

GENERAL AMERICAN INVESTORS CO INC  
Form N-CSR  
August 13, 2004

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

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number: 811-00041  
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GENERAL AMERICAN INVESTORS COMPANY, INC.

-----  
(Exact name of registrant as specified in charter)

450 Lexington Avenue, Suite 3300, New York, New York 10017-3911  
-----

(Address of principal executive offices) (Zip code)

Eugene L. DeStaebler, Jr.  
General American Investors Company, Inc.  
450 Lexington Avenue  
Suite 3300  
New York, New York 10017-3911  
(Name and address of agent for service)

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

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

Date of fiscal year end: December 31

Date of reporting period: June 30, 2004

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ITEM 1. REPORTS TO STOCKHOLDERS.  
[N-30D]

GENERAL AMERICAN INVESTORS  
COMPANY, INC.  
SEMI-ANNUAL REPORT  
JUNE 30, 2004

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

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### TO THE STOCKHOLDERS

For the six months ended June 30, 2004, the investment return to our stockholders was 1.7% (assuming reinvestment of all dividends). The net asset value per Common Share increased 2%. By comparison, the rate of return (including income) for our benchmark, the Standard & Poor's 500 Stock Index, was 3.4%. For the twelve months ended June 30, 2004, the return to our stockholders was 12.1% and the return on the net asset value per Common Share was 13.9%; these compare with a return of 19% for the S&P 500. During each period, the discount at which our shares traded increased slightly and at June 30, 2004, it was 10.4%.

As set forth in the accompanying financial statements (unaudited), as of June 30, 2004, the net assets applicable to the Company's Common Stock were \$982,924,500, equal to \$33.65 per Common Share.

The increase in net assets resulting from operations for the six months ended June 30, 2004 was \$17,435,102. During this period, the net realized gain on securities sold was \$13,036,174 and the increase in unrealized appreciation was \$7,846,728. Net investment income for the six months was \$2,502,200 and distributions to Preferred Stockholders amounted to \$5,950,000.

During the six months, 577,300 shares of the Company's Common Stock were repurchased for \$17,581,159 at an average discount from net asset value of 9.7%.

Equity markets continue to trade in a narrow range despite healthy economic growth and robust corporate profits. Progress appears to be constrained by the prospect of a less accommodating Federal Reserve and rising interest rates. Further reductions in portfolio cash reflect increased investment in equities centered, in the main, on natural resources.

We are pleased to report that, on July 14, 2004, Ms. D. Ellen Shuman was elected to the Board of Directors. She is Vice President and Chief Investment Officer of Carnegie Corporation of New York and serves as a director or trustee of a public company and several educational organizations. Ms. Shuman's familiarity with the investment management process and knowledge of the securities regulatory environment will be of great value in the deliberations of our Board.

We are pleased to announce the Investors Choice Plan, a direct stock purchase and sale plan sponsored and administered by our new transfer agent, American Stock Transfer & Trust Company (AST). Under the Plan, Stockholders and first time buyers will have the opportunity to purchase and sell shares of the Company's Common Stock directly through AST. In addition, the Plan allows participants to deposit their GAM Common Stock certificates for safekeeping or sale. A booklet describing the provisions of the Investors Choice Plan, including transaction fees and other expenses, can be obtained by calling AST at 1-800-413-5499, calling the Company at 1-800-436-8401 or visiting our website shown below - click on Dividends & Reports then Report Downloads.

The information about the Company, including our investment objective, operating policies and procedures, investment results, record of dividend payments, financial reports and press releases, contained at our website has been updated through June 30, 2004. 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

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President and Chief Executive Officer

July 14, 2004

## 2 STATEMENT OF ASSETS AND LIABILITIES June 30, 2004 (Unaudited)

### General American Investors

#### ASSETS

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

|  |  |      |
|--|--|------|
| Common stocks (cost \$620,077,014)             |  | \$1, |
| Convertible corporate note (cost \$10,704,985) |  |      |
| Corporate discount notes (cost \$135,052,635)  |  |      |
| Total investments (cost \$765,834,634)         |  | 1,   |

