

GENERAL AMERICAN INVESTORS CO INC

Form N-30B-2

October 28, 2005

GENERAL AMERICAN INVESTORS COMPANY, INC.  
FIRST QUARTER REPORT  
MARCH 31, 2005

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

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

TO THE STOCKHOLDERS

-----  
For the three months ended March 31, 2005, our stockholders experienced a decrease of 0.6% on their investment in our Common Stock (assuming reinvestment of all dividends). The net asset value per Common Share decreased 0.3%. By comparison, our benchmark, the Standard & Poor's 500 Stock Index (including income) decreased 2.1%. For the twelve months ended March 31, 2005, the return to our stockholders was 5.6% and the return on the net asset value per Common Share was 7.4%; these compare with a return of 6.6% for the S&P 500. During each period, the discount at which our shares traded fluctuated moderately and at March 31, 2005, it was 12.1%.

As set forth in the accompanying financial statements (unaudited), as of March 31, 2005, the net assets applicable to the Company's Common Stock were \$1,019,560,296, equal to \$35.10 per Common Share.

The decrease in net assets resulting from operations for the three months ended March 31, 2005 was \$3,890,401. During this period, the net realized gain on securities sold was \$10,981,404 and the decrease in unrealized appreciation was \$12,811,164. Net investment income for the three months was \$914,359 and distributions to Preferred Stockholders amounted to \$2,975,000.

During the three months, 307,200 shares of the Company's Common Stock were repurchased for \$9,549,042 at an average discount from net asset value of 12%.

Stalled equity markets may well reflect the expectation that Fed tightening and higher oil prices will retard economic growth later in the year. The failure to digest successfully the sharp gains recorded in the final two months of 2004 may also be a factor. Earnings are continuing to grow, meanwhile, although the pace of advance is moderating, and inflation remains reasonably well constrained. While interest rates are not declining, as they did last year, neither are they rising dramatically. Increases in dividends and share buy backs are continuing apace and are likely to support a positive outlook for security valuations.

We are pleased to report that on April 13, 2005, at the Company's annual meeting, the Stockholders (1) elected eleven directors, including two directors who were elected by the holders of the Company's Preferred Stock, and (2) ratified the selection of Ernst & Young LLP as auditors of the Company for the year 2005.

The information about the Company, including our investment objective, operating

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policies and procedures, investment results, record of dividend payments, financial reports and press releases, contained at our website has been updated through March 31, 2005. It can be accessed on the Internet at [www.generalamericaninvestors.com](http://www.generalamericaninvestors.com).

By Order of the Board of Directors,

General American Investors Company, Inc.

Spencer Davidson  
President and Chief Executive Officer

April 13, 2005

### 2 STATEMENT OF ASSETS AND LIABILITIES March 31, 2005 (Unaudited)

#### ----- General American Investors

#### ASSETS

##### INVESTMENTS, AT VALUE (NOTE 1a)

|  |    |
|--|----|
| Common stocks (cost \$707,162,548)           | \$ |
| Corporate note (cost \$711,652)              |    |
| Corporate discount notes (cost \$40,380,055) |    |
| Money market fund (cost \$7,834,211)         |    |

Total investments (cost \$756,088,466)

##### CASH, RECEIVABLES AND OTHER ASSETS

|   |           |
|---|-----------|
| Cash                                      | \$39,729  |
| Receivable for securities sold            | 4,317,436 |
| Dividends, interest and other receivables | 942,081   |
| Prepaid expenses                          | 7,632,440 |
| Other                                     | 234,874   |

#### TOTAL ASSETS

#### LIABILITIES

|   |           |
|---|-----------|
| Payable for securities purchased                | 5,242,815 |
| Preferred dividend accrued but not yet declared | 231,389   |
| Accrued expenses and other liabilities          | 7,419,170 |

#### 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 - 29,046,599 shares (note 2)

NET ASSET VALUE PER COMMON SHARE

#### NET ASSETS APPLICABLE TO COMMON STOCK

|   |              |
|---|--------------|
| Common Stock, 29,046,599 shares at par value (note 2) | \$29,046,599 |
|---|--------------|

