
**GENERAL
AMERICAN
INVESTORS**

**2006
ANNUAL
REPORT**





General American Investors Company, Inc.

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GENERAL AMERICAN INVESTORS COMPANY, INC.

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

FINANCIAL SUMMARY (unaudited)

	2006	2005
Net assets applicable to Common Stock - December 31	\$1,199,453,088	\$1,132,941,654
Net investment income	10,007,624	5,408,018
Net realized gain	86,176,349	63,024,095
Net increase in unrealized appreciation	51,196,338	103,638,830
Distributions to Preferred Stockholders	(11,900,000)	(11,900,000)
Per Common Share-December 31		
Net asset value	\$40.54	\$39.00
Market price	\$37.12	\$34.54
Discount from net asset value	-8.4%	-11.4%
Common Shares outstanding-Dec. 31	29,589,198	29,050,399
Common Stockholders of record-Dec. 31	4,006	4,100
Market price range* (high-low)	\$39.47-\$34.80	\$35.45-\$29.37
Market volume-shares	6,313,300	7,242,000

*Unadjusted for dividend payments.

DIVIDEND SUMMARY (per share) (unaudited)

Record Date	Payment Date	Ordinary Income	Long-Term Capital Gain	Total
Common Stock				
Nov. 10, 2006	Dec. 21, 2006	<u>\$.333952</u>	<u>\$2.666048</u>	<u>\$3.000000</u>
Nov. 11, 2005	Dec. 22, 2005	\$.587543 (a)	\$1.260182	\$1.847725
Jan. 30, 2006	Feb. 13, 2006	—	.138000	.138000
<i>Total from 2005 earnings</i>		<u>\$.587543</u>	<u>\$1.398182</u>	<u>\$1.985725</u>

(a) Includes short-term gains in the amount of \$.041294 per share.

Preferred Stock

Mar. 7, 2006	Mar. 24, 2006	\$.039403	\$.332472	\$.371875
Jun. 7, 2006	Jun. 26, 2006	.039403	.332472	.371875
Sep. 7, 2006	Sep. 25, 2006	.039403	.332472	.371875
Dec. 7, 2006	Dec. 26, 2006	<u>.039403</u>	<u>.332472</u>	<u>.371875</u>
<i>Total for 2006</i>		<u>\$.157612</u>	<u>\$1.329888</u>	<u>\$1.487500</u>
Mar. 7, 2005	Mar. 24, 2005	\$.102969	\$.268906	\$.371875
Jun. 7, 2005	Jun. 24, 2005	.102969	.268906	.371875
Sep. 7, 2005	Sep. 26, 2005	.102969	.268906	.371875
Dec. 7, 2005	Dec. 27, 2005	<u>.102969</u>	<u>.268906</u>	<u>.371875</u>
<i>Total for 2005</i>		<u>\$.411876 (b)</u>	<u>\$1.075624</u>	<u>\$1.487500</u>

(b) Includes short-term gains in the amount of \$.028844 (\$.007211 per quarter).

The U.S. stock market rose for a fourth consecutive year, gaining 15.7% in the 12 months ended December 31, 2006, as measured by our benchmark, the Standard & Poor's 500 Stock Index (including income). General American Investors' net asset value (NAV) per Common Share (assuming reinvestment of all dividends) increased 12.2%. The return to our Common Stockholders was 16.8%, reflecting a decrease in the discount at which our shares trade, which, at year end, was 8.4%.

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

Years	Stockholder Return	S&P 500
3	14.3%	10.3%
5	6.6	6.1
10	16.1	8.4
20	15.1	11.8
30	16.8	12.5
40	13.8	11.0

The share repurchase program, a part of our continuing effort to maximize NAV, continues. In 2006, the Company purchased 787,700 of its Common Shares on the open market at an average discount to NAV of 9.0%. The Board of Directors has authorized repurchases of Common Shares when they are trading at a discount to NAV in excess of 8%.

Coming on the heels of an exceptional year in 2005, last year's results were less satisfying, although consistent with our record of long-term performance. Curiously, bad news in Iraq and the renewed threat of nuclear proliferation were accompanied by good markets and relatively strong economic activity. Trouble in the housing market, as reflected in weakening prices and declining building activity, did not appear to affect the rest of the economy. With inflation contained, seemingly, and abundant liquidity as evidenced by the relatively low cost of money, and the ease with which it could be borrowed, consumer spending continued to support corporate profits and share prices.

As the new year unfolds, the sanguine investment climate that characterized the past few years is showing signs of strain. The economy is likely to continue slowing and corporate profits, generally, are expected to moderate. While the Fed appears to have stopped raising interest rates, the prospect of decreases in the immediate future is far from clear. Because consumer spending, the main driver of GDP growth, remains asset-dependent, a protracted downturn in housing could create the potential for collateral damage to other parts of the economy. Globalization and its progeny, outsourcing, have held

back real wages and employment growth, thus buttressing corporate profits. However, the risk of more persistent inflation, as labor costs rise in a low unemployment setting, cannot be ruled out. Should our trading partners weary of funding the current account deficit by continuing to invest the bulk of their receipts in U.S. securities, dollar weakness would likely ensue. The rise in interest rates that would likely attend such a decline could have a seriously destabilizing effect on the capital markets.

While the investment climate may be more volatile this year, equities should be supported by relatively reasonable valuations and interest rates that remain agreeable. Additionally, share buybacks, increasing dividends, and felicitous mergers and acquisitions, all resulting from the current elevated level of corporate profits, are likely to buoy share prices. Our investments remain focused on well-managed companies with strong financial characteristics that can generate consistent earnings growth and cash flow. We are confident that our portfolio reflects these attributes, which should result in continuing superior performance on a long-term basis.

We are pleased to announce that, on December 13, 2006, Andrew V. Vindigni was promoted to Senior Vice-President of the Company. Mr. Vindigni has been a Vice-President of the Company since 1995 and has been employed in a research capacity with the Company since 1988.

Mr. Lawrence B. Buettenwieser, Chairman since 1995 and a Director since 1967, will not be standing for re-election at the annual meeting on April 11, 2007. His wisdom and judgment have been invaluable to the Board. We express our gratitude and deepest appreciation for his long and distinguished service to the Company.