##### CASH, RECEIVABLES AND OTHER ASSETS

|   |           |  |
|---|-----------|--|
| Cash  | \$52,039  |  |
| Deposit with broker for securities sold short | 1,501,230 |  |
| Dividends, interest and other receivables     | 1,009,149 |  |
| Prepaid expenses                              | 7,244,234 |  |
| Other   | 302,720   |  |
|   |           |  |

##### TOTAL ASSETS

##### LIABILITIES

|  |           |  |
|--|-----------|--|
| Payable for securities purchased                                 | 5,173,362 |  |
| Preferred dividend accrued but not yet declared                  | 231,389   |  |
| Securities sold short, at value (proceeds \$1,501,230) (note 1a) | 1,887,000 |  |
| Accrued expenses and other liabilities                           | 7,608,288 |  |
|  |           |  |

##### 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 - 29,211,963 shares (note 2)

##### NET ASSET VALUE PER COMMON SHARE

##### NET ASSETS APPLICABLE TO COMMON STOCK

|   |              |  |
|---|--------------|--|
| Common Stock, 29,211,963 shares at par value (note 2)   | \$29,211,963 |  |
| Additional paid-in capital (note 2)   | 521,862,673  |  |
| Undistributed realized gain on investments  | 13,108,829   |  |
| Undistributed net investment income   | 3,427,661    |  |
| Unallocated distributions on Preferred Stock  | (6,181,389)  |  |
| Unrealized appreciation on investments and securities sold short<br>(including aggregate gross unrealized appreciation of<br>\$467,179,549) | 421,494,763  |  |
|   |              |  |

##### NET ASSETS APPLICABLE TO COMMON STOCK

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(see notes to financial statements)

### 3 STATEMENT OF OPERATIONS Six Months Ended June 30, 2004 (Unaudited)

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General American Investors

#### INCOME

|   |             |
|---|-------------|
| Dividends (net of foreign withholding taxes of \$4,953) | \$6,547,843 |
| Interest  | 1,273,751   |
|   | -----       |

#### EXPENSES

|   |           |
|---|-----------|
| Investment research                                       | 3,367,193 |
| Administration and operations                             | 1,279,082 |
| Office space and general                                  | 263,818   |
| Directors' fees and expenses                              | 98,857    |
| Transfer agent, custodian and registrar fees and expenses | 90,063    |
| Auditing and legal fees                                   | 87,600    |
| Stockholders' meeting and reports                         | 69,437    |
| Miscellaneous taxes                                       | 63,344    |
|   | -----     |

#### NET INVESTMENT INCOME

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

|  |             |
|--|-------------|
| Net realized gain on investments:            |             |
| Long transactions                            | 15,035,762  |
| Short sale transactions (note 1b)            | (1,999,588) |
|  | -----       |
| Net realized gain on investments (long term) | 13,036,174  |
| Net increase in unrealized appreciation      | 7,846,728   |
|  | -----       |

#### NET GAIN ON INVESTMENTS

#### DISTRIBUTIONS TO PREFERRED STOCKHOLDERS

#### INCREASE IN NET ASSETS RESULTING FROM OPERATIONS

(see notes to financial statements)

