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GENERAL AMERICAN INVESTORS CO INC
Form N-30D
February 03, 2003

GENERAL
AMERICAN
INVESTORS

2002
ANNUAL
REPORT

GENERAL AMERICAN INVESTORS Company, Inc.

Established in 1927, the Company is a closed-end investment company listed on the New York Stock Exchange. Its objective is long-term capital appreciation through investment in companies with above average growth potential.

FINANCIAL SUMMARY

| | 2002 | 2001 |
|--|-----------------|-----------------|
| Net assets applicable to Common Stock - December 31 | \$809,192,127 | \$1,097,529,720 |
| Net investment income | 5,698,197 | 12,512,405 |
| Net realized gain | 17,039,043 | 70,720,822 |
| Net decrease in unrealized appreciation | (264,293,395) | (87,697,439) |
| Distributions to Preferred Stockholders | (10,800,000) | (10,800,000) |
| Per Common Share-December 31 | | |
| Net asset value | \$26.48 | \$35.14 |
| Market price | \$23.85 | \$33.47 |
| Discount from net asset value | -9.9% | -4.8% |
| Common Shares outstanding-Dec. 31 | 30,561,356 | 31,231,563 |
| Common stockholders of record-Dec. 31 | 4,700 | 4,900 |
| Market price range* (high-low) | \$34.89-\$22.17 | \$39.70-\$27.50 |
| Market volume-shares | 6,978,900 | 5,009,500 |
| *Unadjusted for dividend payments. | | |

DIVIDEND SUMMARY (per share)

| Record Date | Payment Date | Ordinary Income | Long-Term Capital Gain | Total |
|--------------------------|---------------|--------------------|---------------------------|--------|
| Common Stock | | | | |
| Nov. 14, 2002 | Dec. 23, 2002 | \$0.022 | \$0.298 | \$0.32 |
| Jan. 27, 2003 | Feb. 10, 2003 | 0.01 | 0.03 | 0.04 |
| Total from 2002 earnings | | \$0.032 | \$0.328 | \$0.36 |

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| | | | | | |
|--------------------------|---------------|--------|-----|--------|--------|
| Nov. 15, 2001 | Dec. 20, 2001 | \$0.82 | (a) | \$1.26 | \$2.08 |
| Jan. 28, 2002 | Feb. 11, 2002 | .19 | (b) | .11 | .30 |
| | | ----- | | ----- | ----- |
| Total from 2001 earnings | | \$1.01 | | \$1.37 | \$2.38 |
| | | ===== | | ===== | ===== |

(a) Includes short-term gain in the amount of \$.45 per share.

(b) Represents short-term gain.

Preferred Stock

| | | | | | |
|----------------|---------------|-----------|-----|----------|---------|
| Mar. 6, 2002 | Mar. 25, 2002 | \$.15525 | | \$.29475 | \$.45 |
| Jun. 6, 2002 | Jun. 24, 2002 | .15525 | | .29475 | .45 |
| Sep. 6, 2002 | Sep. 23, 2002 | .15525 | | .29475 | .45 |
| Dec. 6, 2002 | Dec. 23, 2002 | .15525 | | .29475 | .45 |
| | | ----- | | ----- | ----- |
| Total for 2002 | | \$.621 | | \$1.179 | \$ 1.80 |
| | | ===== | | ===== | ===== |
| | | | | | |
| Mar. 6, 2001 | Mar. 23, 2001 | \$.0963 | | \$.3537 | \$.45 |
| Jun. 6, 2001 | Jun. 25, 2001 | .0963 | | .3537 | .45 |
| Sep. 6, 2001 | Sep. 24, 2001 | .0963 | | .3537 | .45 |
| Dec. 6, 2001 | Dec. 24, 2001 | .0963 | | .3537 | .45 |
| | | ----- | | ----- | ----- |
| Total for 2001 | | \$.3852 | (c) | \$1.4148 | \$ 1.80 |
| | | ===== | | ===== | ===== |

(c) Includes short-term gain in the amount of \$.2224 per share (\$.0556 per quarter).

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1 TO THE STOCKHOLDERS

General American Investors

The year ended December 31, 2002 marked the third consecutive down year for the U.S. securities market and the first year in the past five that General American Investors failed to outperform its benchmark, the Standard & Poor's 500 Stock Index, by a meaningful amount. Our net asset value per common share (assuming reinvestment of all dividends) was down 23% whereas the S&P 500 (including income) declined 22.1%. Because the discount at which our shares traded widened, furthermore, the return to our shareholders was negative by 27.2%.

On a more positive note, the table that follows, which compares our returns on an annualized basis with the S&P 500, illustrates that over many years General American has produced superior investment results.

| | | |
|-------|--------------------|---------|
| Years | Stockholder Return | S&P 500 |
|-------|--------------------|---------|

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| | | |
|----|--------|--------|
| 3 | - 3.3% | -14.6% |
| 5 | 10.6 | - 0.6 |
| 10 | 10.2 | 9.3 |
| 20 | 13.8 | 12.7 |
| 30 | 13.5 | 10.7 |
| 40 | 12.8 | 10.5 |

During 2002, the Company purchased 922,100 of its common shares in the open market at an average discount to NAV of 9.1%. The Board of Directors has authorized repurchases of common shares when they are trading at a discount in excess of 8% of NAV.

It has been almost 3 years since the stock market reached its apogee and almost 2 years past the economy's trough, yet the pace of recovery remains anemic. Unemployment continues to be stubbornly high and may even rise, excessive capacity characterizes many sectors of the economy and pricing power is limited despite massive monetary and fiscal stimulus. It would appear that more time will be required to right the excesses of the last boom and to adjust to the new realities of international commerce. By dint of its human resources and controlled currency, China now seems to be the low cost producer of an increasing number of goods, leaving other providers with no option but to rationalize facilities and cut costs. The disinflationary consequences of these actions are being felt broadly in Japan, Europe and North America.

Accommodative monetary policy has allowed consumers to keep spending while American companies slash capital spending and restructure balance sheets. While the stock market anticipates the future, and some improvement is evident, progress is likely to be uneven and gains in corporate profits modest by historical measures. Valuations have become more reasonable, but not compelling. Our portfolio continues to feature companies with strong financial characteristics, high earnings visibility and powerful positions in their respective industries. We continue to retain abundant cash reserves and look forward to their selective employment as opportunities present themselves.

On March 26, 2002, the Company launched a Web site which can be accessed on the Internet at www.generalamericaninvestors.com. It contains a wealth of information about the Company, including current NAV and market price data as well as historical dividend payments, financial reports, notices and press releases.

We record with deep sorrow the death on October 14, 2002 of Hon. Bill Green who had served as a Director of the Company with great dedication for almost ten years. His contributions to Board deliberations, based on broad knowledge and experience gained from his distinguished career in legal and government service and as a result of his significant commitment to educational, environmental and human services organizations, have been greatly valued. His services will be missed.