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|  |             |
|--|-------------|
| Additional paid-in capital (note 2)          | 517,253,173 |
| Undistributed realized gain on investments   | 10,949,498  |
| Undistributed net investment income          | 2,318,771   |
| Unallocated distributions on Preferred Stock | (3,206,389) |
| Unrealized appreciation on investments       | 463,198,644 |
|  | -----       |

NET ASSETS APPLICABLE TO COMMON STOCK

(see notes to financial statements)

### 3 STATEMENT OF OPERATIONS Three Months Ended March 31, 2005 (Unaudited)

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General American Investors

INCOME

|  |             |
|--|-------------|
| Dividends (net of foreign withholding taxes of \$56,933) | \$3,844,381 |
| Interest   | 325,923     |
|  | -----       |

EXPENSES

|   |           |
|---|-----------|
| Investment research                                       | 1,824,740 |
| Administration and operations                             | 1,093,960 |
| Office space and general                                  | 129,801   |
| Directors' fees and expenses                              | 51,260    |
| Transfer agent, custodian and registrar fees and expenses | 47,026    |
| Auditing and legal fees                                   | 42,900    |
| Stockholders' meeting and reports                         | 42,299    |
| Miscellaneous taxes                                       | 23,959    |
|   | -----     |

NET INVESTMENT INCOME

### REALIZED GAIN AND CHANGE IN UNREALIZED APPRECIATION ON INVESTMENTS (NOTES 1f AND 4)

|  |              |
|--|--------------|
| Net realized gain on investments:            |              |
| Long transactions                            | 10,780,985   |
| Short sale transaction (note 1b)             | (755,114)    |
| Option transactions (note 1c)                | 955,533      |
|  | -----        |
| Net realized gain on investments (long-term) | 10,981,404   |
| Net decrease in unrealized appreciation      | (12,811,164) |
|  | -----        |

NET LOSS ON INVESTMENTS

DISTRIBUTIONS TO PREFERRED STOCKHOLDERS

DECREASE IN NET ASSETS RESULTING FROM OPERATIONS

(see notes to financial statements)

### 4 STATEMENT OF CHANGES IN NET ASSETS

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|   | Three Months<br>Ended<br>March 31, 2005<br>(Unaudited) |       |
|---|--|-------|
| <hr/>   |  |       |
| OPERATIONS  |  |       |
| <hr/>   |  |       |
| Net investment income   | \$914,359  |       |
| Net realized gain on investments  | 10,981,404   |       |
| Net increase (decrease) in unrealized appreciation  | (12,811,164)   |       |
| <hr/>   |  |       |
| Distributions to Preferred Stockholders:  |  |       |
| From net income   | -  |       |
| From long-term capital gains  | -  |       |
| Unallocated distributions on Preferred Stock  | (2,975,000)  |       |
| <hr/>   |  |       |
| Decrease in net assets from Preferred distributions   | (2,975,000)  |       |
| <hr/>   |  |       |
| INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS   | (3,890,401)  |       |
| <hr/>   |  |       |
| DISTRIBUTIONS TO COMMON STOCKHOLDERS  |  |       |
| <hr/>   |  |       |
| From net income   | (58,303)   |       |
| From long-term capital gains  | (7,929,239)  |       |
| <hr/>   |  |       |
| DECREASE IN NET ASSETS FROM COMMON DISTRIBUTIONS  | (7,987,542)  |       |
| <hr/>   |  |       |
| CAPITAL SHARE TRANSACTIONS  |  |       |
| <hr/>   |  |       |
| Value of Common Shares issued in payment of dividends (note 2)  | 4,594,188  |       |
| Cost of Common Shares purchased (note 2)  | (9,549,042)  |       |
| <hr/>   |  |       |
| DECREASE IN NET ASSETS - CAPITAL TRANSACTIONS   | (4,954,854)  |       |
| <hr/>   |  |       |
| NET INCREASE (DECREASE) IN NET ASSETS   | (16,832,797)   |       |
| <hr/>   |  |       |
| NET ASSETS APPLICABLE TO COMMON STOCK   |  |       |
| <hr/>   |  |       |
| BEGINNING OF PERIOD   | 1,036,393,093  |       |
| <hr/>   |  |       |
| END OF PERIOD (including undistributed net investment income of<br>\$2,318,771 and \$1,462,715, respectively) | \$1,019,560,296  | \$1   |
|   | <hr/>  | <hr/> |

(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 three months ended March 31, 2005 and for each year in the five-year period ended December 31, 2004. This information has been derived from information contained in the financial statements and market price data for the Company's shares.

