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## TO THE STOCKHOLDERS

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For the six months ended June 30, 2003, the investment return to our stockholders was 15.2% (assuming reinvestment of all dividends). The net asset value per Common Share increased 14%. By comparison, the rate of return (including income) for our benchmark, the Standard & Poor's 500 Stock Index, was 11.8%. For the twelve months ended June 30, 2003, the return to our stockholders was 0.5% and the return on the net asset value per Common Share was 1.7%; these compare with a return of 0.2% for the S&P 500. During each period, the discount at which our shares traded fluctuated moderately and at June 30, 2003, it was 9%.

As set forth in the accompanying financial statements (unaudited), as of June 30, 2003, the net assets applicable to the Company's Common Stock were \$900,995,376, equal to \$30.15 per Common Share.

The increase in net assets resulting from operations for the six months ended June 30, 2003 was \$109,190,824. During this period, the net realized loss on securities sold was \$14,548,958 and the increase in unrealized appreciation was \$128,580,315. Net investment income for the six months was \$559,467 and distributions to preferred stockholders amounted to \$5,400,000.

During the six months, 679,300 shares of the Company's Common Stock were repurchased for \$16,167,444 at an average discount from net asset value of 9.5%.

Our portfolio performed well during the period just ended, reflecting the outsized gains in a number of our core holdings. The reduction and equalization of

the rate of taxation on capital gains and dividends appears to have buoyed investor confidence. The stock market may be anticipating an imminent step-up in the rate of economic activity moreover, resulting from the massive monetary and fiscal stimulus in place beforehand. At current valuations, however, some measure of recovery and consequent growth in earnings may be reflected in the market.

On July 9, 2003, the Board of Directors authorized the redemption on September 23, 2003 of all of the shares of 7.20% Tax-Advantaged Cumulative Preferred Stock then outstanding at the redemption price of \$25.00 per share. In addition, the directors authorized the filing of a registration statement with the U.S. Securities and Exchange Commission for the public offering and sale of shares of a new series of preferred stock. The amount of capital to be raised, the dividend rate and the timing of the offering have not been determined at the present time.

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, 2003. It can be accessed on the Internet at [www.generalamericaninvestors.com](http://www.generalamericaninvestors.com).

By Order of the Board of Directors,

GENERAL AMERICAN INVESTORS COMPANY, INC.

*Spencer Davidson*  
*President and Chief Executive Officer*

July 9, 2003

**STATEMENT OF ASSETS AND LIABILITIES June 30, 2003 (Unaudited)**

*General American Investors*

ASSETS

INVESTMENTS, AT VALUE (NOTE 1a)

|   |  |               |
|---|--|---------------|
| Common stocks (cost \$412,901,894)            |  | \$753,824,719 |
| Convertible corporate note (cost \$9,683,654) |  | 10,400,000    |
| Corporate discount notes (cost \$191,556,642) |  | 191,556,642   |
| U.S. Treasury bills (cost \$95,732,612)       |  | 95,732,612    |
| Total investments (cost \$709,874,802)        |  | 1,051,513,973 |

CASH, RECEIVABLES AND OTHER ASSETS

|  |           |            |
|--|-----------|------------|
| Cash, including margin account balance of \$70,471 | \$126,099 |            |
| Deposit with broker for securities sold short      | 3,898,240 |            |
| Dividends, interest and other receivables          | 1,018,761 |            |
| Prepaid expenses                                   | 6,742,910 |            |
| Other  | 387,668   |            |
|  |           | 12,173,678 |

TOTAL ASSETS

1,063,687,651

LIABILITIES

|  |           |            |
|--|-----------|------------|
| Payable for securities purchased                                 | 1,779,020 |            |
| Preferred dividend accrued but not yet declared                  | 240,000   |            |
| Securities sold short, at value (proceeds \$3,898,240) (note 1a) | 3,778,491 |            |
| Accrued expenses and other liabilities                           | 6,894,764 |            |
|  |           | 12,692,275 |