As mentioned in our first quarter report, Arthur G. Altschul, our esteemed colleague and Chairman Emeritus, died on March 17, 2002. He served the Company for 50 years and contributed to its success by giving the Company steady leadership and guidance through many stock market cycles. His counsel and support will be missed.

By Order of the Board of Directors,

Spencer Davidson

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President and Chief Executive Officer
January 15, 2003

2 THE COMPANY

General American Investors

CORPORATE OVERVIEW

General American Investors, established in 1927, is one of the nation's oldest closed-end investment companies. It is an independent organization, internally managed. For regulatory purposes, the Company is classified as a diversified, closed-end management investment company; it is registered under and subject to the regulatory provisions of the Investment Company Act of 1940.

INVESTMENT POLICY

The primary objective of the Company is long-term capital appreciation. Lesser emphasis is placed on current income. In seeking to achieve its primary objective, the Company invests principally in common stocks believed by its management to have better than average growth potential.

The Company's investment approach focuses on the selection of individual stocks, each of which is expected to meet a clearly defined portfolio objective. A continuous investment research program, which stresses fundamental security analysis, is carried on by the officers and staff of the Company under the oversight of the Board of Directors. A listing of the directors with their principal affiliations, showing a broad range of experience in business and financial affairs, is on page 16 of this report.

PORTFOLIO MANAGER

Mr. Spencer Davidson has been responsible for the management of General American's portfolio since he was elected President and Chief Executive Officer of the Company in August 1995. Mr. Davidson, who joined the Company in 1994 as senior investment counselor, has spent his entire business career on Wall Street since first joining an investment and banking firm in 1966.

"GAM" COMMON STOCK

As a closed-end investment company, General American Investors does not offer its shares continuously. The Common Stock is listed on The New York Stock Exchange (symbol, GAM) and can be bought or sold with commissions determined in the same manner as all listed stocks. Net asset value is computed daily (on an unaudited basis) and is furnished upon request. It is also available on most electronic quotation services using the symbol "XGAMX." The figure for net asset value per share, together with the market price and the percentage discount or premium from net asset value as of the close of each week, is published in The New York Times, The Wall Street Journal and Barron's.

The ratio of market price to net asset value has shown considerable variation over a long period of time. While shares of GAM usually sell at a discount from their underlying net asset value, as do the shares of most other domestic equity closed-end investment companies, they, periodically, sell at a premium over net asset value. The last time the Company's shares sold at a premium for a prolonged period was the year-long period from March 1992 through April 1993. During 2002, the stock sold at premiums over and discounts from net asset value which ranged from a premium of 2.8% (January 18) to a discount of 11.6% (July 25). At December 31, the price of the stock was at a discount of 9.9% as compared with a discount of 4.8% a year earlier.

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"GAM Pr" PREFERRED STOCK

On June 19, 1998, the Company issued and sold in an underwritten offering 6,000,000 shares of its 7.20% Tax-Advantaged Cumulative Preferred Stock with a liquidation preference of \$25 per share (\$150,000,000 in the aggregate).

The Preferred Shares are noncallable for 5 years, are rated "aaa" by Moody's Investors Service, Inc. and are listed and traded on The New York Stock Exchange (symbol, GAM Pr).

3 THE COMPANY

General American Investors

The preferred capital is available to leverage the investment performance of the Common Stockholders. As is the case for leverage in general, it may also result in higher market volatility for the Common Stockholders.

DIVIDEND POLICY

The Company's dividend policy is to distribute to stockholders before year-end substantially all ordinary income estimated for the full year and capital gains realized during the ten-month period ending October 31 of that year. If any additional capital gains are realized or ordinary income is earned during the last two months of the year, a "spill-over" distribution of these amounts will be paid early in the following year to Common Stockholders. Dividends on shares of Preferred Stock are paid quarterly. Distributions from capital gains and ordinary income are allocated proportionately among holders of shares of Common Stock and Preferred Stock.

Dividends from income have been paid continuously on the Common Stock since 1939 and capital gain dividends in varying amounts have been paid for each of the years 1943-2002 (except for the year 1974). (A table listing dividends paid during the 20-year period 1983-2002 is shown at the bottom of page 6.) To the extent that full shares can be issued, dividends are paid to Common Stockholders in additional shares of Common Stock unless the stockholder specifically requests payment in cash. Spill-over dividends of nominal amounts are paid in cash only.

DIRECT REGISTRATION

In December 2002, the Company initiated Direct Registration ("DR") for its Common Shareholders. DR is a system that allows for book-entry ownership and the electronic transfer of our Common Shares. Accordingly, when Common Shareholders, who hold their shares directly, receive new shares resulting from a purchase, transfer or dividend payment, they will receive a statement showing the credit of the new shares as well as their book-entry and certificated share balances. A brochure which describes the features and benefits of Direct Registration, including the ability of shareholders to deposit certificates with our transfer agent, is located at our Website - www.generalamericaninvestors.com - under Additional Information - Transfer Agent Services. The brochure can also be obtained by contacting our Corporate Secretary at 1-800-436-8401.

PRIVACY POLICY AND PRACTICES

General American Investors collects nonpublic personal information about its customers (stockholders) with respect to their transactions in shares of the Company's securities but only for those stockholders whose shares are registered in their names. This information includes the stockholder's address, tax identification or Social Security number and dividend elections. We do not have

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knowledge of, nor do we collect personal information about, stockholders who hold the Company's securities at financial institutions such as brokers or banks in "street name" registration.

We do not disclose any nonpublic personal information about our stockholders or former stockholders to anyone, except as permitted by law.

We restrict access to nonpublic personal information about our stockholders to those employees who need to know that information to provide services to our stockholders. We maintain physical, electronic and procedural safeguards that comply with federal standards to guard our stockholders' nonpublic personal information.

4 INVESTMENT RESULTS (UNAUDITED)

----- General American Investors

"Total return on \$10,000 investment 20 years ended December 31, 2002"

The investment return for a common stockholder of General American Investors (GAM) over the 20 years ended December 31, 2002 is shown in the table below and in the accompanying chart. The return based on GAM's net asset value (NAV) per common share in comparison to the change in the Standard & Poor's 500 Stock Index (S&P 500) is also displayed. Each illustration assumes an investment of \$10,000 at the beginning of 1983.

The Stockholder Return is the return a common stock holder of GAM would have achieved assuming reinvestment of all optional dividends at the actual reinvestment price and reinvestment of all cash dividends at the average (mean between high and low) market price on the ex-dividend date.

The GAM Net Asset Value (NAV) Return is the return on shares of the Company's common stock based on the NAV per share, including the reinvestment of all dividends.

The S&P 500 Return is the time-weighted total rate of return on this widely-recognized, unmanaged index which is a measure of general stock market performance, including dividend income.