### 4 STATEMENT OF CHANGES IN NET ASSETS

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General American Investors

Six Months  
Ended  
June 30, 2004  
(Unaudited)  
-----

#### OPERATIONS

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|  |                |
|--|----------------|
| Net investment income  | \$2,502,200    |
| Net realized gain on investments   | 13,036,174     |
| Net increase in unrealized appreciation  | 7,846,728      |
|  | -----          |
| Distributions to Preferred Stockholders:   |                |
| From net income  | -              |
| From long-term capital gains   | -              |
| Unallocated distributions on Preferred Stock   | (5,950,000)    |
|  | -----          |
| Decrease in net assets from Preferred distributions  | (5,950,000)    |
|  | -----          |
| <br>INCREASE IN NET ASSETS RESULTING FROM OPERATIONS   | <br>17,435,102 |
|  | -----          |
| DISTRIBUTIONS TO COMMON STOCKHOLDERS   |                |
|  | -----          |
| From net income  | (385,811)      |
| From long-term capital gains   | (2,878,743)    |
|  | -----          |
| DECREASE IN NET ASSETS FROM COMMON DISTRIBUTIONS   | (3,264,554)    |
|  | -----          |
| CAPITAL SHARE TRANSACTIONS   |                |
|  | -----          |
| Value of Common Shares issued in payment of dividends (note 2)   | -              |
| Cost of Common Shares purchased (note 2)   | (17,581,159)   |
| Underwriting discount and other expenses associated with the issuance of Preferred Stock (note 2)          | -              |
|  | -----          |
| DECREASE IN NET ASSETS - CAPITAL TRANSACTIONS  | (17,581,159)   |
|  | -----          |
| NET INCREASE (DECREASE) IN NET ASSETS  | (3,410,611)    |
|  | -----          |
| NET ASSETS APPLICABLE TO COMMON STOCK  |                |
|  | -----          |
| BEGINNING OF PERIOD  | 986,335,111    |
|  | -----          |
| END OF PERIOD (including undistributed net investment income of \$3,427,661 and \$1,311,272, respectively) | \$982,924,500  |
|  | =====          |
|  | =====          |
| (see notes to financial statements)  |                |

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### FINANCIAL HIGHLIGHTS

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General American Investors

The following table shows per share operating performance data, total investment return, ratios and supplemental data for the six months ended June 30, 2004 and for each year in the five-year period ended December 31, 2003. This information has been derived from information contained in the financial statements and market price data for the Company's shares.

| Six Months<br>Ended<br>June 30, 2004<br>(Unaudited) | -----<br>2003 | 2002 | 2001 | -----<br>Year Ended December<br>2000 |
|---|---------------|------|------|--------------------------------------|
|---|---------------|------|------|--------------------------------------|

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PER SHARE OPERATING PERFORMANCE

|   |           |           |           |             |             |
|---|-----------|-----------|-----------|-------------|-------------|
| Net asset value, beginning of period  | \$33.11   | \$26.48   | \$35.14   | \$39.91     | \$41.00     |
| Net investment income   | .09       | .03       | .19       | .41         | .65         |
| Net gain (loss) on securities - realized and unrealized                       | .76       | 7.72      | (7.88)    | (.66)       | 6.00        |
| Distributions on Preferred Stock:   |           |           |           |             |             |
| Dividends from investment income  | -         | (.01)     | (.12)     | (.07) (a)   | (.00)       |
| Distributions from capital gains  | -         | (.35)     | (.23)     | (.29)       | (.00)       |
| Unallocated   | (.20)     | -         | -         | -           | (.00)       |
|   | (.20)     | (.36)     | (.35)     | (.36)       | (.00)       |
| Total from investment operations  | .65       | 7.39      | (8.04)    | (.61)       | 6.00        |
| Less distributions on Common Stock:   |           |           |           |             |             |
| Dividends from investment income  | (.01)     | (.02)     | (.21) (d) | (.88) (e)   | (2.00)      |
| Distributions from capital gains  | (.10)     | (.52)     | (.41)     | (3.28)      | (5.00)      |
|   | (.11)     | (.54)     | (.62)     | (4.16)      | (8.00)      |
| Capital Stock transaction - effect of Preferred Stock offering                | -         | (.22)     | -         | -           | (.00)       |
| Net asset value, end of period  | \$33.65   | \$33.11   | \$26.48   | \$35.14     | \$39.91     |
| Per share market value, end of period   | \$30.14   | \$29.73   | \$23.85   | \$33.47     | \$36.00     |
| TOTAL INVESTMENT RETURN - Stockholder Return, based on market price per share | 1.74%*    | 27.01%    | (27.21)%  | 4.33%       | 19.00%      |
| RATIOS AND SUPPLEMENTAL DATA  |           |           |           |             |             |
| Net assets applicable to Common Stock, end of period (000's omitted)          | \$982,925 | \$986,335 | \$809,192 | \$1,097,530 | \$1,155,000 |
| Ratio of expenses to average net assets applicable to Common Stock            | 0.54%*    | 1.23%     | 0.92%     | 0.97%       | 1.00%       |
| Ratio of net income to average net assets applicable to Common Stock          | 0.25%*    | 0.13%     | 0.61%     | 1.15%       | 1.00%       |
| Portfolio turnover rate   | 7.74%*    | 18.62%    | 22.67%    | 23.81%      | 40.00%      |
| PREFERRED STOCK   |           |           |           |             |             |
| Liquidation value, end of period (000's omitted)                              | \$200,000 | \$200,000 | \$150,000 | \$150,000   | \$150,000   |
| Asset coverage  | 591%      | 593%      | 639%      | 832%        | 1000%       |
| Liquidation preference per share  | \$25.00   | \$25.00   | \$25.00   | \$25.00     | \$25.00     |
| Market value per share  | \$23.35   | \$25.04   | \$25.85   | \$25.90     | \$24.00     |