TOTAL LIABILITIES

12,692,275

7.20% TAX-ADVANTAGED CUMULATIVE PREFERRED STOCK -

|  |  |             |
|--|--|-------------|
| 6,000,000 shares at a liquidation value of \$25 per share (note 2) |  | 150,000,000 |
|--|--|-------------|

NET ASSETS APPLICABLE TO COMMON STOCK - 29,882,056 shares (note 2)

\$900,995,376

NET ASSET VALUE PER COMMON SHARE

\$30.15

NET ASSETS APPLICABLE TO COMMON STOCK

|  |              |               |
|--|--------------|---------------|
| Common Stock, 29,882,056 shares at par value (note 2)  | \$29,882,056 |               |
| Additional paid-in capital (note 2)  | 547,762,055  |               |
| Accumulated realized loss on investments   | (14,374,856) |               |
| Undistributed net income   | 1,607,201    |               |
| Unallocated distributions on Preferred Stock   | (5,640,000)  |               |
| Unrealized appreciation on investments and securities sold short<br>(including aggregate gross unrealized appreciation of \$398,757,748) | 341,758,920  |               |
|  |              | \$900,995,376 |

NET ASSETS APPLICABLE TO COMMON STOCK

\$900,995,376

(see notes to financial statements)

**STATEMENT OF OPERATIONS Six Months Ended June 30, 2003 (Unaudited)**

*General American Investors*

INCOME

|              |                |             |
|--------------|----------------|-------------|
| Dividends    | \$3,186,743    |             |
| Interest     | 2,307,064      |             |
| Other income | <u>141,844</u> | \$5,635,651 |

EXPENSES

|   |               |                  |
|---|---------------|------------------|
| Investment research                                       | 3,055,018     |                  |
| Administration and operations                             | 1,388,840     |                  |
| Office space and general                                  | 265,546       |                  |
| Transfer agent, custodian and registrar fees and expenses | 94,002        |                  |
| Auditing and legal fees                                   | 86,250        |                  |
| Directors' fees and expenses                              | 73,462        |                  |
| Stockholders' meeting and reports                         | 68,850        |                  |
| Miscellaneous taxes                                       | <u>44,216</u> | <u>5,076,184</u> |

NET INVESTMENT INCOME 559,467

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

|   |                     |  |
|---|---------------------|--|
| Net realized loss on investments:       |                     |  |
| Long transactions                       | (14,107,252)        |  |
| Short sale transactions (note 1b)       | <u>(441,706)</u>    |  |
| Net realized loss on investments        | <u>(14,548,958)</u> |  |
| Net increase in unrealized appreciation | 128,580,315         |  |

NET GAIN ON INVESTMENTS 114,031,357

DISTRIBUTIONS TO PREFERRED STOCKHOLDERS (5,400,000)

INCREASE IN NET ASSETS RESULTING FROM OPERATIONS \$109,190,824

(see notes to financial statements)