The results illustrated are a record of past performance and may not be indicative of future results.

| | GENERAL AMERICAN INVESTORS | | | | STANDARD & POOR'S 500 | |
|------|----------------------------|------------------|--------------------------|------------------|--------------------------|------------------|
| | STOCKHOLDER RETURN | | NET ASSET VALUE RETURN | | RETURN | |
| | CUMULATIVE INVESTMENT | ANNUAL RETURN | CUMULATIVE INVESTMENT | ANNUAL RETURN | CUMULATIVE INVESTMENT | ANNUAL RETURN |
| 1983 | \$11,631 | 16.31% | \$12,301 | 23.01% | \$12,255 | 22.55% |
| 1984 | 10,798 | -7.16 | 11,429 | -7.09 | 13,025 | 6.28 |
| 1985 | 13,477 | 24.81 | 15,429 | 35.00 | 17,163 | 31.77 |
| 1986 | 14,983 | 11.17 | 17,152 | 11.17 | 20,370 | 18.69 |
| 1987 | 12,569 | -16.11 | 17,586 | 2.53 | 21,438 | 5.24 |
| 1988 | 15,241 | 21.26 | 20,676 | 17.57 | 24,981 | 16.53 |
| 1989 | 22,648 | 48.60 | 28,504 | 37.86 | 32,880 | 31.62 |
| 1990 | 23,554 | 4.00 | 30,411 | 6.69 | 31,864 | -3.09 |
| 1991 | 43,575 | 85.00 | 48,989 | 61.09 | 41,551 | 30.40 |

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| | | | | | | |
|------|---------|--------|---------|--------|---------|--------|
| 1992 | 50,016 | 14.78 | 50,729 | 3.55 | 44,705 | 7.59 |
| 1993 | 42,053 | -15.92 | 49,841 | -1.75 | 49,229 | 10.12 |
| 1994 | 38,748 | -7.86 | 48,475 | -2.74 | 49,854 | 1.27 |
| 1995 | 46,970 | 21.22 | 59,906 | 23.58 | 68,549 | 37.50 |
| 1996 | 56,120 | 19.48 | 71,869 | 19.97 | 84,254 | 22.91 |
| 1997 | 80,016 | 42.58 | 94,903 | 32.05 | 112,336 | 33.33 |
| 1998 | 105,069 | 31.31 | 128,251 | 35.14 | 144,408 | 28.55 |
| 1999 | 146,277 | 39.22 | 174,935 | 36.40 | 174,676 | 20.96 |
| 2000 | 174,216 | 19.10 | 205,794 | 17.64 | 158,798 | -9.09 |
| 2001 | 181,759 | 4.33 | 203,324 | -1.20 | 139,917 | -11.89 |
| 2002 | 132,303 | -27.21 | 156,519 | -23.02 | 108,939 | -22.14 |

5 INVESTMENT RESULTS (UNAUDITED)

 General American Investors

[CAPTION]

[Line graph with heading "20-YEAR INVESTMENT RESULTS ASSUMING AN INITIAL INVESTMENT OF \$10,000" at top left hand side. The vertical axis is to the right side of the page and is labeled "CUMULATIVE VALUE OF INVESTMENT." The axis range is from \$0 to \$250,000 in \$25,000 increments. The horizontal axis, on the bottom of the page, consists of the years 1983 through 2002 in one year increments. Within the graph are three lines. The first line represents GAM Stockholder Return. The second line represents GAM Net Asset Value, and the third line represents the S&P 500 Stock Index. The data points for the lines are derived from the columns labeled "Cumulative Investment" from the table on the preceding page. Also, embedded in upper left portion of the graph is a table which appears as follows:]

COMPARATIVE ANNUALIZED INVESTMENT RESULTS

| YEARS ENDED DECEMBER 31, 2002 | STOCKHOLDER RETURN | GAM NET ASSET VALUE | S&P 500 STOCK INDEX |
|----------------------------------|-----------------------|------------------------|------------------------|
| 1 year | -27.2 % | -23.0 % | -22.1 % |
| 5 years | 10.6 | 10.5 | -0.6 |
| 10 years | 10.2 | 11.9 | 9.3 |
| 15 years | 17.0 | 15.7 | 11.4 |
| 20 years | 13.8 | 14.7 | 12.7 |

6 MAJOR STOCK CHANGES*: THREE MONTHS ENDED DECEMBER 31, 2002 (UNAUDITED)

 General American Investors

| INCREASES | SHARES OR PRINCIPAL AMOUNT | SHARES OR PRINCIPAL AMOUNT HELD DECEMBER 31, 2002 |
|-----------|-------------------------------|--|
| ----- | | |

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NEW POSITIONS

| | | |
|-------------------------------------|--------------|------------------|
| CIENA Corporation | - | 550,000 (a) |
| El Paso Corporation | | |
| 0% Convertible Notes Due 2/28/21 | - | \$ 5,000,000 (a) |
| Lucent Technologies Inc. | - | 712,500 (a) |
| MedImmune Vaccines, Inc. | | |
| 5 1/4% Convertible Notes Due 2/1/08 | \$10,000,000 | \$10,000,000 |

ADDITIONS

| | | |
|------------------------------------|---------|---------|
| American International Group, Inc. | 70,000 | 345,000 |
| Cisco Systems, Inc. | 245,000 | 900,000 |
| Costco Wholesale Corporation | 25,000 | 700,000 |
| Health Net, Inc. | 75,000 | 550,000 |
| MetLife Inc. | 15,000 | 440,000 |
| Transatlantic Holdings, Inc. | 5,000 | 230,000 |

DECREASES

ELIMINATIONS

| | | |
|------------------|---------|---|
| AmerUs Group Co. | 108,000 | - |
|------------------|---------|---|

REDUCTIONS

| | | |
|--|---------|-----------|
| Brooks-PRI Automation, Inc. | 168,500 | 168,500 |
| Cox Communications, Inc. Class A | 155,000 | 620,000 |
| El Paso Corporation | 425,000 | 750,000 |
| Everest Re Group, Ltd. | 25,000 | 675,000 |
| Ford Motor Company | 540,000 | 225,000 |
| Golden West Financial Corporation | 40,000 | 425,000 |
| Halliburton Company | 450,000 | 850,000 |
| The Home Depot, Inc. | 100,000 | 1,945,000 |
| M&T Bank Corporation | 15,000 | 320,000 |
| MedImmune, Inc. | 25,000 | 239,000 |
| Millennium Pharmaceuticals, Inc. | 20,000 | 120,000 |
| PartnerRe Ltd. | 5,000 | 525,000 |
| Reinsurance Group of America, Incorporated | 55,000 | 490,000 |
| SunTrust Banks, Inc. | 5,000 | 230,000 |
| The TJX Companies, Inc. | 225,000 | 2,425,000 |

* Excludes transactions in Stocks-Miscellaneous-Other.

(a) Securities purchased in prior period and previously carried under Stocks-Miscellaneous-Other.

DIVIDENDS PER COMMON SHARE (1983-2002) (UNAUDITED)

The following table shows aggregate dividends paid per share on the Company's Common Stock for each year during the 20-year period 1983-2002. Amounts shown include payments made after year-end attributable to income and gain in each respective year.

