preferred Stock in an amount equal to two full years' dividends, the holders of Preferred Stock will have the right to elect a majority of the directors. In addition, the Investment Company Act of 1940 requires that approval of the holders of a majority of any outstanding Preferred Shares, voting separately as a class, would be required to (a) adopt any plan of reorganization that would adversely affect the Preferred Stock and (b) take any action requiring a vote of security holders, including, among other things, changes in the Company's subclassification as a closed-end investment company or changes in its fundamental investment policies.

The Company classifies its Preferred Stock pursuant to the requirements of EITF D-98, Classification and Measurement of Redeemable Securities, which require that preferred stock for which its redemption is outside of the company's control should be presented outside of net assets in the statement of assets and liabilities.

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10 NOTES TO FINANCIAL STATEMENTS (Unaudited) - continued

General American Investors

2. CAPITAL STOCK - (Continued from bottom of previous page.)

There were no transactions in Common Stock during the six months ended June 30, 2008. Transactions in common stock during the year ended December 31, 2007 were as follows:

| | SHARES |
|---|-----------|
| | ----- |
| Shares issued in payment of dividends and distributions (includes 2,404,865 shares issued from treasury) | 2,747,460 |
| Increase in paid-in capital | |
| Total increase | |
| Shares purchased (average discount from NAV of 10.4%) | 763,600 |
| Decrease in paid-in capital | |
| Total decrease | |
| Net increase | |

At June 30, 2008, the Company held in its treasury 1,000 shares of Common Stock with an aggregate cost in the amount of \$35,281. Distributions for tax and book

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purposes are substantially the same.

3. OFFICERS' COMPENSATION - The aggregate compensation paid and accrued by the Company during the six months ended June 30, 2008 to its officers (identified on back cover) amounted to \$4,084,250.

4. PURCHASES AND SALES OF SECURITIES - Purchases and sales of securities (other than short-term securities and options) for the six months ended June 30, 2008 amounted to \$171,950,668 and \$176,446,439.

5. WRITTEN OPTIONS - Transactions in written covered call and collateralized put options during the six months ended June 30, 2008 were as follows:

| | Covered Calls | | Collateralized Puts | |
|---|---------------|-------------|---------------------|----------|
| | Contracts | Premiums | Contracts | Premiums |
| Options outstanding, December 31, 2007 | 7,500 | \$3,073,787 | 1,999 | \$638 |
| Options written | 16,206 | 8,701,980 | 3,700 | 1,058 |
| Options expired | (6,210) | (2,652,261) | - | - |
| Options exercised | (502) | (305,952) | (159) | (58) |
| Options terminated in closing purchase transactions | (10,803) | (5,012,638) | (5,040) | (1,545) |
| Options outstanding, June 30, 2008 | 6,191 | \$3,804,916 | 500 | \$93 |

6. BENEFIT PLANS - The Company has funded (Qualified) and unfunded (Supplemental) noncontributory defined benefit pension plans that cover its employees. The plans provide defined benefits based on years of service and final average salary with an offset for a portion of social security covered compensation. The components of the net periodic benefit cost (income) of the plans for the six months ended June 30, 2008 were:

| | |
|------------------------------------|-------------|
| Service cost | \$157,675 |
| Interest cost | 369,976 |
| Expected return on plan assets | (715,462) |
| Amortization of prior service cost | 11,046 |
| Net periodic benefit cost (income) | (\$176,765) |

The Company also has funded and unfunded defined contribution thrift plans that are available to its employees. The aggregate cost of such plans for the six months ended June 30, 2008 was \$277,422. The unfunded liability at June 30, 2008 was \$3,485,661.

The Company applies the recognition provisions of Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards No. 158 "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" which requires employers to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in the statement of assets and liabilities and to recognize changes in funded status in the year in which the changes occur through other comprehensive income.

7. OPERATING LEASE COMMITMENT - In June 2007, the Company entered into an operating lease agreement for office space which expires in February 2018 and provides for future rental payments in the aggregate amount of approximately \$10.8 million. The lease agreement contains clauses whereby the Company receives

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free rent for a specified number of months and credit towards construction of office improvements, and incurs escalations annually relating to operating costs and real property taxes and to annual rent charges beginning in February 2013. The Company has the option to renew the lease after February 2018 for five years at market rates. Rental expense approximated \$449,200 for the six months ended June 30, 2008. Minimum rental commitments under the operating lease are approximately \$0.9 million in 2008, \$1.0 million per annum in 2009 through 2012, \$1.1 million in 2013 through 2017, and \$0.1 million in 2018.