## STATEMENT OF CHANGES IN NET ASSETS

## General American Investors

|  | Six Months<br>Ended<br>June 30, 2003<br>(Unaudited) | Year Ended<br>December 31,<br>2002 |
|--|---|------------------------------------|
| <b>OPERATIONS</b>  |   |                                    |
| Net investment income  | \$559,467   | \$5,698,197                        |
| Net realized gains (losses) on investments   | (14,548,958)  | 17,039,043                         |
| Net increase (decrease) in unrealized appreciation   | <u>128,580,315</u>                                  | <u>(264,293,395)</u>               |
| Distributions to Preferred Stockholders:   |   |                                    |
| From net income  | —   | (3,726,000)                        |
| From long-term capital gains   | —   | (7,074,000)                        |
| Unallocated distributions on Preferred Stock   | <u>(5,400,000)</u>                                  | <u>—</u>                           |
| Decrease In Net Assets From Preferred Distributions  | <u>(5,400,000)</u>                                  | <u>(10,800,000)</u>                |
| <b>INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS</b>                                     | <u>109,190,824</u>                                  | <u>(252,356,155)</u>               |
| <b>DISTRIBUTIONS TO COMMON STOCKHOLDERS</b>  |   |                                    |
| From net income, including short-term capital gains in 2002  | (305,033)   | (6,606,164)                        |
| From long-term capital gains   | <u>(915,098)</u>                                    | <u>(12,540,285)</u>                |
| <b>DECREASE IN NET ASSETS FROM COMMON DISTRIBUTIONS</b>  | <u>(1,220,131)</u>                                  | <u>(19,146,449)</u>                |
| <b>CAPITAL SHARE TRANSACTIONS</b>  |   |                                    |
| Value of Common Shares issued in payment of dividends (note 2)   | —   | 6,410,677                          |
| Cost of Common Shares purchased (note 2)   | <u>(16,167,444)</u>                                 | <u>(23,245,666)</u>                |
| <b>DECREASE IN NET ASSETS - CAPITAL TRANSACTIONS</b>   | <u>(16,167,444)</u>                                 | <u>(16,834,989)</u>                |
| <b>NET INCREASE (DECREASE) IN NET ASSETS</b>   | 91,803,249  | (288,337,593)                      |
| <b>NET ASSETS APPLICABLE TO COMMON STOCK</b>   |   |                                    |
| <b>BEGINNING OF PERIOD</b>   | <u>809,192,127</u>                                  | <u>1,097,529,720</u>               |
| <b>END OF PERIOD (including undistributed net income of \$1,607,201 and \$1,352,767, respectively)</b> | <u>\$900,995,376</u>                                | <u>\$809,192,127</u>               |
| (see notes to financial statements)  |   |                                    |

## FINANCIAL HIGHLIGHTS

### General American Investors

The following table shows per share operating performance data, total investment return, ratios and supplemental data for the six months ended June 30, 2003 and 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.

|   | Six Months<br>Ended<br>June 30, 2003<br>(Unaudited) | Year Ended December 31, |             |             |             |           |
|---|---|-------------------------|-------------|-------------|-------------|-----------|
|   |   | 2002                    | 2001        | 2000        | 1999        | 1998      |
| <b>PER SHARE OPERATING PERFORMANCE</b>                                  |   |                         |             |             |             |           |
| Net asset value, beginning of period                                    | \$26.48   | \$35.14                 | \$39.91     | \$41.74     | \$34.87     | \$29.15   |
| Net investment income   | .02   | .19                     | .41         | .53         | .45         | .47       |
| Net gain (loss) on securities -<br>realized and unrealized              | 3.87  | (7.88)                  | (.66)       | 6.12        | 11.32       | 9.44      |
| Distributions on Preferred Stock:                                       |   |                         |             |             |             |           |
| Dividends from investment income  | —   | (.12)                   | (.07) (a)   | (.11) (b)   | (.07) (c)   | (.03)     |
| Distributions from capital gains  | —   | (.23)                   | (.29)       | (.29)       | (.35)       | (.20)     |
| Unallocated   | (.18)   | —                       | —           | —           | —           | (.01)     |
|   | (.18)   | (.35)                   | (.36)       | (.40)       | (.42)       | (.24)     |
| Total from investment operations  | 3.71  | (8.04)                  | (.61)       | 6.25        | 11.35       | 9.67      |
| Less distributions on Common Stock:                                     |   |                         |             |             |             |           |
| Dividends from investment income  | (.01)   | (.21) (d)               | (.88) (e)   | (2.30) (f)  | (.71) (g)   | (.48)     |
| Distributions from capital gains  | (.03)   | (.41)                   | (3.28)      | (5.78)      | (3.77)      | (3.24)    |
|   | (.04)   | (.62)                   | (4.16)      | (8.08)      | (4.48)      | (3.72)    |
| Capital Stock transaction -<br>effect of Preferred Stock offering       | —   | —                       | —           | —           | —           | (.23)     |
| Net asset value, end of period  | \$30.15   | \$26.48                 | \$35.14     | \$39.91     | \$41.74     | \$34.87   |
| Per share market value, end of period                                   | \$27.44   | \$23.85                 | \$33.47     | \$36.00     | \$37.19     | \$30.44   |
| <b>TOTAL INVESTMENT RETURN - Stockholder</b>                            |   |                         |             |             |             |           |
| Return, based on market price per share                                 | 15.24%*   | (27.21)%                | 4.33%       | 19.10%      | 39.22%      | 31.31%    |
| <b>RATIOS AND SUPPLEMENTAL DATA</b>                                     |   |                         |             |             |             |           |
| Net assets applicable to Common Stock,<br>end of period (000's omitted) | \$900,995   | \$809,192               | \$1,097,530 | \$1,155,039 | \$1,094,519 | \$868,933 |
| Ratio of expenses to average net assets<br>applicable to Common Stock   | 0.61%*  | 0.97%                   | 1.02%       | 1.09%       | 1.01%       | 0.95%     |
| Ratio of net income to average net assets<br>applicable to Common Stock | 0.07%*  | 0.61%                   | 1.15%       | 1.24%       | 1.23%       | 1.50%     |
| Portfolio turnover rate   | 7.15%*  | 22.67%                  | 23.81%      | 40.61%      | 33.68%      | 34.42%    |
| <b>PREFERRED STOCK</b>  |   |                         |             |             |             |           |
| Liquidation value, end of period (000's omitted)                        | \$150,000   | \$150,000               | \$150,000   | \$150,000   | \$150,000   | \$150,000 |
| Asset coverage  | 701%  | 639%                    | 832%        | 870%        | 830%        | 679%      |
| Liquidation preference per share  | \$25.00   | \$25.00                 | \$25.00     | \$25.00     | \$25.00     | \$25.00   |
| Market value per share  | \$25.70   | \$25.85                 | \$25.90     | \$24.25     | \$21.75     | \$25.88   |