(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.

\*Not annualized

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6 STATEMENT OF INVESTMENTS June 30, 2004 (Unaudited)

-----  
 General American Investors

Shares or  
 Principal Amount COMMON STOCKS

-----  
 BUILDING AND REAL ESTATE (1.6%)

550,000 CEMEX, S.A. de C.V. (COST \$13,676,114)

-----  
 COMMUNICATIONS AND INFORMATION SERVICES (5.2%)

550,000 CIENA Corporation (a)  
 900,000 Cisco Systems, Inc. (a)  
 620,000 Cox Communications, Inc. Class A (a)  
 450,000 Juniper Networks, Inc. (a)  
 (COST \$31,949,018)

-----  
 COMPUTER SOFTWARE AND SYSTEMS (6.3%)

300,000 EMC Corporation (a)  
 1,525,000 Microsoft Corporation  
 603,000 NetIQ Corporation (a)  
 350,000 VeriSign, Inc. (a)  
 (COST \$55,150,165)

-----  
 CONSUMER PRODUCTS AND SERVICES (3.8%)

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

-----  
 ELECTRONICS (2.0%)

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

-----  
 ENVIRONMENTAL CONTROL (INCLUDING SERVICES) (3.5%)

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

-----  
 FINANCE AND INSURANCE (30.6%)

-----  
 BANKING (9.5%)

184,000 Bank of America Corporation  
 325,000 Golden West Financial Corporation  
 340,000 M&T Bank Corporation

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205,000 SunTrust Banks, Inc.

(COST \$24,500,041)

INSURANCE (18.8%)

265,000 American International Group, Inc.  
 625,000 Annuity and Life Re (Holdings), Ltd. (a)  
 300 Berkshire Hathaway Inc. Class A (a)  
 650,000 Everest Re Group, Ltd.  
 435,000 MetLife, Inc.  
 175,000 Montpelier Re Holdings Ltd.  
 500,000 PartnerRe Ltd.  
 445,000 Reinsurance Group of America, Incorporated  
 225,000 Transatlantic Holdings, Inc.

(COST \$84,976,740)

OTHER (2.3%)

775,000 Annaly Mortgage Management, Inc.  
 90,184 Central Securities Corporation  
 850,000 MFA Mortgage Investments, Inc.

(COST \$19,609,426)

(COST \$129,086,207)

7 STATEMENT OF INVESTMENTS June 30, 2004 (Unaudited) - continued

General American Investors

Shares or  
 Principal Amount COMMON STOCKS (continued)

HEALTH CARE (17.6%)

PHARMACEUTICALS (15.4%)

340,000 Alkermes, Inc. (a)  
 900,000 Baxter International Inc.  
 250,000 Biogen Idec Inc. (a)  
 300,000 Bristol-Myers Squibb Company  
 75,000 Cytokinetics, Incorporated (a)  
 270,000 Genatera Corporation (a)  
 560,000 Genentech, Inc. (a)  
 375,000 Genta Incorporated (a)  
 455,000 MedImmune, Inc. (a)  
 120,000 Millennium Pharmaceuticals, Inc. (a)  
 1,325,000 Pfizer Inc