8. FAIR VALUE MEASUREMENTS - Effective January 1, 2008, the Company adopted FASB Statement of Financial Accounting Standard No. 157 "Fair Value Measurements." Various data inputs are used in determining the value of the Company's investments. These inputs are summarized in a hierarchy consisting of the three broad levels listed below:

Level 1 - quoted prices in active markets for identical securities (including money market funds which are valued using amortized cost and which transact at net asset value, typically \$1 per share),

Level 2 - other significant observable inputs (including quoted prices for similar securities, interest rates, credit risk, etc.), and

Level 3 - significant unobservable inputs (including the Company's own assumptions in determining the fair value of investments).

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The following is a summary of the inputs used to value the Company's net assets as of June 30, 2008:

| Valuation Inputs | Investments in Securities | Options |
|--|---------------------------|---------|
| ----- | ----- | ----- |
| Level 1 - Quoted prices | \$1,308,097,542 | \$3 |
| Level 2 - Other significant observable inputs (see (f), pages 6 and 7) | 28,453,745 | |
| Level 3 - Unobservable inputs | - | |
| | ----- | ----- |
| Total | \$1,336,551,287 | \$3 |
| | ===== | ===== |

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11 MAJOR STOCK CHANGES* Three Months Ended June 30, 2008 (Unaudited)

| General American Investors | | |
|----------------------------------|-------------------------|------------------------------------|
| | SHARES TRANSACTIONED | SHARES HOLDING JUNE 30, 2008 |
| ----- | ----- | ----- |
| INCREASES | | |
| NEW POSITIONS | | |
| American Express Company | 50,000 | 45 |
| MetroPCS Communications, Inc. | 185,000 | 1,03 |
| Teradata Corporation | 600,000 | 89 |
| The Boeing Company | 300,000 | 30 |
| ADDITIONS | | |
| Carpenter Technology Corporation | 50,000 | 37 |

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| | | |
|---------------------|---------|------|
| Cisco Systems, Inc. | 15,000 | 91 |
| Dell Inc. | 55,000 | 1,55 |
| NetEase.com, Inc. | 165,000 | 41 |
| PepsiCo, Inc. | 40,000 | 24 |

DECREASES

ELIMINATIONS

| | |
|---------------------------|-----------|
| Alkermes, Inc. | 80,000 |
| BearingPoint, Inc. | 1,000,000 |
| Sprint Nextel Corporation | 480,000 |

REDUCTIONS

| | | |
|------------------------------------|---------|------|
| The Allstate Corporation | 5,000 | 32 |
| American International Group, Inc. | 125,000 | 32 |
| Apache Corporation | 50,200 | 54 |
| AXIS Capital Holdings Limited | 20,000 | 18 |
| Biogen Idec Inc. | 20,000 | 7 |
| Fidelity National Financial, Inc. | 100,000 | 1,27 |
| Heineken N.V. | 10,000 | 37 |
| Hewitt Associates, Inc. Class A | 83,900 | 46 |
| The Home Depot, Inc. | 375,000 | 72 |
| Nelnet, Inc. | 125,000 | 1,02 |
| Patterson-UTI Energy, Inc. | 100,000 | 60 |
| THQ Inc. | 30,000 | 33 |
| Transatlantic Holdings, Inc. | 30,000 | 10 |
| Wachovia Corporation | 130,000 | 48 |

OTHER MATTERS (Unaudited)

General American Investors

In addition to purchases of the Company's Common Stock as set forth in Note 2 on page 10, purchases of Common Stock may be made at such times, at such prices, in such amounts and in such manner as the Board of Directors may deem advisable.

The policies and procedures used by the Company to determine how to vote proxies relating to portfolio securities and the Company's proxy voting record for the twelve-month period ended June 30, 2008 are available: (1) without charge, upon request, by calling us at our toll-free telephone number (1-800-436-8401), (2) on the Company's website at www.generalamericaninvestors.com and (3) on the Securities and Exchange Commission's website at www.sec.gov.

In addition to distributing financial statements as of the end of each quarter, General American Investors files a Quarterly Schedule of Portfolio Holdings (Form N-Q) with the Securities and Exchange Commission ("SEC") as of the end of the first and third calendar quarters. The Company's Forms N-Q are available at www.generalamericaninvestors.com and on the SEC's website: www.sec.gov. Also, Forms N-Q may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the SEC's Public Reference Room may be obtained by calling 1-800-SEC-0330. A copy of the Company's Form N-Q may also be obtained by calling us at 1-800-436-8401.