(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

## STATEMENT OF INVESTMENTS June 30, 2003 (Unaudited)

## General American Investors

| Shares or<br>Principal Amount                            | COMMON STOCKS                              |                      | Value<br>(note 1a) |
|--|--|----------------------|--------------------|
| <b>AEROSPACE/DEFENSE (0.8%)</b>                          |  |                      |                    |
| 200,000  | The Boeing Company                         | (COST \$6,176,763)   | \$6,864,000        |
| <b>COMMUNICATIONS AND INFORMATION SERVICES (4.8%)</b>    |  |                      |                    |
| 550,000  | CIENA Corporation (a)                      |                      | 2,843,500          |
| 900,000  | Cisco Systems, Inc. (a)                    |                      | 15,111,000         |
| 620,000  | Cox Communications, Inc. Class A (a)       |                      | 19,778,000         |
| 450,000  | Juniper Networks, Inc.(a)                  |                      | 5,611,500          |
|  |  | (COST \$31,949,018)  | 43,344,000         |
| <b>COMPUTER SOFTWARE AND SYSTEMS (0.1%)</b>              |  |                      |                    |
| 339,500  | Wind River Systems, Inc. (a)               | (COST \$6,490,307)   | 1,293,495          |
| <b>CONSUMER PRODUCTS AND SERVICES (2.2%)</b>             |  |                      |                    |
| 275,000  | Ethan Allen Interiors Inc.                 |                      | 9,669,000          |
| 125,000  | Newell Rubbermaid Inc.                     |                      | 3,500,000          |
| 150,000  | PepsiCo, Inc.                              |                      | 6,675,000          |
|  |  | (COST \$12,312,784)  | 19,844,000         |
| <b>ELECTRONICS (1.8%)</b>                                |  |                      |                    |
| 692,500  | Molex Incorporated Class A                 | (COST \$14,877,393)  | 16,031,375         |
| <b>ENVIRONMENTAL CONTROL (INCLUDING SERVICES) (3.3%)</b> |  |                      |                    |
| 875,000  | Republic Services, Inc. (a)                |                      | 19,836,250         |
| 409,000  | Waste Management, Inc.                     |                      | 9,852,810          |
|  |  | (COST \$28,643,171)  | 29,689,060         |
| <b>FINANCE AND INSURANCE (29.2%)</b>                     |  |                      |                    |
| <b>BANKING (9.1%)</b>                                    |  |                      |                    |
| 500,000  | Annaly Mortgage Management, Inc.           |                      | 9,955,000          |
| 410,000  | Golden West Financial Corporation          |                      | 32,804,100         |
| 310,000  | M&T Bank Corporation                       |                      | 26,108,200         |
| 225,000  | SunTrust Banks, Inc.                       |                      | 13,351,500         |
|  |  | (COST \$14,902,962)  | 82,218,800         |
| <b>INSURANCE (19.9%)</b>                                 |  |                      |                    |
| 375,000  | American International Group, Inc.         |                      | 20,692,500         |
| 1,000,000  | Annuity and Life Re (Holdings), Ltd. (a)   |                      | 1,240,000          |
| 300  | Berkshire Hathaway Inc. Class A (a)        |                      | 21,750,000         |
| 690,000  | Everest Re Group, Ltd.                     |                      | 52,785,000         |
| 425,000  | John Hancock Financial Services, Inc.      |                      | 13,060,250         |
| 160,000  | Max Re Capital Ltd.                        |                      | 2,376,000          |
| 435,000  | MetLife, Inc.                              |                      | 12,319,200         |
| 490,000  | PartnerRe Ltd.                             |                      | 25,043,900         |
| 450,000  | Reinsurance Group of America, Incorporated |                      | 14,445,000         |
| 230,000  | Transatlantic Holdings, Inc.               |                      | 15,904,500         |
|  |  | (COST \$102,251,527) | 179,616,350        |
| <b>OTHER (0.2%)</b>                                      |  |                      |                    |
| 84,548   | Central Securities Corporation             | (COST \$2,132,865)   | 1,599,648          |
|  |  | (COST \$119,287,354) | 263,434,798        |