We are saddened to report that Richard R. Pivrotto, our esteemed colleague and Director, died on January 8, 2007. Mr. Pivrotto, was a director of Associated Community Bancorp, Inc. and Immunomedics, Inc., a Trustee of General Theological Seminary and Greenwich Hospital Corporation, and Charter Trustee Emeritus of Princeton University. He served as a director of the Company for more than 35 years. His counsel and support will be missed.

Information about the Company, including our investment objectives, operating policies and procedures, investment results, record of dividend payments, financial reports and press releases, etc., is available on our website, which can be accessed at www.generalamericaninvestors.com.

By Order of the Board of Directors,
 Spencer Davidson
 President and Chief Executive Officer
 January 17, 2007

Corporate Overview

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

Investment Policy

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

The Company's investment approach focuses on the selection of individual stocks, each of which is expected to meet a clearly defined portfolio objective. A continuous investment research program, which stresses fundamental security analysis, is carried on by the officers and staff of the Company under the oversight of the Board of Directors. A listing of the directors with their principal affiliations, showing a broad range of experience in business and financial affairs, is on page 20.

Portfolio Manager

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

"GAM" Common Stock

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

The ratio of market price to net asset value has shown considerable variation over a long period of time. While shares of GAM usually sell at a discount from their underlying net asset value, as do the shares of most other domestic equity closed-end investment companies, they occasionally sell at a premium over net asset value. During 2006, the stock sold at discounts from net asset value which ranged from 6.1% (March 9 and November 2) to 13.2% (January 4). At December 31, the price of the stock was at a discount of 8.4% as compared with a discount of 11.4% a year earlier.

"GAM Pr B" Preferred Stock

On September 24, 2003, the Company issued and sold in an underwritten offering 8,000,000 shares of its 5.95% Cumulative Preferred Stock, Series B with a liquidation preference of \$25 per share (\$200,000,000 in the aggregate).

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

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

Dividend and Distribution Policy

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

Dividends from income have been paid continuously on the Common Stock since 1939 and capital gain distributions in varying amounts have been paid for each of the years 1943-2006 (except for the year 1974). (A table listing dividends and distributions paid during the 20-year period 1987-2006 is shown at the bottom of page 6.) To the extent that shares can be issued, dividends and distributions are paid to Common Stockholders in additional shares of Common Stock unless the stockholder specifically requests payment in cash. Spill-over dividends and distributions of nominal amounts may be paid in cash only.

Proxy Voting Policies, Procedures and Record

The policies and procedures used by General American Investors to determine how to vote proxies relating to portfolio securities and the Company's proxy voting record for the 12-month period ended June 30, 2006 are available: (1) without charge, upon request, by calling the Company at its toll-free number (1-800-436-8401), (2) on the Company's website at www.generalamericaninvestors.com and (3) on the Securities and Exchange Commission's website at www.sec.gov.

Direct Registration

The Company makes available direct registration for its Common Shareholders. Direct registration, which is an element of the Investors

Choice Plan administered by our transfer agent, is a system that allows for book-entry ownership and the electronic transfer of our Common Shares. Accordingly, when Common Shareholders, who hold their shares directly, receive new shares resulting from a purchase, transfer or dividend payment, they will receive a statement showing the credit of the new shares as well as their Plan account and certificated share balances. A brochure which describes the features and benefits of the Investors Choice Plan, including the ability of shareholders to deposit certificates with our transfer agent, can be obtained by calling American Stock Transfer & Trust Company at 1-800-413-5499, calling the Company at 1-800-436-8401 or visiting our website: www.generalamericaninvestors.com - click on Distribution & Reports, then Report Downloads.

Privacy Policy and Practices

General American Investors collects nonpublic personal information about its customers (stockholders) with respect to their transactions in shares of the Company's securities but only for those stockholders whose shares are registered in their names. This information includes the stockholder's address, tax identification or Social Security number and dividend elections. We do not have knowledge of, nor do we collect personal information about, stockholders who hold the Company's securities at financial institutions such as brokers or banks in "street name" registration.

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

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

**Total return on
\$10,000 investment
20 years ended
December 31, 2006**

The investment return for a Common Stockholder of General American Investors (GAM) over the 20 years ended December 31, 2006 is shown in the table below and in the accompanying chart. The return based on GAM's net asset value (NAV) per Common Share in comparison to the change in the Standard & Poor's 500 Stock Index (S&P 500) is also displayed. Each illustration assumes an investment of \$10,000 at the beginning of 1987.

The Stockholder Return is the return a Common Stockholder of GAM would have achieved assuming reinvestment of all dividends and distributions at the actual reinvestment price and of all cash dividends at the

average (mean between high and low) market price on the ex-dividend date.