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|  | Three Months                           | Year Ended December |           |           |             |
|--|--|---------------------|-----------|-----------|-------------|
|  | Ended<br>March 31, 2005<br>(Unaudited) | 2004                | 2003      | 2002      | 2001        |
| <b>PER SHARE OPERATING PERFORMANCE</b>   |  |                     |           |           |             |
| Net asset value, beginning of period   | \$35.49                                | \$33.11             | \$26.48   | \$35.14   | \$39.14     |
| Net investment income  | .03                                    | .32                 | .03       | .19       | .19         |
| Net gain (loss) on securities -<br>realized and unrealized                       | (.05)                                  | 3.48                | 7.72      | (7.88)    | (1.00)      |
| <b>Distributions on Preferred Stock:</b>   |  |                     |           |           |             |
| Dividends from investment income   | -                                      | (.09)               | (.01)     | (.12)     | (.12)       |
| Distributions from capital gains   | -                                      | (.32)               | (.35)     | (.23)     | (.23)       |
| Unallocated  | (.10)                                  | -                   | -         | -         | -           |
|  | (.10)                                  | (.41)               | (.36)     | (.35)     | (.35)       |
| Total from investment operations   | (.12)                                  | 3.39                | 7.39      | (8.04)    | (8.04)      |
| <b>Less distributions on Common Stock:</b>                                       |  |                     |           |           |             |
| Dividends from investment income   | -                                      | (.23)               | (.02)     | (.21)     | (.21) (c)   |
| Distributions from capital gains   | (.27)                                  | (.78)               | (.52)     | (.41)     | (.41)       |
|  | (.27)                                  | (1.01)              | (.54)     | (.62)     | (.62)       |
| Capital Stock transaction -<br>effect of Preferred Stock offering                | -                                      | -                   | (.22)     | -         | -           |
| Net asset value, end of period   | \$35.10                                | \$35.49             | \$33.11   | \$26.48   | \$35.14     |
| Per share market value, end of period  | \$30.87                                | \$31.32             | \$29.73   | \$23.85   | \$33.11     |
| TOTAL INVESTMENT RETURN - Stockholder<br>Return, based on market price per share | (0.56)%*                               | 8.79%               | 27.01%    | (27.21)%  | 4.14%       |
| <b>RATIOS AND SUPPLEMENTAL DATA</b>  |  |                     |           |           |             |
| Net assets applicable to Common Stock,<br>end of period (000's omitted)          | \$1,019,560                            | \$1,036,393         | \$986,335 | \$809,192 | \$1,097,000 |
| Ratio of expenses to average net assets<br>applicable to Common Stock            | 0.32%*                                 | 1.15%               | 1.23%     | 0.92%     | 0.92%       |
| Ratio of net income to average net assets<br>applicable to Common Stock          | 0.09%*                                 | 0.94%               | 0.13%     | 0.61%     | 1.00%       |
| Portfolio turnover rate  | 3.83%*                                 | 16.71%              | 18.62%    | 22.67%    | 23.00%      |
| <b>PREFERRED STOCK</b>   |  |                     |           |           |             |
| Liquidation value, end of<br>period (000's omitted)                              | \$200,000                              | \$200,000           | \$200,000 | \$150,000 | \$150,000   |
| Asset coverage   | 610%                                   | 618%                | 593%      | 639%      | 639%        |
| Liquidation preference per share   | \$25.00                                | \$25.00             | \$25.00   | \$25.00   | \$25.00     |
| Market value per share   | \$24.30                                | \$24.97             | \$25.04   | \$25.85   | \$25.00     |

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6 STATEMENT OF INVESTMENTS March 31, 2005 (Unaudited)

-----  
 General American Investors

Shares or  
 Principal Amount COMMON STOCKS

-----  
 BUILDING AND REAL ESTATE (3.9%)  
 -----

|           |                         |                     |
|-----------|-------------------------|---------------------|
| 1,100,000 | CEMEX, S.A. de C.V. ADR | (COST \$29,121,764) |
|-----------|-------------------------|---------------------|