On April 30, 2008, the Company submitted a CEO annual certification to the New York Stock Exchange ("NYSE") on which the Company's principal executive officer certified that he was not aware, as of that date, of any violation by the Company of the NYSE's Corporate Governance listing standards. In addition, as required by Section 302 of the Sarbanes-Oxley Act of 2002 and related SEC rules, the Company's principal executive and principal financial officer made quarterly

certifications, included in filings with the SEC on Forms N-CSR and N-Q relating to, among other things, the Company's disclosure controls and procedures and internal control over financial reporting, as applicable.

DIRECTORS

OFFICERS

SERVICE COMPANIES

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have reviewed the accompanying statement of assets and liabilities of General American Investors Company, Inc., including the statement of investments, as of June 30, 2008, and the related statements of operations and

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changes in net assets and financial highlights for the six-month period ended June 30, 2008. These financial statements and financial highlights are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the interim financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board, the statement of changes in net assets for the year ended December 31, 2007 and financial highlights for each of the five years in the period then ended and in our report, dated January 28, 2008 we expressed an unqualified opinion on such financial statements and financial highlights.

New York, New York

ERNST & YOUNG LLP

July 28, 2008

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ITEM 2. CODE OF ETHICS.

Not applicable to this semi-annual report.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

Not applicable to this semi-annual report.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Not applicable to this semi-annual report.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

Not applicable to this semi-annual report.

ITEM 6. SCHEDULE OF INVESTMENTS

The schedule of investments in securities of unaffiliated issuers is included as part of the report to stockholders filed under Item 1 of this form.

ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

Not applicable to this semi-annual report.

ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

Not applicable to this semi-annual report.

ITEM. 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS

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REGISTRANT PURCHASES OF EQUITY SECURITIES

| Period | (a) Total Number of Shares (or Units) Purchased | (b) Average Price Paid per Share (or Unit) | (c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs | (d) |
|-------------|---|--|--|--------|
| 2008 | | | | D t |
| 01/01-01/31 | - | - | - | |
| 02/01-02/28 | - | - | - | |
| 03/01-03/31 | - | - | - | |
| 04/01-04/30 | - | - | - | |
| 05/01-05/31 | - | - | - | |
| 06/01-06/30 | - | - | - | |
| | ----- | ----- | ----- | |
| Total | - | | - | |
| | ===== | | ===== | |

ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

There have been no material changes to the procedures by which shareholders may recommend nominees to the registrant's board of directors as set forth in the registrant's Proxy Statement, dated February 22, 2008.

ITEM 11. CONTROLS AND PROCEDURES.

Conclusions of principal officers concerning controls and procedures

(a) As of June 30, 2008, an evaluation was performed under the supervision and with the participation of the officers of General American Investors Company, Inc. (the "Registrant"), including the principal executive officer ("PEO") and principal financial officer ("PFO"), to assess the effectiveness of the Registrant's disclosure controls and procedures. Based on that evaluation, the Registrant's officers, including the PEO and PFO, concluded that, as of June 30, 2008, the Registrant's disclosure controls and procedures were reasonably designed so as to ensure: (1) that information required to be disclosed by the Registrant on Form N-CSR is recorded, processed, summarized and reported within the time periods specified by the rules and forms of the Securities and Exchange Commission, and (2) that material information relating to the Registrant is made known to the PEO and PFO as appropriate to allow timely discussions regarding required disclosure.

(b) There have been no significant changes in the Registrant's internal control over financial reporting that occurred during the Registrant's second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.

ITEM 12. EXHIBITS

(a)(1) The code of ethics disclosure required by Item 2 is not applicable to this semi-annual report.

(a)(2) Certifications of the principal executive officer and the principal financial officer pursuant to Rule 30a-2(a) under the Investment Company Act of

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1940.

(a) (3) There were no written solicitations to purchase securities under Rule 23c-1 under the Investment Company Act of 1940 during the period covered by the report.

(b) Certifications of the principal executive officer and the principal financial officer, as required by Rule 30a-2(b) under the Investment Company Act of 1940.

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SIGNATURES

Pursuant to the requirements of the Securities and 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.

General American Investors Company, Inc.

By: /s/Eugene S. Stark
Eugene S. Stark
Vice-President, Administration

Date: August 4, 2008

Pursuant to the requirements of the Securities and 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 indicated.

By: /s/Spencer Davidson
Spencer Davidson
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

Date: August 4, 2008

By: /s/Eugene S. Stark
Eugene S. Stark
Vice-President, Administration
(Principal Financial Officer)

Date: August 4, 2008