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

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

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

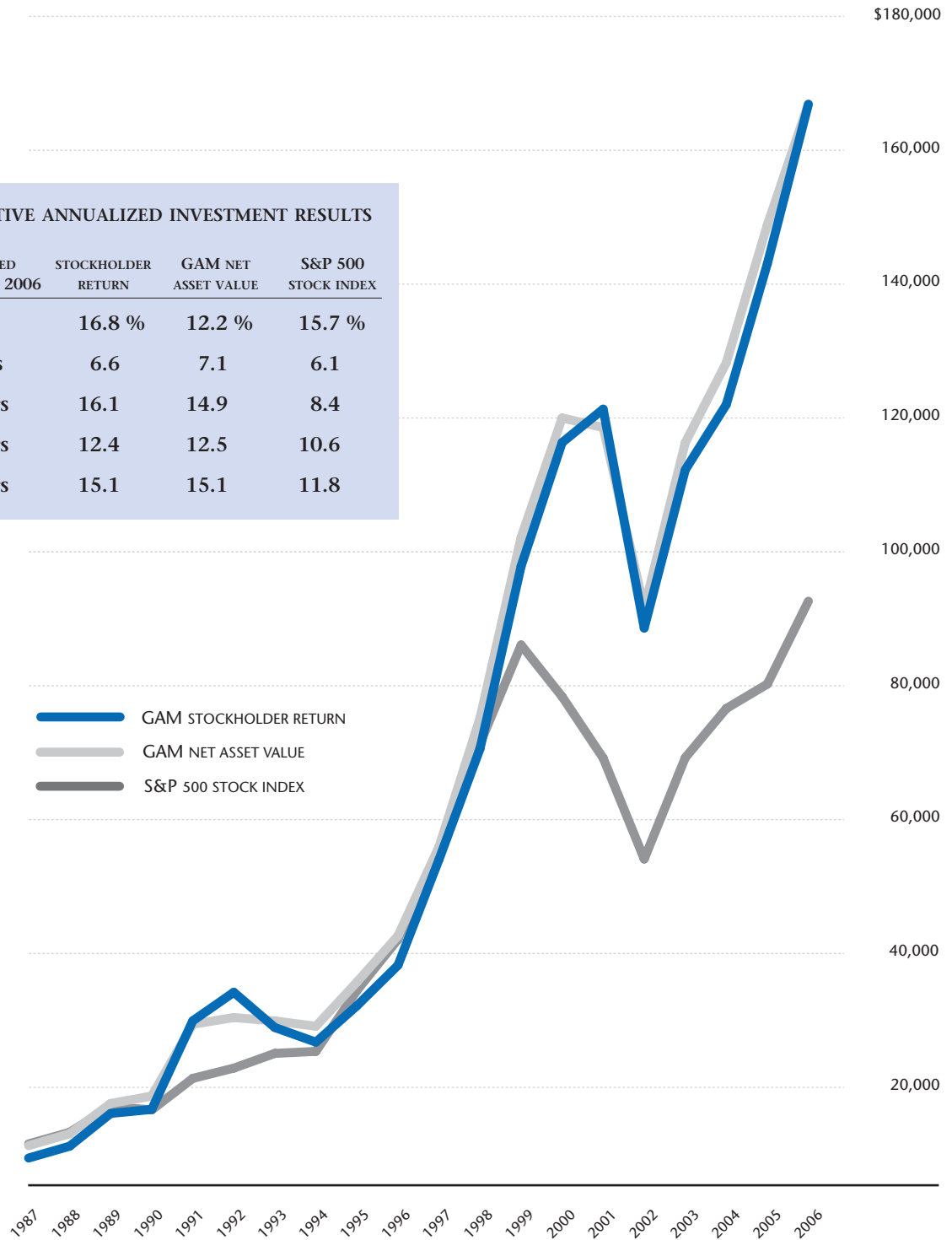
	GENERAL AMERICAN INVESTORS				STANDARD & POOR'S 500	
	STOCKHOLDER RETURN		NET ASSET VALUE RETURN		RETURN	
	CUMULATIVE INVESTMENT	ANNUAL RETURN	CUMULATIVE INVESTMENT	ANNUAL RETURN	CUMULATIVE INVESTMENT	ANNUAL RETURN
1987	\$8,389	-16.11%	\$10,253	2.53%	\$10,524	5.24%
1988	10,173	21.26	12,054	17.57	12,264	16.53
1989	15,116	48.60	16,618	37.86	16,141	31.62
1990	15,721	4.00	17,730	6.69	15,643	-3.09
1991	29,084	85.00	28,561	61.09	20,398	30.40
1992	33,382	14.78	29,575	3.55	21,946	7.59
1993	28,068	-15.92	29,058	-1.75	24,167	10.12
1994	25,862	-7.86	28,261	-2.74	24,474	1.27
1995	31,350	21.22	34,926	23.58	33,652	37.50
1996	37,457	19.48	41,900	19.97	41,361	22.91
1997	53,406	42.58	55,329	32.05	55,147	33.33
1998	70,127	31.31	74,772	35.14	70,892	28.55
1999	97,631	39.22	101,989	36.40	85,751	20.96
2000	116,278	19.10	119,980	17.64	77,956	-9.09
2001	121,313	4.33	118,540	-1.20	68,687	-11.89
2002	88,304	-27.21	91,252	-23.02	53,480	-22.14
2003	112,155	27.01	116,255	27.40	68,753	28.56
2004	122,013	8.79	128,311	10.37	76,172	10.79
2005	143,243	17.40	149,097	16.20	79,851	4.83
2006	167,279	16.78	167,347	12.24	92,356	15.66

20-YEAR INVESTMENT RESULTS
ASSUMING AN INITIAL
INVESTMENT OF \$10,000

CUMULATIVE VALUE
OF INVESTMENT

COMPARATIVE ANNUALIZED INVESTMENT RESULTS

YEARS ENDED DECEMBER 31, 2006	STOCKHOLDER RETURN	GAM NET ASSET VALUE	S&P 500 STOCK INDEX
1 year	16.8 %	12.2 %	15.7 %
5 years	6.6	7.1	6.1
10 years	16.1	14.9	8.4
15 years	12.4	12.5	10.6
20 years	15.1	15.1	11.8



		SHARES	SHARES HELD DECEMBER 31, 2006
INCREASES			
NEW POSITIONS	Cephalon, Inc.	—	150,000 (a)
	Epoch Holding Corporation Series A Convertible Preferred 4.6%	10,000	10,000
	QUALCOMM Incorporated	700,000	700,000
	Rio Tinto plc ADR	—	65,000 (a)
	Wachovia Corporation	614,864 (b)	614,864
ADDITIONS	Dollar General Corporation	901,000	2,500,000
	PepsiCo, Inc.	50,000	225,000
	Xerox Corporation	350,000	2,250,000
DECREASES			
ELIMINATIONS	Golden West Financial Corporation	585,000 (b)	—
	Standard MEMS, Inc. Series A Convertible Preferred	546,000	—
REDUCTIONS	Alkermes, Inc.	65,000	175,000
	American International Group, Inc.	15,000	360,000
	Annaly Capital Management, Inc.	105,000	550,000
	Everest Re Group, Ltd.	35,000	500,000
	MFA Mortgage Investments, Inc.	150,000	925,000
	Microsoft Corporation	80,000	720,000
	Pfizer Inc	389,100	1,347,900
	The TJX Companies, Inc.	240,000	2,100,000
VeriSign, Inc.	20,000	113,500	

* Excludes transactions in Common and Preferred Stocks-Miscellaneous-Other.