-----  
 COMMUNICATIONS AND INFORMATION SERVICES (6.9%)  
 -----

|           |  |                     |
|-----------|--|---------------------|
| 550,000   | American Tower Corporation (a)             |                     |
| 550,000   | CIENA Corporation (a)                      |                     |
| 900,000   | Cisco Systems, Inc. (a)                    |                     |
| 150,000   | Juniper Networks, Inc. (a)                 |                     |
| 500,000   | Lamar Advertising Company Class A (a)      |                     |
| 4,600,000 | Telecom Corporation of New Zealand Limited |                     |
|           |  | (COST \$67,633,399) |

-----  
 COMPUTER SOFTWARE AND SYSTEMS (5.1%)  
 -----

|           |                       |                     |
|-----------|-----------------------|---------------------|
| 300,000   | EMC Corporation (a)   |                     |
| 1,525,000 | Microsoft Corporation |                     |
| 623,000   | NetIQ Corporation (a) |                     |
| 133,500   | VeriSign, Inc. (a)    |                     |
|           |                       | (COST \$53,801,539) |

-----  
 CONSUMER PRODUCTS AND SERVICES (3.6%)  
 -----

|         |                            |                     |
|---------|----------------------------|---------------------|
| 350,000 | Diageo plc                 |                     |
| 275,000 | Ethan Allen Interiors Inc. |                     |
| 150,000 | PepsiCo, Inc.              |                     |
|         |                            | (COST \$28,303,579) |

-----  
 ELECTRONICS (1.7%)  
 -----

|         |                            |                     |
|---------|----------------------------|---------------------|
| 715,000 | Molex Incorporated Class A | (COST \$15,450,691) |
|---------|----------------------------|---------------------|

-----  
 ENVIRONMENTAL CONTROL (INCLUDING SERVICES) (3.8%)  
 -----

|           |                         |                     |
|-----------|-------------------------|---------------------|
| 1,175,000 | Republic Services, Inc. | (COST \$26,227,380) |
|-----------|-------------------------|---------------------|

-----  
 FINANCE AND INSURANCE (30.2%)  
 -----

|                |                             |  |
|----------------|-----------------------------|--|
| BANKING (9.7%) |                             |  |
| 368,000        | Bank of America Corporation |  |

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600,000 Golden West Financial Corporation  
 310,000 M&T Bank Corporation  
 205,000 SunTrust Banks, Inc.

(COST \$21,564,370)

INSURANCE (19.2%)

380,000 American International Group, Inc.  
 500,000 Annuity and Life Re (Holdings), Ltd. (a)  
 340,000 Arch Capital Group Ltd. (a)  
 300 Berkshire Hathaway Inc. Class A (a)  
 625,000 Everest Re Group, Ltd.  
 400,000 MetLife, Inc.  
 110,000 Montpelier Re Holdings Ltd.  
 475,000 PartnerRe Ltd.  
 350,000 Reinsurance Group of America, Incorporated  
 249,500 Transatlantic Holdings, Inc.

(COST \$92,539,813)

OTHER (1.3%)

275,000 Annaly Mortgage Management, Inc.  
 95,194 Central Securities Corporation  
 775,000 MFA Mortgage Investments, Inc.

(COST \$12,196,714)

(COST \$126,300,897)

7 STATEMENT OF INVESTMENTS March 31, 2005 (Unaudited) - continued

General American Investors

Shares or  
 Principal Amount COMMON STOCKS (continued)

HEALTH CARE (10.9%)

PHARMACEUTICALS (8.7%)

340,000 Alkermes, Inc. (a)  
 200,000 Biogen Idec Inc. (a)  
 300,000 Bristol-Myers Squibb Company  
 275,000 Cytokinetics, Incorporated (a)  
 270,000 Genaera Corporation (a)  
 400,000 Genentech, Inc. (a)  
 455,000 MedImmune, Inc. (a)  
 120,000 Millennium Pharmaceuticals, Inc. (a)  
 1,275,000 Pfizer Inc

(COST \$75,007,951)

MEDICAL INSTRUMENTS AND DEVICES (2.2%)

450,000 Medtronic, Inc.