(COST \$102,284,040)



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### MEDICAL INSTRUMENTS AND DEVICES (2.2%)

---

450,000 Medtronic, Inc. (COST \$10,483,716)

(COST \$112,767,756)

### MISCELLANEOUS (4.5%)

---

Other (COST \$43,111,330)

### OIL & NATURAL GAS (INCLUDING SERVICES) (9.7%)

---

800,000 Devon Energy Corporation

625,000 Halliburton Company

247,000 Total S.A. ADR

(COST \$70,413,055)

### RETAIL TRADE (19.6%)

---

700,000 Costco Wholesale Corporation

1,920,000 The Home Depot, Inc. (b)

2,500,000 The TJX Companies, Inc.

675,000 Wal-Mart Stores, Inc.

(COST \$68,036,225)

### SEMICONDUCTORS (1.4%)

---

133,000 Applied Materials, Inc. (a)

491,500 Brooks Automation, Inc. (a)

197,000 EMCORE Corporation (a)

1,644,900 IQE plc (a)

(COST \$17,895,774)

### SPECIAL HOLDINGS (a) (c) (NOTE 5) (0.2%)

---

200,000 Cytokinetics, Incorporated

144,000 Silicon Genesis Corporation

546,000 Standard MEMS, Inc. Series A Convertible Preferred

(COST \$8,009,720)

### TOTAL COMMON STOCKS (106.0%)

(COST \$620,077,014)

### CONVERTIBLE CORPORATE NOTE

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### OIL AND GAS (1.1%)

---

\$22,500,000 El Paso Corporation 0% due 2/28/21 (COST \$10,704,985)

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## General American Investors

| Principal<br>Amount                                       | SHORT-TERM SECURITIES AND OTHER ASSETS                                   |
|---|--|
| <hr/>   |  |
| \$28,700,000  | American Express Credit Corporation notes due 7/19-8/5/04; 1.03%-1.13%   |
| 30,050,000  | American General Finance Corporation notes due 7/1-8/12/04; 1.06%-1.25%  |
| 21,500,000  | General Electric Capital Corporation notes due 7/15-7/28/04; 1.10%-1.17% |
| 20,900,000  | General Motors Acceptance Corporation notes due 7/6-7/22/04; 1.25%-1.35% |
| 23,600,000  | Prudential Funding, LLC notes due 7/8-8/9/04; 1.03%-1.22%                |
| 10,500,000  | Sears Roebuck Acceptance Corp. notes due 7/30-8/16/04; 1.19%-1.40%       |
|   | TOTAL SHORT-TERM SECURITIES (13.7%) (COST \$135,052,63)                  |
|   | Liabilities in excess of cash, receivables and other assets              |
| TOTAL SHORT-TERM SECURITIES AND OTHER ASSETS, NET (13.2%) |  |
| PREFERRED STOCK (-20.3%)                                  |  |
| NET ASSETS APPLICABLE TO COMMON STOCK (100%)              |  |

### STATEMENT OF SECURITIES SOLD SHORT JUNE 30, 2004 (Unaudited)

#### General American Investors

| Shares | COMMON STOCKS              |                        |
|--------|----------------------------|------------------------|
| <hr/>  |                            |                        |
| 50,000 | NASDAQ-100 Trust, Series 1 | (PROCEEDS \$1,501,230) |

(see notes to financial statements)

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### NOTES TO FINANCIAL STATEMENTS (Unaudited)

#### General American Investors

#### 1. Significant Accounting Policies

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

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

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Certain prior year financial statement items have been reclassified, from Other Comprehensive Income to a reduction of Expenses and an increase in Net Investment Income, to conform to the current year presentation.

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 or prices 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 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).

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 provision for Federal income taxes is required.

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

e. Other As 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 29,211,963 shares and 8,000,000 shares, respectively, were outstanding at June 30, 2004. 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

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

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

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

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

10 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.)