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

(b) 614,864 shares of Wachovia Corporation were received in exchange for 585,000 shares of Golden West Financial Corporation in conjunction with a merger.

DIVIDENDS AND DISTRIBUTIONS PER COMMON SHARE (1987-2006) (UNAUDITED)

This table shows dividends and distributions on the Company's Common Stock for the prior 20-year period. Amounts shown are based upon the year in which the income was earned, not the year paid. Spill-over payments made after year-end are attributable to income and gain earned in the prior year.

YEAR	EARNINGS SOURCE		
	INCOME	SHORT-TERM CAPITAL GAINS	LONG-TERM CAPITAL GAINS
1987	\$.35	—	\$1.54
1988	.29	—	1.69
1989	.21	\$.02	1.56
1990	.21	—	1.65
1991	.09	—	3.07
1992	.03	—	2.93
1993	.06	—	2.34
1994	.06	—	1.59
1995	.10	.03	2.77
1996	.20	.05	2.71

YEAR	EARNINGS SOURCE		
	INCOME	SHORT-TERM CAPITAL GAINS	LONG-TERM CAPITAL GAINS
1997	\$.21	—	\$2.95
1998	.47	—	4.40
1999	.42	\$.62	4.05
2000	.48	1.55	6.16
2001	.37	.64	1.37
2002	.03	—	.33
2003	.02	—	.59
2004	.217	—	.957
2005	.547	.041	1.398
2006	.334	—	2.666

TEN LARGEST INVESTMENT HOLDINGS (UNAUDITED)

General American Investors

The statement of investments as of December 31, 2006, shown on pages 12 and 13 includes 54 security issues. Listed here are the ten largest holdings on that date.

	SHARES	VALUE	% COMMON NET ASSETS*
CEMEX, S.A. de C.V. ADR Domiciled in Mexico, CEMEX is the third largest cement producer in the world. With the expansion of its operations into related construction materials and additional geographic areas, as well as its focus on cost containment, the company's free cash flow should continue to increase, supporting a positive long-term outlook.	2,350,862	\$79,647,204	6.6%
THE HOME DEPOT, INC. The largest company in home center retailing, Home Depot's proven merchandising capabilities and strong financial structure should provide the basis for continuing growth.	1,570,000	63,051,200	5.3
THE TJX COMPANIES, INC. Through its T.J. Maxx and Marshalls divisions, TJX is the leading off-price retailer. The continued growth of these divisions, along with expansion into related U.S. and foreign off-price formats, provide ongoing growth opportunities.	2,100,000	59,892,000	5.0
APACHE CORPORATION Apache is a large independent oil and gas company with a long history of growing production and creating value for shareholders. The company's operations are primarily focused in North America, the North Sea and Egypt.	825,000	54,870,750	4.6
WEATHERFORD INTERNATIONAL LTD. Weatherford supplies a broad range of oil field services through its Drilling Methods, Well Construction, Drilling Tools and Intervention Services divisions on a worldwide basis. Its focus on increasing production from existing fields and synergies from the acquisition of assets from Precision Drilling should lead to earnings growth.	1,220,000	50,983,800	4.3
TALISMAN ENERGY INC. Talisman, headquartered in Calgary, Alberta, is an upstream oil and gas producer with global operations. The company is focusing on larger, deep gas opportunities in North America and large international projects which should lead to faster production growth and higher returns.	3,000,000	50,970,000	4.2
EVEREST RE GROUP, LTD. One of the largest independent U.S. property/casualty reinsurers, generates annual premiums of approximately \$4 billion and has a high quality, well-reserved AA balance sheet. This Bermuda domiciled company has a strong management team that exercises prudent underwriting discipline and efficient expense control, resulting in above-average earnings and book value growth.	500,000	49,055,000	4.1
REPUBLIC SERVICES, INC. Republic Services is a leading provider of non-hazardous solid waste collection and disposal services in the U.S. The efficient operation of its routes and facilities combined with appropriate pricing enable Republic Services to generate significant free cash flow. The high probability of additional contracts and improved economic activity should result in higher waste volumes for the company.	1,175,000	47,787,250	4.0
DOLLAR GENERAL CORPORATION Dollar General, is the country's largest dollar store company. It has the opportunity to expand sales by adding new stores and to expand margins by the strategy and tactics of a new management team.	2,500,000	40,150,000	3.3
XEROX CORPORATION Xerox develops, manufactures and finances a broad range of document processing products and services for use in offices worldwide. The growing adoption of color and digital products should lead to growing profitability.	2,250,000	38,137,500	3.2
		<u>\$534,544,704</u>	<u>44.6%</u>

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

PORTFOLIO DIVERSIFICATION (UNAUDITED)

General American Investors

INDUSTRY CATEGORY	DECEMBER 31, 2006		PERCENT COMMON NET ASSETS*	
	COST(000)	VALUE(000)	2006	2005
<i>The diversification of the Company's net assets applicable to its Common Stock by industry group as of December 31, 2006 and 2005 is shown in the following table.</i>				
Oil and Natural Gas (Including Services)	\$148,725	\$206,447	17.2%	29.7%
Finance and Insurance				
Banking	17,349	101,658	8.5	8.8
Insurance	87,398	217,772	18.2	15.8
Other	22,878	31,330	2.6	1.1
	<u>127,625</u>	<u>350,760</u>	<u>29.3</u>	<u>25.7</u>
Retail Trade	86,347	226,656	18.9	17.9
Health Care				
Pharmaceuticals	66,003	104,218	8.7	8.0
Medical Instruments and Devices	10,484	24,080	2.0	2.3
	<u>76,487</u>	<u>128,298</u>	<u>10.7</u>	<u>10.3</u>
Communications and Information Services	64,261	102,828	8.6	6.1
Consumer Products and Services	67,332	86,001	7.2	5.9
Building and Real Estate	31,961	79,647	6.6	6.0
Miscellaneous**	43,663	50,017	4.2	3.7
Environmental Control (Including Services)	26,227	47,787	4.0	3.9
Technology	31,683	38,138	3.2	2.5
Computer Software and Systems	21,197	28,189	2.3	3.8
Machinery & Equipment	12,430	20,677	1.7	—
Electronics	12,287	15,235	1.3	1.2
Mining	13,421	13,811	1.1	—
Semiconductors	—	—	—	0.5
	<u>763,646</u>	<u>1,394,491</u>	<u>116.3</u>	<u>117.2</u>
Short-Term Securities	17,256	17,256	1.4	0.3
Total Investments	<u>\$780,902</u>	<u>1,411,747</u>	<u>117.7</u>	<u>117.5</u>
Other Assets and Liabilities - Net		(12,294)	(1.0)	0.1
Preferred Stock		(200,000)	(16.7)	(17.6)
Net Assets Applicable to Common Stock		<u>\$1,199,453</u>	<u>100.0%</u>	<u>100.0%</u>