## STATEMENT OF INVESTMENTS June 30, 2003 (Unaudited) - continued

## General American Investors

| Shares or<br>Principal Amount                            | COMMON STOCKS (continued)                                       | Value<br>(note 1a)   |
|--|---|----------------------|
| <b>HEALTH CARE (18.6%)</b>                               |   |                      |
| <b>PHARMACEUTICALS (14.9%)</b>                           |   |                      |
| 340,000  | Alkermes, Inc. (a)  | \$3,610,800          |
| 650,000  | Baxter International Inc.                                       | 16,900,000           |
| 114,500  | Baxter International Inc. 7% Convertible Preferred Equity Units | 5,612,790            |
| 300,000  | Bristol-Myers Squibb Company                                    | 8,145,000            |
| 270,000  | Genaera Corporation (a)   | 456,300              |
| 485,000  | Genentech, Inc. (a)   | 34,978,200           |
| 400,000  | Genta Incorporated (a)  | 5,320,000            |
| 275,000  | IDEC Pharmaceuticals Corporation (a)                            | 9,339,000            |
| 234,000  | MedImmune, Inc. (a)   | 8,510,580            |
| 120,000  | Millennium Pharmaceuticals, Inc.(a)                             | 1,887,600            |
| 125,000  | OSI Pharmaceuticals, Inc. (a)                                   | 4,025,000            |
| 1,025,000  | Pfizer Inc  | 35,003,750           |
|  | (COST \$86,577,159)   | <u>133,789,020</u>   |
| <b>MEDICAL INSTRUMENTS AND DEVICES (1.5%)</b>            |   |                      |
| 290,000  | Medtronic, Inc.   | (COST \$862,614)     |
|  |   | <u>13,911,300</u>    |
| <b>HEALTH CARE SERVICES (2.2%)</b>                       |   |                      |
| 600,000  | Health Net, Inc. (a)  | (COST \$12,334,248)  |
|  |   | <u>19,770,000</u>    |
|  |   | (COST \$99,774,021)  |
|  |   | <u>167,470,320</u>   |
| <b>MISCELLANEOUS (1.2%)</b>                              |   |                      |
|  | Other   | (COST \$6,515,132)   |
|  |   | <u>11,135,500</u>    |
| <b>OIL &amp; NATURAL GAS (INCLUDING SERVICES) (1.7%)</b> |   |                      |
| 650,000  | Halliburton Company   | (COST \$8,512,693)   |
|  |   | <u>14,950,000</u>    |
| <b>RETAIL TRADE (18.5%)</b>                              |   |                      |
| 700,000  | Costco Wholesale Corporation (a)                                | 25,620,000           |
| 1,945,000  | The Home Depot, Inc. (b)  | 64,418,400           |
| 2,425,000  | The TJX Companies, Inc.   | 45,687,000           |
| 570,000  | Wal-Mart Stores, Inc.   | 30,591,900           |
|  |   | (COST \$48,567,238)  |
|  |   | <u>166,317,300</u>   |
| <b>SEMICONDUCTORS (1.3%)</b>                             |   |                      |
| 250,000  | ASM International N.V. (a)                                      | 3,717,500            |
| 491,500  | Brooks Automation, Inc. (a)                                     | 5,573,610            |
| 197,000  | EMCORE Corporation (a)  | 642,220              |
| 1,644,900  | IQE plc (a)   | 148,041              |
| 250,000  | Zarlink Semiconductor Inc. (a)                                  | 1,297,500            |
|  |   | (COST \$21,786,300)  |
|  |   | <u>11,378,871</u>    |
| <b>SPECIAL HOLDINGS (a) (c) (NOTE 5) (0.2%)</b>          |   |                      |
| 400,000  | Cytokinetics, Incorporated Series E Preferred (a)               | 2,000,000            |
| 432,000  | Silicon Genesis Corporation Series C Preferred (a)              | 72,000               |
| 546,000  | Standard MEMS, Inc. Series A Convertible Preferred (a)          | —                    |
|  |   | (COST \$8,009,720)   |
|  |   | <u>2,072,000(d)</u>  |
| <b>TOTAL COMMON STOCKS (83.7%)</b>                       |   | (COST \$412,901,894) |
|  |   | <u>753,824,719</u>   |
| <b>CONVERTIBLE CORPORATE NOTE</b>                        |   |                      |
| <b>HEALTH CARE (1.2%)</b>                                |   |                      |
| \$10,000,000   | MedImmune Vaccines, Inc. 5 1/4% due 2/1/08                      | (COST \$9,683,654)   |
|  |   | <u>10,400,000</u>    |