Transactions in Common Stock during the six months ended June 30, 2004 and the year ended December 31, 2003 were as follows:

|   | SHARES |      | A    |
|---|--------|------|------|
|   | 2004   | 2003 | 2004 |
| Shares issued in payment of dividends (includes 334,507 |        |      |      |

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|  |         |           |                |
|--|---------|-----------|----------------|
| shares issued from treasury)   | -       | 334,507   | -              |
| Increase in paid-in capital  |         |           | -              |
|  |         |           | -----          |
| Total increase   |         |           | -              |
|  |         |           | -----          |
| Shares purchased (at an average discount from net asset value of 9.7% for each period) | 577,300 | 1,106,600 | (\$577,300)    |
| Decrease in paid-in capital  |         |           | (17,003,859)   |
|  |         |           | -----          |
| Total decrease   |         |           | (17,581,159)   |
|  |         |           | -----          |
| Net decrease   |         |           | (\$17,581,159) |
|  |         |           | =====          |

Distributions for tax and book purposes are substantially the same.

At June 30, 2004, the Company held in its treasury 2,019,600 shares of Common Stock with an aggregate cost in the amount of \$46,334,098.

### 3. Officers' Compensation and Retirement and Thrift Plans

The aggregate compensation paid by the Company during the six months ended June 30, 2004 to its officers amounted to \$2,450,500.

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.

### 4. Purchases and Sales of Securities

Purchases and sales of securities (other than short-term securities) for the six months ended June 30, 2004 amounted to on long transactions \$172,341,173 and \$79,084,369, respectively, and, with respect to short sale transactions, purchases for the six months amounted to \$14,182,940.

At June 30, 2004, the cost of investments for Federal income tax purposes was the same as the cost for financial reporting purposes.

### 5. Restricted Securities

|  | Date<br>Acquired | Cost        | Value<br>(note 1a) |
|--|------------------|-------------|--------------------|
|  | -----            | -----       | -----              |
| Cytokinetics, Incorporated                         | 3/21/03          | \$2,000,000 | \$2,079,000        |
| Silicon Genesis Corporation                        | 2/16/01          | 3,006,720   | 36,000             |
| Standard MEMS, Inc. Series A Convertible Preferred | 12/17/99         | 3,003,000   | -                  |
|  |                  | -----       | -----              |
| Total  |                  | \$8,009,720 | \$2,115,000        |
|  |                  | =====       | =====              |

### 6. Operating Lease Commitment

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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 \$149,000 for the six months ended June 30, 2004. Minimum rental commitments under the operating lease are approximately \$505,000 per annum in 2004 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 2004 through 2007. The Company will also receive its proportionate share of operating expenses and real property taxes under the sublease.

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.

### 11 MAJOR STOCK CHANGES\* Three Months Ended June 30, 2004 (Unaudited)

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

| INCREASES   | SHARES      | SHARES OR<br>PRINCIPAL AMOUNT<br>HELD JUNE 30, 2004 |
|---|-------------|---|
| -----   |             |   |
| <b>NEW POSITIONS</b>                                  |             |   |
| Cytokinetics, Incorporated                            | 75,000      | 75,000  |
| Diageo plc  | 50,000      | 350,000 (a)   |
| El Paso Corporation 0% Convertible Notes due 02/28/21 | -           | \$22,500,000 (b)                                    |
| Montpelier Re Holdings Ltd.                           | 75,000      | 175,000 (a)   |
| NetIQ Corporation                                     | 171,000     | 603,000 (a)   |
| <b>ADDITIONS</b>                                      |             |   |
| Bank of America Corporation                           | 84,000 (c)  | 184,000   |
| CEMEX, S.A. de C.V.                                   | 36,500      | 550,000   |
| Devon Energy Corporation                              | 150,000     | 800,000   |
| M & T Bank Corporation                                | 20,000      | 340,000   |
| MFA Mortgage Investments, Inc.                        | 150,000     | 850,000   |
| Molex Incorporated Class A                            | 22,500      | 715,000   |
| Reinsurance Group of America, Incorporated            | 20,000      | 445,000   |
| <b>DECREASES</b>                                      |             |   |
| -----   |             |   |
| <b>ELIMINATIONS</b>                                   |             |   |
| FleetBoston Financial Corporation                     | 150,000 (c) | -   |
| John Hancock Financial Services, Inc.                 | 265,000 (d) | -   |
| Health Net, Inc.                                      | 800,000     | -   |