(COST \$10,483,716)

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(COST \$85,491,667)

MISCELLANEOUS (1.8%)

-----  
Other (b)

(COST \$17,213,077)

OIL & NATURAL GAS (INCLUDING SERVICES) (26.5%)

-----  
665,000 Apache Corporation  
1,600,000 Devon Energy Corporation  
600,000 EOG Resources, Inc.  
525,000 Halliburton Company  
650,000 Patterson-UTI Energy, Inc.  
330,000 Total S.A. ADR  
750,000 Unocal Corporation

(COST \$173,682,466)

RETAIL TRADE (19.6%)

-----  
700,000 Costco Wholesale Corporation  
1,920,000 The Home Depot, Inc. (c)  
2,500,000 The TJX Companies, Inc.  
675,000 Wal-Mart Stores, Inc.

(COST \$68,036,225)

SEMICONDUCTORS (0.8%)

-----  
491,500 Brooks Automation, Inc. (a)  
197,000 EMCORE Corporation (a)

(COST \$9,890,144)

SPECIAL HOLDINGS (a) (d) (NOTE 5) (0.0%)

-----  
144,000 Silicon Genesis Corporation  
546,000 Standard MEMS, Inc. Series A Convertible Preferred

(COST \$6,009,720)

TOTAL COMMON STOCKS (114.8%)

(COST \$707,162,548)

-----  
CORPORATE NOTE

COMMUNICATIONS AND INFORMATION SERVICES (0.1%)

-----  
\$678,000 American Tower Corporation 9 3/8% due 2/1/09

(COST \$711,652)

8 STATEMENT OF INVESTMENTS March 31, 2005 (Unaudited) - continued

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General American Investors

Principal  
Amount

SHORT-TERM SECURITIES AND OTHER ASSETS



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|              |  |
|--------------|--|
| \$12,500,000 | American Express Credit Corporation notes due 4/5-5/16/05; 2.62%-2.77%   |
| 11,000,000   | American General Finance Corporation notes due 4/11-4/18/05; 2.63%-2.68% |
| 11,000,000   | General Electric Capital Corporation notes due 4/25-5/9/05; 2.70%-2.76%  |
| 6,000,000    | Prudential Funding, LLC note due 5/2/05; 2.74%                           |
| 7,834,211    | SSgA Prime Money Market Fund   |

TOTAL SHORT-TERM SECURITIES (4.7%) (COST \$48,214,266)

TOTAL INVESTMENTS (f) (119.6%) (COST \$756,088,466)

Cash, receivables and other assets less liabilities (0.0%)

PREFERRED STOCK (-19.6%)

NET ASSETS APPLICABLE TO COMMON STOCK (100%)

(see notes to financial statements)

9 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 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. Corporate discount notes are valued at amortized cost, which approximates market value. Special holdings (restricted securities) and other securities for which quotations are not readily available are valued at fair value determined in good faith pursuant to procedures established by and under the general supervision of the Board of Directors.

b. SHORT SALES The Company may make short sales of securities for either speculative or hedging purposes. When the Company makes a short sale, it borrows the securities sold short from a broker; in addition, the Company places cash with that broker and securities in a segregated account with the custodian, both

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as collateral for the short position. The Company may be required to pay a fee to borrow the securities and may also be obligated to pay any dividends declared on the borrowed securities. The Company will realize a gain if the security price decreases and a loss if the security price increases between the date of the short sale and the date on which the Company replaces the borrowed securities.

c. **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.

d. **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.

e. **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.

f. **OTHER** As 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 AND DIVIDEND DISTRIBUTIONS

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, of which 29,046,599 shares and 8,000,000 shares, respectively, were outstanding at March 31, 2005.

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

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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 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

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NOTES TO FINANCIAL STATEMENTS (Unaudited) - continued

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General American Investors

### 2. CAPITAL STOCK AND DIVIDEND DISTRIBUTIONS - (Continued from bottom of previous page.)

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.