**STATEMENT OF INVESTMENTS June 30, 2003 (Unaudited) - continued***General American Investors*

| Principal<br>Amount | SHORT-TERM SECURITIES AND OTHER ASSETS                                | Value<br>(note 1a)   |
|---------------------|---|----------------------|
| \$17,000,000        | AIG Funding, Inc. notes due 7/7-7/28/03; 0.94%-1.18%                  | \$16,979,559         |
| 46,800,000          | American Express Credit Corporation notes due 7/8-8/7/03; 1.00%-1.23% | 46,745,807           |
| 14,500,000          | Ford Motor Credit Company note due 8/4/03; 1.23%                      | 14,477,211           |
| 45,200,000          | General Electric Capital Corp. notes due 7/10-8/5/03; 0.96%-1.24%     | 45,145,573           |
| 33,300,000          | General Motors Acceptance Corp. notes due 7/1-7/21/03; 1.27%-1.47%    | 33,250,302           |
| 27,700,000          | Prudential Funding, LLC notes due 7/3-7/31/03; 1.01%-1.23%            | 27,670,661           |
| 7,300,000           | Sears Roebuck Acceptance Corp. note due 7/14/03; 1.50%                | 7,287,529            |
| 96,000,000          | U.S. Treasury bills due 7/24-8/14/03; 1.06%-1.15%                     | 95,732,612           |
|                     | TOTAL SHORT-TERM SECURITIES (31.9%)                                   | <u>287,289,254</u>   |
|                     | Liabilities in excess of cash, receivables and other assets           | (518,597)            |
|                     | TOTAL SHORT-TERM SECURITIES AND OTHER ASSETS, NET (31.8%)             | <u>286,770,657</u>   |
|                     | PREFERRED STOCK (-16.7%)  | <u>(150,000,000)</u> |
|                     | NET ASSETS APPLICABLE TO COMMON STOCK (100%)                          | <u>\$900,995,376</u> |

(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) Fair value of each holding in the opinion of the directors.