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

** Securities which have been held for less than one year, not previously disclosed and not restricted.

STATEMENT OF ASSETS AND LIABILITIES

General American Investors

ASSETS	DECEMBER 31,	
	2006	2005
INVESTMENTS, AT VALUE (NOTE 1a)		
Common and preferred stocks (cost \$729,900,430 and \$714,895,565, respectively)	\$1,359,753,863	\$1,301,855,069
Corporate note (cost \$33,745,957 and \$33,123,366, respectively)	34,737,500	25,812,500
Money market fund (cost \$17,255,705 and \$3,822,949, respectively)	17,255,705	3,822,949
Total investments (cost \$780,902,092 and \$751,841,880, respectively)	1,411,747,068	1,331,490,518
CASH, RECEIVABLES AND OTHER ASSETS		
Cash	34,235	13,298
Receivable for securities sold	2,875,316	5,733,693
Dividends, interest and other receivables	1,430,378	1,028,867
Pension asset, excess funded	8,656,759	—
Prepaid pension cost	—	7,714,456
Prepaid expenses and other assets	149,755	214,022
TOTAL ASSETS	1,424,893,511	1,346,194,854
LIABILITIES		
Payable for securities purchased	13,515,130	1,468,214
Preferred dividend accrued but not yet declared	231,389	231,389
Pension benefit liability	3,320,727	—
Accrued pension expense	—	3,101,128
Accrued thrift plan expense	2,992,285	2,598,356
Accrued expenses and other liabilities	5,380,892	5,854,113
TOTAL LIABILITIES	25,440,423	13,253,200
5.95% CUMULATIVE PREFERRED STOCK, SERIES B - 8,000,000 shares at a liquidation value of \$25 per share (note 2)	200,000,000	200,000,000
NET ASSETS APPLICABLE TO COMMON STOCK - 29,589,198 and 29,050,399 shares, respectively (note 2)	\$1,199,453,088	\$1,132,941,654
NET ASSET VALUE PER COMMON SHARE	\$40.54	\$39.00
NET ASSETS APPLICABLE TO COMMON STOCK		
Common Stock, 29,589,198 and 29,050,399 shares at par value, respectively (note 2)	\$29,589,198	\$29,050,399
Additional paid-in capital (note 2)	538,093,876	518,972,693
Undistributed realized gain (loss) on investments (note 2)	(1,715,049)	3,969,333
Undistributed net investment income (note 2)	2,218,917	1,531,980
Accumulated other comprehensive income (note 5)	652,559	—
Unallocated distributions on Preferred Stock	(231,389)	(231,389)
Unrealized appreciation on investments, securities sold short and options	630,844,976	579,648,638
NET ASSETS APPLICABLE TO COMMON STOCK	\$1,199,453,088	\$1,132,941,654

(see notes to financial statements)

STATEMENT OF OPERATIONS

General American Investors

	YEAR ENDED DECEMBER 31,	
	2006	2005
INCOME		
Dividends (net of foreign withholding taxes of \$325,061 and \$490,458, respectively)	\$16,065,789	\$16,403,240
Interest	6,301,585	2,318,112
TOTAL INCOME	22,367,374	18,721,352
EXPENSES		
Investment research	8,054,383	8,695,758
Administration and operations	2,922,014	3,236,737
Office space and general	544,210	537,671
Directors' fees and expenses	286,326	218,402
Auditing and legal fees	163,000	216,600
Transfer agent, custodian and registrar fees and expenses	140,346	176,854
Stockholders' meeting and reports	134,106	129,857
Miscellaneous taxes	115,365	101,455
TOTAL EXPENSES	12,359,750	13,313,334
NET INVESTMENT INCOME	10,007,624	5,408,018
REALIZED GAIN (LOSS) AND CHANGE IN UNREALIZED APPRECIATION ON INVESTMENTS (NOTES 1f AND 4)		
Net realized gain on investments:		
Long transactions	86,808,130	63,646,612
Short sale transactions (note 1b)	(629,681)	(755,114)
Option transactions (note 1c)	(2,100)	132,597
Net realized gain on investments (long-term except for \$2,228,817 and \$14,501,035, respectively)	86,176,349	63,024,095
Net increase in unrealized appreciation	51,196,338	103,638,830
NET GAIN ON INVESTMENTS	137,372,687	166,662,925
DISTRIBUTIONS TO PREFERRED STOCKHOLDERS	(11,900,000)	(11,900,000)
INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$135,480,311	\$160,170,943

(see notes to financial statements)