Transactions in Common Stock during the three months ended March 31, 2005 and the year ended December 31, 2004 were as follows:

|  | SHARES  |         | AMOUNT    |
|--|---------|---------|-----------|
|  | 2005    | 2004    | 2005      |
| Shares issued in payment of dividends (includes 148,487 and 508,849 shares issued from treasury, respectively) | 148,487 | 508,849 | \$148,487 |

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|  |         |           |               |       |
|--|---------|-----------|---------------|-------|
| Increase in paid-in capital  |         |           | 4,445,701     | 15    |
|  |         |           | -----         | --    |
| Total increase   |         |           | 4,594,188     | 15    |
|  |         |           | -----         | --    |
| Shares purchased (at an average discount from net<br>asset value of 12.0% and 10.3%, respectively) | 307,200 | 1,092,800 | (307,200)     | (1    |
| Decrease in paid-in capital  |         |           | (9,241,842)   | (31   |
|  |         |           | -----         | --    |
| Total decrease   |         |           | (9,549,042)   | (32   |
|  |         |           | -----         | --    |
| Net decrease   |         |           | (\$4,954,854) | (\$17 |
|  |         |           | =====         | ===== |

At March 31, 2005, the Company held in its treasury 2,184,964 shares of Common Stock with an aggregate cost in the amount of \$55,535,254.

Distributions for tax and book purposes are substantially the same.

### 3. OFFICERS' COMPENSATION

The aggregate compensation paid by the Company during the three months ended March 31, 2005 to its officers amounted to \$1,346,250.

### 4. PURCHASES AND SALES OF SECURITIES

Purchases and sales of securities and securities sold short (other than short-term securities and options) for the three months ended March 31, 2005 amounted to on long transactions \$45,247,394 and \$52,169,690, respectively, and, with respect to short sale transactions, purchases for the three months amounted to \$3,825,799.

### 5. RESTRICTED SECURITIES

|  | DATE<br>ACQUIRED | COST        | VALUE<br>(NOTE 1a) |
|--|------------------|-------------|--------------------|
|  | -----            | -----       | -----              |
| Silicon Genesis Corporation                        | 2/16/01          | \$3,006,720 | \$7,200            |
| Standard MEMS, Inc. Series A Convertible Preferred | 12/17/99         | 3,003,000   | -                  |
|  |                  | -----       | -----              |
| Total  |                  | \$6,009,720 | \$7,200            |
|  |                  | =====       | =====              |

### 6. PENSION BENEFIT PLANS

The Company has funded (Qualified) and unfunded (Supplemental) noncontributory defined benefit pension plans that cover substantially all of 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 of the plans for the three months ended March 31, 2005 were:

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|                                      |            |
|--------------------------------------|------------|
| Service cost                         | \$70,055   |
| Interest cost                        | 145,757    |
| Expected return on plan assets       | (269,548)  |
| Amortization of:                     |            |
| Prior service cost                   | 6,806      |
| Recognized net actuarial loss (gain) | (2,047)    |
|                                      | -----      |
| Net periodic benefit cost (income)   | (\$48,977) |
|                                      | =====      |

The Company also has funded and unfunded contributory defined contribution thrift plans that cover substantially all employees. The aggregate cost of such plans for the three months ended March 31, 2005 was \$143,142. The unfunded liability included in other liabilities at March 31, 2005 was \$2,581,898.

11                   NOTES TO FINANCIAL STATEMENTS (Unaudited) - continued

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General American Investors

7. OPERATING LEASE COMMITMENT

In July 1992, the Company entered into an operating lease agreement for office space which expires in 2007 and provides for future rental payments in the aggregate amount of approximately \$5.6 million. The lease agreement contains a clause whereby the Company received twenty months of free rent beginning in December 1992 and escalation clauses relating to operating costs and real property taxes.

Rental expense approximated \$93,000 for the three months ended March 31, 2005. Minimum rental commitments under the operating lease are approximately \$505,000 per annum in 2005 through 2007.

In January 2003, the Company extended a sublease agreement (originally entered into in March 1996) which expires in 2007 and provides for future rental receipts. Minimum rental receipts under the sublease are approximately \$254,000 per annum in 2005 through 2007. The Company will also receive its proportionate share of operating expenses and real property taxes under the sublease.

Unaudited

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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.