DIVIDEND FROM

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| YEAR | INCOME# | LONG-TERM CAPITAL GAINS |
|------|---------|----------------------------|
| 1983 | \$.67 | \$2.38 |
| 1984 | .28 | 1.35 |
| 1985 | .47 | 1.07 |
| 1986 | .36 | 2.15 |
| 1987 | .35 | 1.54 |
| 1988 | .29 | 1.69 |
| 1989 | .23 | 1.56 |
| 1990 | .21 | 1.65 |
| 1991 | .09 | 3.07 |
| 1992 | .03 | 2.93 |
| 1993 | .06 | 2.34 |
| 1994 | .06 | 1.59 |
| 1995 | .13 | 2.77 |
| 1996 | .25 | 2.71 |
| 1997 | .21 | 2.95 |
| 1998 | .47 | 4.40 |
| 1999 | 1.04 | 4.05 |
| 2000 | 2.03 | 6.16 |
| 2001 | 1.01 | 1.37 |
| 2002 | .03 | .33 |

#Includes short-term capital gains per share which amounted to \$.28 in 1983, \$.12 in 1985, \$.02 in 1989, \$.03 in 1995, \$.05 in 1996, \$.62 in 1999, \$1.55 in 2000 and \$.64 in 2001.

7 TEN LARGEST INVESTMENT HOLDINGS (UNAUDITED)

General American Investors

The statement of investments as of December 31, 2002, shown on pages 10 and 11 includes 54 security issues. Listed here are the ten largest holdings on that date.

| | SHARES | VALUE |
|--|-----------|--------------|
| THE TJX COMPANIES, INC. Through its T.J. Maxx and Marshalls divisions, TJX is a leading off-price retailer. The continued growth of these divisions, along with expansion into related U.S. and foreign off-price formats, provide ongoing opportunities. | 2,425,000 | \$47,336,000 |
| THE HOME DEPOT, INC. The largest company in home center retailing, Home Depot's proven merchandising capabilities and strong financial structure should provide the basis for continuing growth. | 1,945,000 | 46,602,200 |
| EVEREST RE GROUP, LTD. The largest independent U.S. property/casualty reinsurer which | 675,000 | 37,327,500 |

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generates annual premiums of approximately \$2.5 billion and has a high quality, well-reserved AA balance sheet. This Bermuda domiciled company has a strong management team that exercises prudent underwriting discipline and efficient expense control, resulting in above-average earnings progress.

| | | |
|--|------------------|-------------------|
| <p>PFIZER INC</p> <p>Well established as a leader in the pharmaceutical industry, Pfizer continues to reap the benefits of its commitment to research and development and its ability to effectively market products. The recent launch of new products serving large markets and development of a pipeline rich with many promising drug candidates position Pfizer for strong long-term results.</p> | <p>1,025,000</p> | <p>31,334,250</p> |
| <hr/> | | |
| <p>GOLDEN WEST FINANCIAL CORPORATION</p> <p>A savings and loan holding company with \$60 billion in assets headquartered in Oakland, CA. It has a strong, conservative management with a high level of insider ownership. Excellent asset quality, tight expense control and efficient capital management help produce above-average earnings increases.</p> | <p>425,000</p> | <p>30,519,250</p> |
| <hr/> | | |
| <p>WAL-MART STORES, INC.</p> <p>A policy of serving the mass market with everyday low prices, supported by the lowest cost structure has made Wal-Mart the world's largest retailer with ongoing growth opportunities in the U.S. and overseas.</p> | <p>570,000</p> | <p>28,790,700</p> |
| <hr/> | | |
| <p>PARTNERRE LTD.</p> <p>A leading global Bermuda-based multi-line reinsurer that generates annual premiums of approximately \$2.5 billion and has a well-capitalized and conservatively reserved AA balance sheet. PartnerRe has a deep and talented staff and is well positioned to benefit from the current strong industry pricing cycle.</p> | <p>525,000</p> | <p>27,205,500</p> |
| <hr/> | | |
| <p>M & T BANK CORPORATION</p> <p>A bank holding company with over \$30 billion in assets headquartered in Buffalo, NY. It has strong, opportunistic management with a high level of ownership and a history of enhancing shareholder value. High asset quality, excellent expense control, share repurchases and adroit acquisitions help generate above-average earnings growth.</p> | <p>320,000</p> | <p>25,392,000</p> |
| <hr/> | | |
| <p>BERKSHIRE HATHAWAY INC. CLASS A</p> <p>A holding company engaged in diverse businesses, the most important of which is the property and casualty insurance business which is conducted through subsidiaries, including GEICO - a major U.S. auto insurer - and General Re Corp. - a significant global reinsurer.</p> | <p>300</p> | <p>21,825,000</p> |
| <hr/> | | |
| <p>GENENTECH, INC.</p> <p>A leading biotechnology company focused on the development and production of biotherapeutics for medical needs. With a strong product portfolio and a broad pipeline of product</p> | <p>650,000</p> | <p>21,554,000</p> |

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opportunities, Genentech is positioned for continued success.

\$317,886,400
=====

*Net assets applicable to the Company's Common Stock.

8 STATEMENT OF ASSETS AND LIABILITIES

General American Investors

| | DECEMBER 31, | |
|--|---------------|-------------|
| ASSETS | 2002 | 2001 |
| ----- | | |
| INVESTMENTS, AT VALUE (NOTE 1a) | | |
| Common stocks | | |
| (cost \$417,614,713 and \$461,130,422, respectively) | \$629,812,240 | \$931,026,3 |
| Convertible corporate notes (cost \$11,464,420) | 11,450,000 | |
| Corporate discount notes | | |
| (cost \$222,859,450 and \$310,348,410, respectively) | 222,859,450 | 310,348,4 |
| U.S. Treasury bills (cost \$98,645,315) | 98,645,315 | |
| | ----- | ----- |
| Total investments (cost \$750,583,898 and \$771,478,832, respectively) | 962,767,005 | 1,241,374,7 |
| CASH, RECEIVABLES AND OTHER ASSETS | | |
| Cash (including margin account balance of \$3,455 and \$20,966, respectively) | 68,413 | 40,9 |
| Receivable for securities sold | 1,394,958 | 2,827,7 |
| Receivable from broker for proceeds on securities sold short | 5,710,669 | 23,334,4 |
| Dividends, interest and other receivables | 1,534,495 | 1,261,8 |
| Prepaid expenses | 6,474,097 | 5,804,0 |
| Other | 455,687 | 513,4 |
| | ----- | ----- |
| TOTAL ASSETS | 978,405,324 | 1,275,157,1 |
| | ----- | ----- |
| LIABILITIES | | |
| | | |
| Payable for securities purchased | 5,905,815 | 1,318,5 |
| Preferred dividend accrued but not yet declared | 240,000 | 240,0 |
| Securities sold short, at value (proceeds \$5,710,669 and \$23,334,454, respectively) (note 1a) | 4,715,171 | 15,758,3 |
| Accrued expenses and other liabilities | 8,352,211 | 10,310,5 |
| | ----- | ----- |
| TOTAL LIABILITIES | 19,213,197 | 27,627,4 |
| | ----- | ----- |
| 7.20% TAX ADVANTAGED CUMULATIVE PREFERRED STOCK - 6,000,000 shares at a liquidation value of \$25 per share (note 2) | 150,000,000 | 150,000,0 |
| | ----- | ----- |
| NET ASSETS APPLICABLE TO COMMON STOCK - | | |