STATEMENT OF CHANGES IN NET ASSETS

General American Investors

OPERATIONS	YEAR ENDED DECEMBER 31,	
	2006	2005
Net investment income	\$10,007,624	\$5,408,018
Net realized gain on investments	86,176,349	63,024,095
Net increase in unrealized appreciation	51,196,338	103,638,830
	<u>147,380,311</u>	<u>172,070,943</u>
Distributions to Preferred Stockholders:		
From net income	(1,092,608)	(845,368)
From short-term capital gains	(168,288)	(2,449,640)
From long-term capital gains	(10,639,104)	(8,604,992)
Decrease in net assets from Preferred distributions	<u>(11,900,000)</u>	<u>(11,900,000)</u>
INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	<u>135,480,311</u>	<u>160,170,943</u>
OTHER COMPREHENSIVE INCOME		
Adjustment to initially apply FAS 158 (note 5)	<u>652,559</u>	<u>—</u>
DISTRIBUTIONS TO COMMON STOCKHOLDERS		
From net income	(8,230,843)	(4,333,771)
From short-term capital gains	(1,262,677)	(12,389,129)
From long-term capital gains	(79,790,662)	(43,672,026)
DECREASE IN NET ASSETS FROM COMMON DISTRIBUTIONS	<u>(89,284,182)</u>	<u>(60,394,926)</u>
CAPITAL SHARE TRANSACTIONS (NOTE 2)		
Value of Common Shares issued in payment of distributions	48,748,838	36,584,716
Cost of Common Shares purchased	<u>(29,086,092)</u>	<u>(39,812,172)</u>
INCREASE (DECREASE) IN NET ASSETS - CAPITAL TRANSACTIONS	<u>19,662,746</u>	<u>(3,227,456)</u>
NET INCREASE IN NET ASSETS	66,511,434	96,548,561
NET ASSETS APPLICABLE TO COMMON STOCK		
BEGINNING OF YEAR	<u>1,132,941,654</u>	<u>1,036,393,093</u>
END OF YEAR (including undistributed net investment income of \$2,218,917 and \$1,531,980, respectively)	<u>\$1,199,453,088</u>	<u>\$1,132,941,654</u>

(see notes to financial statements)

	SHARES	COMMON AND PREFERRED STOCKS	VALUE (NOTE 1a)
BUILDING AND REAL ESTATE (6.6%)	2,350,862	CEMEX, S.A. de C.V. ADR (COST \$31,961,056)	\$79,647,204
COMMUNICATIONS AND INFORMATION SERVICES (8.6%)	775,000 900,000 350,000 700,000	American Tower Corporation (a) Cisco Systems, Inc. (a) Lamar Advertising Company Class A (a) QUALCOMM Incorporated (COST \$64,260,573)	28,892,000 24,597,000 22,886,500 26,453,000 102,828,500
COMPUTER SOFTWARE AND SYSTEMS (2.3%)	300,000 720,000 113,500	EMC Corporation (a) Microsoft Corporation VeriSign, Inc. (a) (COST \$21,197,130)	3,960,000 21,499,200 2,729,675 28,188,875
CONSUMER PRODUCTS AND SERVICES (4.3%)	325,000 350,000 225,000	Constellation Brands, Inc. (a) Diageo plc ADR PepsiCo, Inc. (COST \$33,585,638)	9,431,500 27,758,500 14,073,750 51,263,750
ELECTRONICS (1.3%)	550,000	Molex Incorporated Class A (COST \$12,287,441)	15,235,000
ENVIRONMENTAL CONTROL (INCLUDING SERVICES) (4.0%)	1,175,000	Republic Services, Inc. (COST \$26,227,380)	47,787,250
FINANCE AND INSURANCE (29.3%)		BANKING (8.5%)	
	270,000 310,000 170,000 614,864	Bank of America Corporation M&T Bank Corporation SunTrust Banks, Inc. Wachovia Corporation (COST \$17,349,060)	14,415,300 37,869,600 14,356,500 35,016,505 101,657,905
		INSURANCE (18.2%)	
	275,000 360,000 275,000 350,000 400,000 300 500,000 285,000 335,000 230,000	The Allstate Corporation American International Group, Inc. Annuity and Life Re (Holdings), Ltd. (a) Arch Capital Group Ltd. (a) AXIS Capital Holdings Limited Berkshire Hathaway Inc. Class A (a) Everest Re Group, Ltd. MetLife, Inc. PartnerRe Ltd. Transatlantic Holdings, Inc. (COST \$87,398,021)	17,905,250 25,797,600 110,000 23,663,500 13,348,000 32,997,000 49,055,000 16,817,850 23,795,050 14,283,000 217,772,250
		OTHER (2.6%)	
	550,000 10,000 925,000	Annaly Capital Management, Inc. Epoch Holding Corporation Series A Convertible Preferred 4.6% (d) MFA Mortgage Investments, Inc. (COST \$22,878,434) (COST \$127,625,515)	7,650,500 16,566,667 7,113,250 31,330,417 350,760,572
HEALTH CARE (10.7%)		PHARMACEUTICALS (8.7%)	
	175,000 170,000 150,000 604,900 200,000 380,000 180,000 1,347,900	Alkermes, Inc. (a) Biogen Idec Inc. (a) Cephalon, Inc. (a) Cytokinetics, Incorporated (a) Genentech, Inc. (a) MedImmune, Inc. (a) Novo Nordisk B Pfizer Inc (COST \$66,003,518)	2,339,750 8,362,300 10,561,500 4,524,652 16,226,000 12,300,600 14,992,200 34,910,610 104,217,612
		MEDICAL INSTRUMENTS AND DEVICES (2.0%)	
	450,000	Medtronic, Inc. (COST \$10,483,716) (COST \$76,487,234)	24,079,500 128,297,112

	SHARES	COMMON AND PREFERRED STOCKS (Continued)		VALUE (NOTE 1a)
MACHINERY & EQUIPMENT (1.7%)	1,150,000	ABB Ltd. ADR	(COST \$12,430,211)	\$20,677,000
MINING (1.1%)	65,000	Rio Tinto plc ADR	(COST \$13,420,904)	13,811,850
MISCELLANEOUS (4.2%)		Other (b)	(COST \$43,662,790)	50,016,500
OIL AND NATURAL GAS (INCLUDING SERVICES) (17.2%)	825,000	Apache Corporation		54,870,750
	850,000	Halliburton Company		26,392,500
	1,000,000	Patterson-UTI Energy, Inc.		23,230,000
	3,000,000	Talisman Energy Inc.		50,970,000
	1,220,000	Weatherford International Ltd. (a)		50,983,800
			(COST \$148,725,073)	206,447,050
RETAIL TRADE (18.9%)	700,000	Costco Wholesale Corporation		37,009,000
	2,500,000	Dollar General Corporation		40,150,000
	1,570,000	The Home Depot, Inc. (c)		63,051,200
	2,100,000	The TJX Companies, Inc.		59,892,000
	575,000	Wal-Mart Stores, Inc.		26,553,500
			(COST \$86,346,776)	226,655,700
TECHNOLOGY (3.2%)	2,250,000	Xerox Corporation (a)	(COST \$31,682,709)	38,137,500
		TOTAL COMMON AND PREFERRED STOCKS (113.4%)	(COST \$729,900,430)	1,359,753,863
	PRINCIPAL AMOUNT	CORPORATE NOTE		
CONSUMER PRODUCTS AND SERVICES (2.9%)	\$35,000,000	General Motors Nova Scotia Finance Company 6.85% Guaranteed Notes Due 10/15/08	(COST \$33,745,957)	34,737,500
	SHARES	SHORT-TERM SECURITY AND OTHER ASSETS		
	17,255,705	SSgA Prime Money Market Fund (1.4%)	(COST \$17,255,705)	17,255,705
TOTAL INVESTMENTS (e) (117.7%)			(COST \$780,902,092)	1,411,747,068
Liabilities in excess of receivables and other assets (-1.0%)				(12,293,980)
				1,399,453,088
PREFERRED STOCK (-16.7%)				(200,000,000)
NET ASSETS APPLICABLE TO COMMON STOCK (100%)				\$1,199,453,088