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MAJOR STOCK CHANGES\* Three Months Ended March 31, 2005 (Unaudited)

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General American Investors

INCREASES

SHARES OR                   PRIN  
PRINCIPAL AMOUNT                   HELD M

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### NEW POSITIONS

|                            |         |
|----------------------------|---------|
| Patterson-UTI Energy, Inc. | 650,000 |
|----------------------------|---------|

### ADDITIONS

|                                    |         |
|------------------------------------|---------|
| American International Group, Inc. | 45,000  |
| Arch Capital Group Ltd.            | 140,000 |
| EOG Resources, Inc.                | 25,000  |
| Total S.A. ADR                     | 55,000  |
| Unocal Corporation                 | 50,000  |

### DECREASES

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### ELIMINATIONS

|  |              |
|--|--------------|
| El Paso Corporation 0% notes due 2/28/21 | \$22,500,000 |
| Genta Incorporated                       | 375,000      |

### REDUCTIONS

|  |           |
|--|-----------|
| American Tower Corporation 9 3/8% notes due 2/1/09 | \$636,000 |
| Annaly Mortgage Management, Inc.                   | 325,000   |
| Biogen Idec Inc.                                   | 50,000    |
| Genentech, Inc.                                    | 160,000   |
| Golden West Financial Corporation                  | 20,000    |
| MFA Mortgage Investments, Inc.                     | 75,000    |
| Montpelier Re Holdings Ltd.                        | 50,000    |
| Reinsurance Group of America, Incorporated         | 35,000    |
| Transatlantic Holdings, Inc.                       | 25,500    |

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### PROXY VOTING POLICIES and PROCEDURES and PROXY VOTING RECORD (Unaudited)

#### General American Investors

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, 2004 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 <http://www.generalamericaninvestors.com> and (3) on the Securities and Exchange Commission's website at <http://www.sec.gov>.

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### DIRECTORS

|                                    |                        |
|------------------------------------|------------------------|
| Lawrence B. Bottenwieser, Chairman |                        |
| Arthur G. Altschul, Jr.            | Sidney R. Knafel       |
| Lewis B. Cullman                   | Richard R. Pivirotto   |
| Spencer Davidson                   | D. Ellen Shuman        |
| Gerald M. Edelman                  | Joseph T. Stewart, Jr. |
| John D. Gordan, III                | Raymond S. Troubh      |

William O. Baker, Director Emeritus  
William T. Golden, Director Emeritus

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### OFFICERS

Spencer Davidson, President & Chief Executive Officer

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Andrew V. Vindigni, Vice-President  
Eugene L. DeStaebler, Jr., Vice-President, Administration  
Peter P. Donnelly, Vice-President & Trader  
Diane G. Radosti, Treasurer  
Carole Anne Clementi, Secretary  
Craig A. Grassi, Assistant Vice-President  
Maureen E. LoBello, Assistant Secretary

### SERVICE COMPANIES

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#### COUNSEL

Sullivan & Cromwell LLP

#### INDEPENDENT AUDITORS

Ernst & Young LLP

#### CUSTODIAN

State Street Bank and  
Trust Company

#### Transfer Agent and Registrar

American Stock Transfer & Trust

Company

59 Maiden Lane  
New York, NY 10038  
1-800-413-5499  
www.amstock.com

### RESULTS OF THE ANNUAL MEETING OF STOCKHOLDERS

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The votes cast by stockholders at the Company's annual meeting held on April 13, 2005 were as follows:

#### Election of Directors:

|                          | FOR        | WITHHELD |
|--------------------------|------------|----------|
| Lawrence B. Battenwieser | 32,214,593 | 503,581  |
| Lewis B. Cullman         | 32,296,075 | 422,099  |
| Spencer Davidson         | 32,326,934 | 391,240  |
| Gerald M. Edelman        | 32,388,169 | 330,005  |
| John D. Gordan, III      | 32,362,721 | 355,452  |
| Richard R. Pivirotto     | 32,428,302 | 289,872  |
| D. Ellen Shuman          | 32,454,676 | 263,498  |
| Joseph T. Stewart, Jr.   | 32,332,416 | 385,758  |
| Raymond S. Troubh        | 32,387,103 | 331,071  |

#### Elected by holders of Preferred Stock:

|                         |           |        |
|-------------------------|-----------|--------|
| Arthur G. Altschul, Jr. | 7,589,685 | 45,877 |
| Sidney R. Knafel        | 7,589,685 | 45,877 |

Ratification of the selection of Ernst & Young LLP as auditors of the Company for the year 2005:

For - 32,405,598;                      Against - 182,623;                      Abstain - 129,953