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| | | |
|---|---------------|---------------|
| 30,561,356 and 31,231,563 shares, respectively (note 2) | \$809,192,127 | \$1,097,529,7 |
| | ===== | ===== |
| NET ASSET VALUE PER COMMON SHARE | \$26.48 | \$35. |
| | ===== | ===== |
| NET ASSETS APPLICABLE TO COMMON STOCK | | |
| ----- | | |
| Common Stock, 30,561,356 and 31,231,563 shares at par value, respectively (note 2) | \$30,561,356 | \$31,231,5 |
| Additional paid-in capital (note 2) | 563,250,199 | 579,414,9 |
| Undistributed realized gain on investments (note 2) | 1,089,200 | 9,598,4 |
| Undistributed net income (note 2) | 1,352,767 | 52,7 |
| Unallocated distributions on Preferred Stock | (240,000) | (240,0 |
| Unrealized appreciation on investments and securities sold short (including aggregate gross unrealized appreciation of \$303,127,054 and \$520,141,071, respectively) | 213,178,605 | 477,472,0 |
| | ----- | ----- |
| NET ASSETS APPLICABLE TO COMMON STOCK | \$809,192,127 | \$1,097,529,7 |
| | ===== | ===== |
| (see notes to financial statements) | | |

9 STATEMENT OF OPERATIONS

General American Investors

| | YEAR ENDED DECEMBER 31, | |
|---|-------------------------|-----------|
| INCOME | 2002 | 2001 |
| Dividends (net of foreign withholding taxes of \$21,770 and \$55,790, respectively) | \$8,131,252 | \$7,862,5 |
| Interest | 6,259,873 | 15,201,6 |
| Other income | 459,565 | 541,1 |
| | ----- | ----- |
| TOTAL INCOME | 14,850,690 | 23,605,3 |
| | ----- | ----- |
| EXPENSES | | |
| ----- | | |
| Investment research | 5,353,349 | 7,145,0 |
| Administration and operations | 2,423,028 | 2,656,0 |
| Office space and general | 594,154 | 534,1 |
| Auditing and legal fees | 211,000 | 152,7 |
| Transfer agent, custodian and registrar fees and expenses | 208,974 | 224,8 |
| Directors' fees and expenses | 152,486 | 167,9 |
| Stockholders' meeting and reports | 127,208 | 128,3 |
| Miscellaneous taxes | 82,294 | 83,9 |
| | ----- | ----- |
| TOTAL EXPENSES | 9,152,493 | 11,092,9 |
| | ----- | ----- |
| NET INVESTMENT INCOME | 5,698,197 | 12,512,4 |
| | ===== | ===== |

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

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| | | |
|---|-----------------|-------------|
| Net realized gain on investments: | | |
| Long transactions | 6,036,466 | 52,639,7 |
| Short sale transactions (note 1b) | 11,002,577 | 18,081,0 |
| Net realized gain on investments (long-term, except for \$15,679,190 in 2001) | 17,039,043 | 70,720,8 |
| Net decrease in unrealized appreciation | (264,293,395) | (87,697,4 |
| NET LOSS ON INVESTMENTS | (247,254,352) | (16,976,6 |
| DISTRIBUTIONS TO PREFERRED STOCKHOLDERS | (10,800,000) | (10,800,0 |
| DECREASE IN NET ASSETS RESULTING FROM OPERATIONS | (\$258,054,352) | (\$27,776,6 |

STATEMENT OF CHANGES IN NET ASSETS

| OPERATIONS | YEAR ENDED DECEMBER 31, | |
|--|-------------------------|---------------|
| | 2002 | 2001 |
| Net investment income | \$5,698,197 | \$12,512,4 |
| Net realized gain on investments | 17,039,043 | 70,720,8 |
| Net decrease in unrealized appreciation | (264,293,395) | (87,697,4 |
| Distributions to Preferred Stockholders: | | |
| From net income, including short-term capital gain in 2001 | (3,726,000) | (2,311,2 |
| From long-term capital gain | (7,074,000) | (8,488,8 |
| Decrease In Net Assets From Preferred Distributions | (10,800,000) | (10,800,0 |
| DECREASE IN NET ASSETS RESULTING FROM OPERATIONS | (252,356,155) | (15,264,2 |
| DISTRIBUTIONS TO COMMON STOCKHOLDERS | | |
| From net income, including short-term capital gain | (6,606,164) | (26,369,6 |
| From long-term capital gain | (12,540,285) | (96,274,3 |
| DECREASE IN NET ASSETS FROM COMMON DISTRIBUTIONS | (19,146,449) | (122,644,0 |
| CAPITAL SHARE TRANSACTIONS | | |
| Value of Common Shares issued in payment of dividends (note 2) | 6,410,677 | 81,091,2 |
| Cost of Common Shares purchased (note 2) | (23,245,666) | (692,6 |
| INCREASE (DECREASE) IN NET ASSETS - CAPITAL TRANSACTIONS | (16,834,989) | 80,398,5 |
| NET DECREASE IN NET ASSETS | (288,337,593) | (57,509,7 |
| NET ASSETS APPLICABLE TO COMMON STOCK | | |
| BEGINNING OF YEAR | 1,097,529,720 | 1,155,039,4 |
| END OF YEAR (including undistributed net income of \$1,352,767 and \$52,737, respectively) | \$809,192,127 | \$1,097,529,7 |

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(see notes to financial statements)

10 STATEMENT OF INVESTMENTS: DECEMBER 31, 2002

 General American Investors

COMMON STOCKS

SHARES OR PRINCIPAL AMOUNT

| | | |
|--|---|---------------------|
| AEROSPACE/DEFENSE (2.0%) | 500,000 The Boeing Company | (COST \$15,978,442) |
| ----- | | |
| COMMUNICATIONS AND INFORMATION SERVICES (4.1%) | 550,000 CIENA Corporation (a) 900,000 Cisco Systems, Inc. (a) 620,000 Cox Communications, Inc. Class A (a) 712,500 Lucent Technologies Inc. (a) 180,000 NTL Incorporated (a) | (COST \$35,837,826) |
| ----- | | |
| COMPUTER SOFTWARE AND SYSTEMS (0.2%) | 175,000 Oberthur Card Systems S.A. (a) 339,500 Wind River Systems, Inc. (a) | (COST \$8,061,069) |
| ----- | | |
| CONSUMER PRODUCTS AND SERVICES (2.6%) | 275,000 Ethan Allen Interiors, Inc. 225,000 Ford Motor Company 100,000 Newell Rubbermaid Inc. 150,000 PepsiCo, Inc. | (COST \$15,442,195) |
| ----- | | |
| ELECTRONICS (1.7%) | 692,500 Molex Incorporated Class A | (COST \$14,877,393) |
| ----- | | |
| ENVIRONMENTAL CONTROL (INCLUDING SERVICES) (1.7%) | 589,000 Waste Management, Inc. | (COST \$11,654,199) |
| ----- | | |
| FINANCE AND INSURANCE (29.8%) | 345,000 American International Group, Inc. 500,000 Annaly Mortgage Management, Inc. 1,000,000 Annuity and Life Re (Holdings), Ltd. 300 Berkshire Hathaway Inc. Class A (a) 84,548 Central Securities Corporation 675,000 Everest Re Group, Ltd. 425,000 Golden West Financial Corporation 435,000 John Hancock Financial Services, Inc. 320,000 M&T Bank Corporation 440,000 MetLife, Inc. 525,000 PartnerRe Ltd. | |

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490,000 Reinsurance Group of America, Incorporated
 230,000 SunTrust Banks, Inc.
 230,000 Transatlantic Holdings, Inc.