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**STATEMENT OF SECURITIES SOLD SHORT June 30, 2003 (Unaudited)***General American Investors*

| Shares  | COMMON STOCKS                          | Value<br>(note 1a)     |
|---------|--|------------------------|
| 100,000 | NASDAQ-100 Trust, Series 1             | \$2,995,000            |
| 24,100  | Southwest Bancorporation of Texas Inc. | 783,491                |
|         | TOTAL SECURITIES SOLD SHORT            | <u>\$3,778,491</u>     |
|         | (see notes to financial statements)    | (PROCEEDS \$3,898,240) |



## NOTES TO FINANCIAL STATEMENTS (Unaudited)

### General American Investors

#### I. 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).

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. **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.

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#### 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 29,882,056 shares and 6,000,000 shares, respectively, were outstanding at June 30, 2003.

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.

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.

On July 9, 2003, the Board of Directors authorized the redemption on September 23, 2003 of all of the shares of 7.20% Tax-Advantaged Cumulative Preferred Stock then outstanding at the redemption price of \$25.00 per share. In addition, the directors authorized the filing of a registration statement with the U.S. Securities and Exchange Commission for the public offering and sale of shares of a new series of preferred stock. The amount of capital to be raised, the dividend rate and the timing of the offering have not been determined as of July 9, 2003.

**NOTES TO FINANCIAL STATEMENTS (Unaudited) - continued**

*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, 2003 and the year ended December 31, 2002 were as follows:

|   | SHARES  |         | AMOUNT         |                |
|---|---------|---------|----------------|----------------|
|   | 2003    | 2002    | 2003           | 2002           |
| Shares issued in payment of dividends (includes 251,893 shares issued from treasury)          | —       | 251,893 | —              | \$251,893      |
| Increase in paid-in capital   |         |         | —              | 6,158,784      |
| Total increase  |         |         | —              | 6,410,677      |
| Shares purchased (at an average discount from net asset value of 9.5% and 9.1%, respectively) | 679,300 | 922,100 | (\$679,300)    | (922,100)      |
| Decrease in paid-in capital   |         |         | (15,488,144)   | (22,323,566)   |
| Total decrease  |         |         | (16,167,444)   | (23,245,666)   |
| Net decrease  |         |         | (\$16,167,444) | (\$16,834,989) |

Distributions for tax and book purposes are substantially the same.

At June 30, 2003, the Company held in its treasury 1,349,507 shares of Common Stock with an aggregate cost in the amount of \$32,444,819.

3. OFFICERS' COMPENSATION AND RETIREMENT AND THRIFT PLANS

The aggregate compensation paid by the Company during the six months ended June 30, 2003 to its officers amounted to \$2,215,000.

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) for the six months ended June 30, 2003 amounted to on long transactions \$56,190,609 and \$48,576,942, respectively, and on short sale transactions \$5,283,160 and \$3,029,025, respectively.

At June 30, 2003, 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 Series E Preferred      | 3/21/03          | \$2,000,000        | \$2,000,000        |
| Silicon Genesis Corporation Series C Preferred     | 2/16/01          | 3,006,720          | 72,000             |
| Standard MEMS, Inc. Series A Convertible Preferred | 12/17/99         | 3,003,000          | —                  |
| Total  |                  | <u>\$8,009,720</u> | <u>\$2,072,000</u> |

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 \$167,000 for the six months ended June 30, 2003. Minimum rental commitments under the operating lease are approximately \$505,000 per annum in 2003 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 2003 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.