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Manulife Financial Corporation 225,207 (d) -

### REDUCTIONS

|                                      |         |             |
|--------------------------------------|---------|-------------|
| American International Group, Inc.   | 25,000  | 265,000     |
| Annuity and Life Re (Holdings), Ltd. | 375,000 | 625,000     |
| Genentech, Inc.                      | 10,000  | 560,000 (e) |
| Transatlantic Holdings, Inc.         | 5,000   | 225,000     |

### 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>.

### DIRECTORS

-----  
Lawrence B. Bутtenwieser, 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

### OFFICERS

-----  
Spencer Davidson, President & Chief Executive Officer  
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

### SERVICE COMPANIES

-----  
COUNSEL  
Sullivan & Cromwell LLP

INDEPENDENT AUDITORS  
Ernst & Young LLP

CUSTODIAN  
State Street Bank and

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of  
GENERAL AMERICAN INVESTORS COMPANY, INC.

We have reviewed the accompanying statement of assets and liabilities of General American Investors Company, Inc., including the statements of investments and securities sold short, as of June 30, 2004, and the related statements of operations and changes in net assets and financial highlights for the six-month period ended June 30, 2004. These financial statements and financial highlights are the responsibility of the Company's management.

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

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

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board, the statement of changes in net assets for the year ended December 31, 2003 and financial highlights for each of the five years in the period then ended and in our report, dated January 14, 2004, we expressed an unqualified opinion on such financial statements and financial highlights.

New York, New York  
July 16, 2004

ERNST & YOUNG LLP

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ITEM 2. CODE OF ETHICS.

Not applicable to this semi-annual report.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

Not applicable to this semi-annual report.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Not applicable to this semi-annual report.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.



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Not applicable to this semi-annual report.

### ITEM 6. SCHEDULE OF INVESTMENTS

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

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

General American Investors Company, Inc.

#### PROXY VOTING POLICIES AND PROCEDURES

General American Investors Company, Inc. (the "Company") is uniquely structured as an internally managed closed-end investment company. Our research efforts, including the receipt and analysis of proxy material, are focused on the securities in the Company's portfolio, as well as alternative investment opportunities. We vote proxies relating to our portfolio securities in the best long-term interests of the Company.

Our investment approach stresses fundamental security analysis, which includes an evaluation of the integrity, as well as the effectiveness of management personnel. In proxy material, we review management proposals and management recommendations relating to shareholder proposals in order to, among other things, gain assurance that management's positions are consistent with its integrity and the long-term interests of the company. We generally find this to be the case and, accordingly, give significant weight to the views of management when we vote proxies.

Proposals that may have an impact on the rights or privileges of the securities held by the Company would be reviewed very carefully. The explanation for a negative impact could justify the proposal; however, if such justification were not present, we would vote against a significant reduction in the rights or privileges associated with any of our holdings.

Proposals relating to corporate governance matters are reviewed on a case-by-case basis. When they involve changes in the state of incorporation, mergers or other restructuring, we would, if necessary, complete our review of the rationale for the proposal by contacting company representatives and, with few exceptions, vote in favor of management's recommendations. Proposals relating to anti-takeover provisions, such as staggered boards, poison pills and supermajorities could be more problematic. They would be considered in light of our assessment of the capability of current management, the duration of the proposal, the negative impact it might have on the attractiveness of the company to future "investors," among other factors. We can envision circumstances under which we would vote against an anti-takeover provision.

Generally, we would vote with management on proposals relating to changes to the company's capital structure, including increases and decreases of capital and issuances of preferred stock; however, we would review the facts and circumstances associated with each proposal before finalizing our decision.