(COST \$118,978,387)

 HEALTH CARE (13.3%)

PHARMACEUTICALS (9.9%)

340,000 Alkermes, Inc. (a)
 300,000 Bristol-Myers Squibb Company
 270,000 Genaera Corporation (a)
 650,000 Genentech, Inc. (a)
 250,000 IDEC Pharmaceuticals Corporation (a)
 239,000 MedImmune, Inc. (a)
 120,000 Millennium Pharmaceuticals, Inc. (a)
 125,000 OSI Pharmaceuticals, Inc. (a)
 1,025,000 Pfizer Inc

(COST \$71,559,504)

MEDICAL INSTRUMENTS AND DEVICES (1.6%)

290,000 Medtronic, Inc.

(COST \$862,614)

HEALTH CARE SERVICES (1.8%)

550,000 Health Net, Inc. (a)

(COST \$11,165,878)

(COST \$83,587,996)

 MISCELLANEOUS (1.6%)

Other

(COST \$15,813,836)

11 STATEMENT OF INVESTMENTS: DECEMBER 31, 2002 - CONTINUED

General American Investors

COMMON STOCKS (Continued)

SHARES OR PRINCIPAL AMOUNT

OIL AND NATURAL GAS
 (INCLUDING SERVICES)
 (2.6%)

750,000 El Paso Corporation
 850,000 Halliburton Company

(COST \$26,501,884)

 RETAIL TRADE (17.6%)

700,000 Costco Wholesale Corporation (a)
 1,945,000 The Home Depot, Inc. (b)
 2,425,000 The TJX Companies, Inc.
 570,000 Wal-Mart Stores, Inc.

(COST \$48,567,239)

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| | | |
|-----------------------|---|---------------------|
| SEMICONDUCTORS (0.4%) | 168,500 Brooks-PRI Automation, Inc. (a) | |
| | 197,000 EMCORE Corporation (a) | |
| | 1,644,900 IQE plc (a) | |
| | 250,000 Zarlink Semiconductor Inc. (a) | |
| | | (COST \$15,418,120) |

| | | |
|------------------|--|--------------------|
| SPECIAL HOLDINGS | (d) Sequoia Capital IV | |
| (a) (c) | 432,000 Silicon Genesis Corporation Series C Preferred | |
| (NOTE 5) (0.2%) | 546,000 Standard MEMS, Inc. Series A Convertible Preferred | |
| | | (COST \$6,896,127) |

| | |
|-----------------------------|----------------------|
| TOTAL COMMON STOCKS (77.8%) | (COST \$417,614,713) |
|-----------------------------|----------------------|

CONVERTIBLE CORPORATE NOTES

| | | |
|--------------------|---|---------------------|
| HEALTH CARE (1.2%) | \$10,000,000 MedImmune Vaccines, Inc. 5 1/4% due 2/1/08 | |
| OIL AND GAS (0.2%) | \$5,000,000 El Paso Corporation 0% due 2/28/21 | |
| | TOTAL CONVERTIBLE CORPORATE NOTES (1.4%) | (COST \$11,464,420) |

SHORT-TERM SECURITIES AND OTHER ASSETS

PRINCIPAL AMOUNT

| | |
|--------------|--|
| \$26,300,000 | AIG Funding, Inc. notes due 1/14-1/22/03; 1.26%-1.30% |
| 42,000,000 | American Express Credit Corporation notes due 1/7-2/10/03; 1.29%-1.32% |
| 12,000,000 | American General Finance Corporation note due 2/4/03; 1.31% |
| 18,000,000 | Ford Motor Credit Company notes due 1/2-2/11/03; 1.90%-1.93% |
| 61,800,000 | General Electric Capital Corp. notes due 1/9-1/28/03; 1.33%-1.36% |
| 43,100,000 | General Motors Acceptance Corp. notes due 1/6-2/3/03; 1.87%-1.95% |
| 20,100,000 | Sears Roebuck Acceptance Corp. notes due 1/21-2/6/03; 1.98% |
| 99,000,000 | U.S. Treasury bills due 1/23-2/13/03; 1.19%-1.65% |

| | |
|-------------------------------------|----------------------|
| TOTAL SHORT-TERM SECURITIES (39.7%) | (COST \$321,504,765) |
|-------------------------------------|----------------------|

Liabilities in excess of cash, receivables and other assets

TOTAL SHORT-TERM SECURITIES AND OTHER ASSETS, NET (39.3%)

PREFERRED STOCK (-18.5%)

NET ASSETS APPLICABLE TO COMMON STOCK (100%)

- (a) Non-income producing security.
- (b) 1,000,000 shares held by custodian in a segregated custodian account as collateral for open short positions.
- (c) Restricted security.
- (d) A limited partnership interest.
- (e) Fair value of each holding in the opinion of the Directors.

STATEMENT OF SECURITIES SOLD SHORT: DECEMBER 31, 2002

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General American Investors

COMMON STOCKS

SHARES

75,000 Electronic Arts Inc.
34,100 Southwest Bancorporation of Texas, Inc.

TOTAL SECURITIES SOLD SHORT

(PROCEEDS \$5,710,669)

(see notes to financial statements)

12 NOTES TO FINANCIAL STATEMENTS

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 securities exchanges or on the NASDAQ National Market System are valued at the last reported sales price on the last business day of the period. 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 open short positions) on the valuation date. Corporate discount notes and U.S. Treasury bills are valued at amortized cost, which approximates market value. Special holdings are valued at fair value in the opinion of the Directors. In determining fair value, in the case of restricted shares, consideration is given to cost, operating and other financial data and, where applicable, subsequent private offerings or market price of the issuer's unrestricted shares (to which a 30 percent discount is applied); for limited partnership interests, fair value is based upon an evaluation of the partnership's net assets.

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 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. 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

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provision for Federal income taxes is required.

d. 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 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, of which 30,561,356 shares and 31,231,563 shares were outstanding as of December 31, 2002 and 2001, respectively, and 10,000,000 shares of Preferred Stock, \$1.00 par value, of which 6,000,000 shares were outstanding at each date.