**MAJOR STOCK CHANGES\* Three Months Ended June 30, 2003 (Unaudited)***General American Investors*

| INCREASES   | SHARES  | SHARES HELD<br>JUNE 30, 2003 |
|---|---------|------------------------------|
| <b>NEW POSITIONS</b>  |         |                              |
| Baxter International Inc.                                       | 650,000 | 650,000                      |
| Baxter International Inc. 7% Convertible Preferred Equity Units | 114,500 | 114,500                      |
| Republic Services, Inc.   | 875,000 | 875,000                      |
| <b>ADDITIONS</b>  |         |                              |
| Brooks Automation, Inc.   | 323,000 | 491,500                      |
| IDEC Pharmaceuticals Corporation                                | 25,000  | 275,000                      |
| <b>DECREASES</b>  |         |                              |
| <b>ELIMINATIONS</b>   |         |                              |
| El Paso Corporation   | 475,000 | —                            |
| Lucent Technologies Inc.  | 712,500 | —                            |
| Oberthur Card Systems S.A.                                      | 175,000 | —                            |
| Sequoia Capital IV  | (a)     | —                            |
| <b>REDUCTIONS</b>   |         |                              |
| American International Group, Inc.                              | 40,000  | 375,000                      |
| The Boeing Company  | 300,000 | 200,000                      |
| Everest Re Group, Ltd.  | 10,000  | 690,000                      |
| Genentech, Inc.   | 165,000 | 485,000                      |
| Golden West Financial Corporation                               | 15,000  | 410,000                      |
| John Hancock Financial Services, Inc.                           | 10,000  | 425,000                      |
| Halliburton Company   | 50,000  | 650,000                      |
| M&T Bank Corporation  | 10,000  | 310,000                      |
| Max Re Capital Ltd.   | 40,000  | 160,000 (b)                  |
| MedImmune, Inc.   | 5,000   | 234,000                      |
| MetLife, Inc.   | 5,000   | 435,000                      |
| PartnerRe Ltd.  | 35,000  | 490,000                      |
| Reinsurance Group of America, Incorporated                      | 25,000  | 450,000                      |
| SunTrust Banks, Inc.  | 5,000   | 225,000                      |
| Waste Management, Inc.  | 200,000 | 409,000                      |

\* Excludes transactions in Stocks - Miscellaneous - Other.

(a) A limited partnership interest.

(b) Includes shares purchased in prior period and previously carried under Stocks - Miscellaneous - Other.

**PROXY VOTING POLICIES AND PROCEDURES (UNAUDITED)***General American Investors*

The policies and procedures used by the Company to determine how to vote proxies relating to portfolio securities are available: (1) without charge, upon request, by calling us at our toll-free telephone number (1-800-436-8401), (2) on the Company's website at <http://www.generalamericaninvestors.com> and (3) on the Securities and Exchange Commission's website at <http://www.sec.gov>.

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 DIRECTORS
 

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

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

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 OFFICERS
 

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Spencer Davidson, President & Chief Executive Officer  
 Andrew V. Vindigni, Vice-President  
 Eugene L. DeStaeble, Jr., Vice-President, Administration  
 Peter P. Donnelly, Vice-President & Trader  
 Diane G. Radosti, Treasurer  
 Carole Anne Clementi, Secretary

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 SERVICE COMPANIES
 

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|-------------------------|---------------------------------|
| COUNSEL                 | TRANSFER AGENT AND REGISTRAR    |
| Sullivan & Cromwell LLP | Mellon Investor Services LLC    |
|                         | P.O. Box 3315                   |
| INDEPENDENT AUDITORS    | South Hackensack, NJ 07606-1915 |
| Ernst & Young LLP       | 1-800-413-5499                  |
|                         | www.mellon-investor.com         |

CUSTODIAN  
 Deutsche Bank Trust  
 Company Americas

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**INDEPENDENT ACCOUNTANTS'  
 REVIEW REPORT**


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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, 2003, and the related statements of operations and changes in net assets and financial highlights for the six month period ended June 30, 2003. These financial statements and financial highlights are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. 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 generally accepted auditing standards, 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 auditing standards generally accepted in the United States, the statement of changes in net assets for the year ended December 31, 2002 and financial highlights for each of the five years in the period then ended and in our report, dated January 14, 2003, we expressed an unqualified opinion on such financial statements and financial highlights.

*New York, New York*  
*July 11, 2003*

ERNST & YOUNG LLP

 GENERAL AMERICAN INVESTORS  
 COMPANY, INC.

**SEMI-ANNUAL REPORT**  
 JUNE 30, 2003

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

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