Well-structured stock option plans and management compensation programs are essential for companies to attract and retain high caliber management personnel. We generally vote in favor of proposals relating to these issues; however, there could be an occasion on which we viewed such a proposal as over reaching on the part of management or having the potential for excessive dilution when we would vote against the proposal.

Corporations should act in a responsible manner toward their employees, the

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communities in which they are located, the customers they serve and the world at large. We have observed that most stockholder proposals relating to social issues focus on a narrow issue and the corporate position set forth in the proxy material provides a well-considered response demonstrating an appropriate and responsible action or position. Accordingly, we generally support management recommendations on these types of proposals; however, we would consider each proposal on a case-by-case basis.

We take voting proxies of securities held in our portfolio very seriously. As indicated above, it is an integral part of the analytical process at General American Investors. Each proposal and any competing interests are reviewed carefully on a case-by-case basis. Generally, we support and vote in accordance with the recommendations of management; however, the overriding basis for the votes we cast is the best long-term interests of the Company.

Date: July 9, 2003

### ITEM. 8. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS

#### REGISTRANT PURCHASES OF EQUITY SECURITIES

| Period      | (a) Total Number<br>of Shares<br>(or Units) Purchased | (b) Average Price<br>Paid per Share<br>(or Unit) | (c) Total Number of Shares<br>(or Units) Purchased as Part<br>of Publicly Announced<br>Plans or Programs | (d)    |
|-------------|---|--|--|--------|
| 2004        |   |  |  | D<br>t |
| -----       |   |  |  |        |
| 01/01-01/31 | 157800  | 30.2451  | 157800   |        |
| 02/01-02/29 | 71700   | 30.9123  | 71700  |        |
| 03/01-03/31 | 102400  | 30.5413  | 102400   |        |
| 04/01-04/30 | 107000  | 30.8641  | 107000   |        |
| 05/01-05/31 | 71600   | 29.9383  | 71600  |        |
| 06/01-06/30 | 66800   | 30.2187  | 66800  |        |
|             | -----   | -----  | -----  |        |
| Total       | 577300<br>=====                                       |  | 577300<br>=====  |        |

### ITEM 9. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

There have been no material changes to the procedures by which shareholders may recommend nominees to the registrant's board of directors as set forth in the registrant's Proxy Statement, dated March 2, 2004.

### ITEM 10. CONTROLS AND PROCEDURES.

Conclusions of principal officers concerning controls and procedures

(a) As of July 19, 2004, an evaluation was performed under the supervision and with the participation of the officers of General American Investors Company,

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Inc. (the "Registrant"), including the principal executive officer ("PEO") and principal financial officer ("PFO"), to assess the effectiveness of the Registrant's disclosure controls and procedures. Based on that evaluation, the Registrant's officers, including the PEO and PFO, concluded that, as of July 19, 2004, the Registrant's disclosure controls and procedures were reasonably designed so as to ensure: (1) that information required to be disclosed by the Registrant on Form N-CSR is recorded, processed, summarized and reported within the time periods specified by the rules and forms of the Securities and Exchange Commission, and (2) that material information relating to the Registrant is made known to the PEO and PFO as appropriate to allow timely discussions regarding required disclosure.

(b) There have been no significant changes in the Registrant's internal control over financial reporting that occurred during the Registrant's last fiscal half-year (the Registrant's second fiscal half-year in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.

### ITEM 11. EXHIBITS

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

(a) (2) Certifications of the principal executive officer and the principal financial officer pursuant to Rule 30a-2(a) under the Investment Company Act of 1940.

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

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

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### SIGNATURES

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

General American Investors Company, Inc.

By: /s/Eugene L. DeStaebler, Jr.  
Eugene L. DeStaebler, Jr.  
Vice-President, Administration

Date: August 13, 2004

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

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

Date: August 13, 2004

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By: /s/Eugene L. DeStaebler, Jr.  
Eugene L. DeStaebler, Jr.  
Vice-President, Administration  
(Principal Financial Officer)

Date: August 13, 2004