On June 19, 1998, the Company issued and sold 6,000,000 shares of its 7.20% Tax-Advantaged Cumulative Preferred Stock. 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 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 Service, Inc. The Company has met these requirements since the issuance of the Preferred Stock.

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.

Effective January 1, 2001, the Company adopted the classification requirement of EITF D-98, Classification and Measurement of Redeemable Securities. EITF D-98 requires 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. In adopting EITF D-98, the Company's net assets as of January 1, 2001 in the statement of changes in net assets is restated by excluding preferred stock valued at \$150,000,000 at that date. The

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adoption also resulted in distributions to preferred stockholders being reclassified from distributions on the statement of changes in net assets to a separate line item within the statement of operations. This resulted in an increase of \$10,800,000 in the net decrease in net assets resulting from operations for the periods ended December 31, 2002 and 2001. As part of the adoption, per share distributions on preferred stock were reclassified from distributions to amounts from investment operations for each period presented in the financial highlights.

13 NOTES TO FINANCIAL STATEMENTS - continued

General American Investors

2. CAPITAL STOCK AND DIVIDEND DISTRIBUTIONS (Continued from bottom of previous page) Transactions in Common Stock during 2002 and 2001 were as follows:

| | SHARES | | AMOUNT | |
|---|---------|-----------|----------------|-----------|
| | 2002 | 2001 | 2002 | 2001 |
| Shares issued in payment of dividends (includes 251,893 and 28,400 shares issued from treasury, respectively) | 251,893 | 2,310,019 | \$ 251,893 | \$ 2,310, |
| Increase in paid-in capital | | | 6,158,784 | 78,781, |
| | | | ----- | ----- |
| Total increase | | | 6,410,677 | 81,091, |
| | | | ----- | ----- |
| Shares purchased (at an average discount from net asset value of 9.1% and 9.0%, respectively) | 922,100 | 19,000 | (922,100) | (19, |
| Decrease in paid-in capital | | | (22,323,566) | (673, |
| | | | ----- | ----- |
| Total decrease | | | (23,245,666) | (692, |
| | | | ----- | ----- |
| Net increase (decrease) | | | (\$16,834,989) | \$80,398, |
| | | | ===== | ===== |

At December 31, 2002, the Company held in its treasury 670,207 shares of Common Stock with an aggregate cost in the amount of \$16,277,373.

Distributions for tax and book purposes are substantially the same. Distributions in excess of net income for financial statement purposes result primarily from transactions where tax treatment differs from book treatment.

As of December 31, 2002, the components of distributable earnings on a tax basis were as follows:

| | |
|-------------------------------|---------------|
| Undistributed ordinary income | \$233,239 |
| Undistributed long-term gain | 865,252 |
| Unrealized appreciation | 213,178,605 |
| | ----- |
| | \$214,277,096 |
| | ===== |

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3. OFFICERS' COMPENSATION AND RETIREMENT AND THRIFT PLANS

The aggregate compensation paid by the Company during 2002 and 2001 to its officers amounted to \$4,419,000 and \$5,334,000, respectively.

The Company has non-contributory retirement plans and a contributory thrift plan which cover substantially all employees. The costs to the Company and the assets and liabilities of the plans are not material. Costs of the plans are funded currently.

4. PURCHASES AND SALES OF SECURITIES

Purchases and sales of securities and securities sold short (other than short-term securities) during 2002 amounted to on long transactions \$164,794,270 and \$202,882,025, respectively, and on short sale transactions \$20,128,265 and \$13,507,057, respectively.

At December 31, 2002, the cost of investments for Federal income tax purposes was the same as the cost for financial reporting purposes.

5. RESTRICTED SECURITIES

| | DATE ACQUIRED | COST | VALUE (NOTE 1a) |
|--|------------------|-------------|--------------------|
| Sequoia Capital IV* | 1/31/84 | \$886,407 | \$2,500 |
| Silicon Genesis Corporation Series C Preferred | 2/16/01 | 3,006,720 | 1,503,360 |
| Standard MEMS, Inc. Series A Convertible Preferred | 12/17/99 | 3,003,000 | - |
| Total | | \$6,896,127 | \$1,505,860 |
| | | ===== | ===== |

* The amounts shown are net of distributions from this limited partnership interest which, in the aggregate, amounted to \$4,806,404. The initial investment in the limited partnership was \$2,000,000.

6. 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 \$315,000 for 2002. Minimum rental commitments under the operating lease are approximately \$504,000 per annum in 2003 through 2007.

In March 1996, the Company entered into a sublease agreement which expires in 2003 and provides for future rental receipts. Minimum rental receipts under the sublease are approximately \$64,000 in 2003. The Company will also receive its proportionate share of operating expenses and real property taxes under the sublease.

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7. SUBSEQUENT EVENT On January 15, 2003, the Board of Directors declared on the Common Stock a dividend of \$915,098 from net long-term capital gains and a dividend of \$305,032 from ordinary income. These dividends are payable in cash on February 10, 2003.

Unaudited

In addition to purchases of the Company's Common Stock as set forth in Note 2 above, 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.

14 FINANCIAL HIGHLIGHTS

General American Investors

The following table shows per share operating performance data, total investment return, ratios and supplemental data for each year in the five-year period ended December 31, 2002. This information has been derived from information contained in the financial statements and market price data for the Company's shares.

| | 2002 | 2001 | 2000 | 1999 | |
|---|-----------|-----------|------------|-----------|----|
| | ----- | ----- | ----- | ----- | |
| PER SHARE OPERATING PERFORMANCE | | | | | |
| Net asset value, beginning of year | \$ 35.14 | \$ 39.91 | \$ 41.74 | \$ 34.87 | \$ |
| | ----- | ----- | ----- | ----- | |
| Net investment income | .19 | .41 | .53 | .45 | |
| Net gain (loss) on securities - realized and unrealized | (7.88) | (.66) | 6.12 | 11.32 | |
| | ----- | ----- | ----- | ----- | |
| Distributions on Preferred Stock: | | | | | |
| Dividends from investment income | (.12) | (.07) (a) | (.11) (b) | (.07) (c) | |
| Distributions from capital gains | (.23) | (.29) | (.29) | (.35) | |
| Unallocated | - | - | - | - | |
| | ----- | ----- | ----- | ----- | |
| | (.35) | (.36) | (.40) | (.42) | |
| | ----- | ----- | ----- | ----- | |
| Total from investment operations | (8.04) | (.61) | 6.25 | 11.35 | |
| | ----- | ----- | ----- | ----- | |
| Less distributions on Common Stock: | | | | | |
| Dividends from investment income | (.21) (d) | (.88) (e) | (2.30) (f) | (.71) (g) | |
| Distributions from capital gains | (.41) | (3.28) | (5.78) | (3.77) | |
| | ----- | ----- | ----- | ----- | |
| | (.62) | (4.16) | (8.08) | (4.48) | |
| | ----- | ----- | ----- | ----- | |
| Capital Stock transaction - effect of Preferred Stock offering | - | - | - | - | |
| | ----- | ----- | ----- | ----- | |
| Net asset value, end of year | \$26.48 | \$35.14 | \$ 39.91 | \$ 41.74 | \$ |
| | ===== | ===== | ===== | ===== | |
| Per share market value, end of year | \$23.85 | \$33.47 | \$ 36.00 | \$ 37.19 | \$ |

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| | ===== | ===== | ===== | ===== | ===== |
|--|-----------|-------------|-------------|-------------|-------|
| TOTAL INVESTMENT RETURN - Stockholder | | | | | |
| Return, based on market price per share | (27.21)% | 4.33% | 19.10% | 39.22% | |
| RATIOS AND SUPPLEMENTAL DATA | | | | | |
| Net assets attributable to Common Stock, end of year (000's omitted) | \$809,192 | \$1,097,530 | \$1,155,039 | \$1,094,519 | \$8 |
| Ratio of expenses to average net assets applicable to Common Stock | 0.97% | 1.02% | 1.09% | 1.01% | |
| Ratio of net income to average net assets applicable to Common Stock | 0.61% | 1.15% | 1.24% | 1.23% | |
| Portfolio turnover rate | 22.67% | 23.81% | 40.61% | 33.68% | |
| PREFERRED STOCK | | | | | |
| Liquidation value, end of year (000's omitted) | \$150,000 | \$150,000 | \$150,000 | \$150,000 | \$1 |
| Asset coverage | 639% | 832% | 870% | 830% | |
| Liquidation preference per share | \$25.00 | \$25.00 | \$25.00 | \$25.00 | |
| Market value per share | \$25.85 | \$25.90 | \$24.25 | \$21.75 | |

- (a) Includes short-term capital gain in the amount of \$.04 per share.
- (b) Includes short-term capital gain in the amount of \$.09 per share.
- (c) Includes short-term capital gain in the amount of \$.03 per share.
- (d) Includes short-term capital gain in the amount of \$.19 per share.
- (e) Includes short-term capital gain in the amount of \$.51 per share.
- (f) Includes short-term capital gain in the amount of \$1.82 per share.
- (g) Includes short-term capital gain in the amount of \$.29 per share.

15 REPORT OF INDEPENDENT AUDITORS

 General American Investors

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF GENERAL AMERICAN INVESTORS COMPANY, INC.

We have audited the accompanying statement of assets and liabilities, including the statements of investments and securities sold short, of General American Investors Company, Inc. as of December 31, 2002, and the related statements of operations and changes in net assets for each of the two years in the period then ended, and financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 2002, by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial

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statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of General American Investors Company, Inc. at December 31, 2002, the results of its operations and the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

New York, New York
January 14, 2003

OFFICERS

| NAME (AGE) EMPLOYEE SINCE | POSITION WITH COMPANY SINCE | NAME (AGE) EMPLOYEE SINCE | POSITION WITH COMPANY SINCE |
|--|---|-----------------------------------|--|
| Spencer Davidson (60) 1994 | President and Chief Executive Officer 1995 | Peter P. Donnelly (54) 1974 | Vice-President securities trading |
| Andrew V. Vindigni (43) 1988 | Vice-President 1995 security analyst (financial services industry) | Diane G. Radosti (50) 1980 | Treasurer 1990 corporate accounting and financial |
| Eugene L. DeStaebler, Jr. (64) 1975 | Vice-President, Administration 1978 Principal Financial Officer 2002 | Carole Anne Clementi (56) 1982 | Secretary 1994 shareholder relations and office management |

All officers serve for a term of one year and are elected by the board of directors at the time of its annual organization meeting on the second Wednesday in April. The address for each officer is the Company's office. Other directorships and affiliations for Mr. Davidson are shown in the listing of Directors on page 16.

SERVICE ORGANIZATIONS

COUNSEL

Sullivan & Cromwell LLP

INDEPENDENT AUDITORS

Ernst & Young LLP

CUSTODIAN

Deutsche Bank Trust Company Americas

TRANSFER AGENT AND REGISTRAR

Mellon Investor Services LLC
P.O. Box 3315 South Hackensack, NJ 07606-1915
1-800-413-5499
www.mellon-investor.com

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16 DIRECTORS (UNAUDITED)

 General American Investors

| NAME (AGE) DIRECTOR SINCE | PRINCIPAL OCCUPATION DURING PAST 5 YEARS | OTHER DIRECTORSHIPS AND |
|------------------------------|---|-------------------------|
| ----- | ----- | ----- |

INDEPENDENT ("DISINTERESTED") DIRECTORS

| | | |
|--|--|---|
| Lawrence B. Bittenwieser (71) Chairman of the Board of Directors 1967 | Counsel 2002-present Partner 1966-2002 Katten Muchin Zavis Rosenman and predecessor firms (lawyers) | |
| Arthur G. Altschul, Jr. (38) 1995 | Managing Member Diaz & Altschul Capital Management, LLC (investments and securities) | Delta Opportunity Fund, Medicis Pharmaceutical The Overbrook Foundatio |
| Lewis B. Cullman (84) 1961 | President Cullman Ventures LLC (catalogs) | Chess-in-the-Schools, C Metropolitan Museum of Museum of Modern Art, V International Council Neurosciences Research Board of Trustees The New York Botanical Chairman, Board of Ma |
| Gerald M. Edelman (73) 1976 | Member and Chairman of the Department of Neurobiology The Scripps Research Institute | Neurosciences Institute Neurosciences Research Director and Presiden |
| John D. Gordan, III (57) 1986 | Partner Morgan, Lewis & Bockius LLP (lawyers) | |
| Sidney R. Knafel (72) 1994 | Managing Partner SRK Management Company (private investment company) | BioReliance Corporation IGENE Biotechnology, In Insight Communications Chairman, Board of Di |
| Richard R. Pivirotto (72) 1971 | President Richard R. Pivirotto Co., Inc. (self-employed consultant) | General Theological Sem The Gillette Company, D The Greenwich Bank and Greenwich Hospital Corp Immunomedics, Inc., Dir New York Life Insurance Princeton University, C |
| Joseph T. Stewart, Jr. (73) 1987 | Corporate director and trustee | Foundation of the Unive Medicine and Dentistr Marine Biological Labor Advisory Council United States Merchant Board of Advisors |

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Raymond S. Troubh (76)
1989

Financial Consultant

Ariad Pharmaceuticals,
Diamond Offshore Drilling
Enron Corp., Chairman,
Gentiva Health Services
Hercules Incorporated,
Petrie Stores Liquidation
Triarc Companies, Inc.,
WHX Corporation, Director

INSIDE ("INTERESTED") DIRECTOR

Spencer Davidson (60)
1995

President and Chief Executive Officer
General American Investors
Company, Inc. since 1995

Medicis Pharmaceutical
Neurosciences Research

All directors serve for a term of one year and are elected by stockholders at the time of the annual meeting on the second Wednesday in April. The address for each director is the Company's office.

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

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