(a) Non-income producing security.

(b) Securities which have been held for less than one year.

(c) 1,000,000 shares held by custodian in a segregated custodian account as collateral for short positions, if any.

(d) Restricted security of an affiliate acquired 11/7/06.

(e) At December 31, 2006: (1) the cost of investments for Federal income tax purposes was the same as the cost for financial reporting purposes, (2) aggregate gross unrealized appreciation was \$632,899,306, (3) aggregate gross unrealized depreciation was \$2,054,330, and (4) net unrealized appreciation was \$630,844,976.

(see notes to financial statements)

1. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

2. CAPITAL STOCK AND DIVIDEND DISTRIBUTIONS

The authorized capital stock of the Company consists of 50,000,000 shares of Common Stock, \$1.00 par value, and 10,000,000 shares of Preferred Stock, \$1.00 par value, of which 29,589,198 shares and 8,000,000 shares, respectively, were outstanding at December 31, 2006.

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

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

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

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 requires that preferred stock for which its redemption is outside of the company's control should be presented outside of net assets in the statement of assets and liabilities.

Transactions in Common Stock during 2006 and 2005 were as follows:

	SHARES		AMOUNT	
	2006	2005	2006	2005
Treasury shares issued in payment of dividends and distributions	1,326,499	1,067,491	\$1,326,499	\$1,067,491
Increase in paid-in capital			47,422,339	35,517,225
Total increase			48,748,838	36,584,716
Shares purchased (at an average discount from net asset value of 9.0% and 12.4%, respectively)	787,700	1,222,404	(787,700)	(1,222,404)
Decrease in paid-in capital			(28,298,392)	(38,589,768)
Total decrease			(29,086,092)	(39,812,172)
Net increase (decrease)			\$19,662,746	(\$3,227,456)

At December 31, 2006, the Company held in its treasury 1,642,365 shares of Common Stock with an aggregate cost in the amount of \$49,650,348.

Distributions for tax and book purposes are substantially the same.

As of December 31, 2006, the components of distributable earnings on a tax basis were as follows:

Undistributed ordinary income	\$889,490
Accumulated capital losses	(1,715,049)
Unrealized appreciation	630,844,976
	<u>\$630,019,417</u>

In accordance with U.S. Treasury Regulations, the Company has elected to defer \$1,715,049 of net realized capital losses arising after October 31, 2006. Such losses are treated for tax purposes as arising on January 1, 2007.

To reflect reclassification arising from permanent "book/tax" differences for non-deductible expenses during the year ended December 31, 2006, undistributed net investment income was increased by \$2,764, and additional paid-in capital was decreased by \$2,764. Net assets were not affected by this reclassification.

3. OFFICERS' COMPENSATION

The aggregate compensation paid by the Company during 2006 and 2005 to its officers (identified on page 19) amounted to \$7,255,500 and \$5,881,000, respectively.

4. PURCHASES AND SALES OF SECURITIES

Purchases and sales of securities and securities sold short (other than short-term securities and options) during 2006 amounted to \$250,301,775 and \$321,482,449, on long transactions, respectively, and \$4,061,806 and \$3,432,125, on short sale transactions, respectively.

5. BENEFIT PLANS

The Company has funded and unfunded defined contribution thrift plans that are available to its employees. The aggregate cost of such plans for 2006 and 2005 was \$805,729 and \$815,088, respectively.

The Company also has both a funded (Qualified) and an unfunded (Supplemental) noncontributory defined benefit pension plans that cover its employees. The plans provide defined benefits based on years of service and final average salary with an offset for a portion of social security covered compensation.

Effective December 31, 2006, the Company adopted the recognition provisions of Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards No. 158 "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" ("FAS158") which was released on September 2006. FAS 158 improves financial reporting by requiring employers to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in the statement of assets and liabilities and to recognize changes in funded status in the year in which the changes occur through other comprehensive income.

5. PENSION BENEFIT PLANS - (Continued from previous page.)

OBLIGATIONS AND FUNDED STATUS OF DEFINED BENEFIT PLANS:

	DECEMBER 31, 2006 (MEASUREMENT DATE)			DECEMBER 31, 2005 (MEASUREMENT DATE)		
	QUALIFIED PLAN	SUPPLEMENTAL PLAN	TOTAL	QUALIFIED PLAN	SUPPLEMENTAL PLAN	TOTAL
CHANGE IN BENEFIT OBLIGATION:						
Benefit obligation at beginning of year	\$8,902,156	\$3,139,034	\$12,041,190	\$7,487,615	\$2,690,636	\$10,178,251
Service cost	201,809	115,586	317,395	194,771	112,956	307,727
Interest cost	501,644	182,511	684,155	481,413	166,597	648,010
Benefits paid	(542,274)	(165,252)	(707,526)	(514,291)	(146,513)	(660,804)
Actuarial (gains)/losses	(848)	48,848	48,000	1,071,753	298,925	1,370,678
Plan amendments	—	—	—	180,895	16,433	197,328
Projected benefit obligation at end of year	9,062,487	3,320,727	12,383,214	8,902,156	3,139,034	12,041,190
CHANGE IN PLAN ASSETS:						
Fair value of plan assets at beginning of year	15,906,987	—	15,906,987	14,625,572	—	14,625,572
Miscellaneous adjustment	—	—	—	64,946	—	64,946
Actual return on plan assets	2,354,533	—	2,354,533	1,730,760	—	1,730,760
Employer contributions	—	165,252	165,252	—	146,513	146,513
Benefits paid	(542,274)	(165,252)	(707,526)	(514,291)	(146,513)	(660,804)
Fair value of plan assets at end of year	17,719,246	—	17,719,246	15,906,987	—	15,906,987
FUNDED STATUS AT END OF YEAR						
Unrecognized actuarial (gains)/losses	—	—	—	407,303	(53,984)	353,319
Unrecognized prior service cost	—	—	—	302,322	91,890	394,212
Net amount recognized at end of year	\$8,656,759	(\$3,320,727)	\$5,336,032	\$7,714,456	(\$3,101,128)	\$4,613,328
Accumulated benefit obligation at end of year	\$8,400,586	\$2,971,614	\$11,372,200	\$8,322,164	\$2,725,423	\$11,047,587
INCREMENTAL EFFECT OF ADOPTING FAS 158						
Noncurrent benefit asset	BEFORE	ADJUSTMENTS	AFTER			
	\$7,939,307	\$717,452	\$8,656,759			
LIABILITIES						
Current benefit liability	213,549	—	213,549			
Noncurrent benefit liability	3,042,285	64,893	3,107,178			
Accumulated other comprehensive income	—	(652,559)	(652,559)			
AMOUNTS RECOGNIZED IN ACCUMULATED OTHER COMPREHENSIVE INCOME CONSIST OF:						
Net actuarial loss/(gain)	(\$1,006,540)	(\$5,136)	(\$1,011,676)	N/A	N/A	N/A
Prior service cost/(credit)	289,088	70,029	359,117	N/A	N/A	N/A
	(\$717,452)	\$64,893	(\$652,559)	N/A	N/A	N/A
WEIGHTED-AVERAGE ASSUMPTIONS AS OF END OF FISCAL YEAR:						
Discount rate	5.75%	5.75%		5.50%	5.50%	
Expected return on plan assets	8.75%	N/A		8.75%	N/A	
Salary scale assumption	4.25%	4.25%		4.25%	4.25%	
COMPONENTS OF NET PERIODIC BENEFIT COST:						
Service cost	\$201,809	\$115,586	\$317,395	\$194,771	\$112,956	\$307,727
Interest cost	501,645	182,511	684,156	481,413	166,597	648,010
Expected return on plan assets	(1,127,040)	—	(1,127,040)	(1,077,936)	—	(1,077,936)
Amortization of:						
Prior service cost	13,235	21,861	35,096	13,235	24,439	37,674
Recognized net actuarial loss	185,502	—	185,502	152,996	—	152,996
Net periodic benefit cost	(\$224,849)	\$319,958	\$95,109	(\$235,521)	\$303,992	\$68,471
WEIGHTED-AVERAGE ASSUMPTIONS FOR DETERMINING NET PERIODIC BENEFIT COST FOR YEARS ENDED DECEMBER 31:						
Discount rate	5.50%	5.50%		5.75%	5.75%	
Expected long-term rate of return on plan assets	8.75%	N/A		8.75%	N/A	
Rate of salary increase	4.25%	4.25%		4.25%	4.25%	

PLAN ASSETS	EXPECTED CASH FLOWS			Qualified Plan	Supplemental Plan	Total
	The Company's qualified pension plan asset allocations by asset category at December 31, 2006 and 2005, are as follows:					
	Expected Company contributions for 2007			—	\$213,549	\$213,549
	Expected benefit payments:					
	December 31					
ASSET CATEGORY	2006	2005				
Equity securities	88.2%	97.3%		\$527,506	\$213,549	\$741,055
Debt securities	11.8	2.7		536,049	257,363	793,412
Total	100.0%	100.0%		542,757	289,572	832,329
				561,535	320,654	882,189
				583,903	353,543	937,446
				3,190,667	2,217,100	5,407,767

Generally, not less than 80% of plan assets are invested in investment companies that invest in equity securities.

6. PUT OPTION

A transaction in a written collateralized put option during the year ended December 31, 2006 was as follows:

	Collateralized Put	
	Contract	Premium
Option written	100	\$16,199
Option terminated in closing purchase transaction	(100)	(16,199)
Option outstanding, December 31, 2006	—	\$0

7. OPERATING LEASE COMMITMENT

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

Rental expense approximated \$308,900 for 2006. Minimum rental commitments under the operating lease are approximately \$505,000 in 2007.

7. OPERATING LEASE COMMITMENT- (Continued from previous page.)

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 in 2007. The Company will also receive its proportionate share of operating expenses and real property taxes under the sublease.

8. RECENT ACCOUNTING PRONOUNCEMENTS

On July 13, 2006, the FASB released FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes" ("FIN48"). FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FIN 48 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. Adoption of FIN 48 is required for fiscal years beginning after June 29, 2007 and is to be applied to all open tax years as of the effective date. Management does not believe that the application of this standard will have a material impact on the financial statements of the Company.

On September 20, 2006, the FASB released Statement of Financial Accounting Standards No. 157 "Fair Value Measurements" ("FAS 157"). FAS 157 establishes an authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair-value measurements. The application of FAS 157 is required for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. Management does not believe that the application of this standard will have a material impact on the financial statements of the Company.

FINANCIAL HIGHLIGHTS

General American Investors

The following table shows per share operating performance data, total investment return, ratios and supplemental data for each year in the five-year period ended December 31, 2006. This information has been derived from information contained in the financial statements and market price data for the Company's shares.

	2006	2005	2004	2003	2002
PER SHARE OPERATING PERFORMANCE					
Net asset value, beginning of year	\$39.00	\$35.49	\$33.11	\$26.48	\$35.14
Net investment income	.34	.19	.32	.03	.19
Net gain (loss) on securities - realized and unrealized	4.72	5.85	3.48	7.72	(7.88)
Other comprehensive income	.03	—	—	—	—
Distributions on Preferred Stock:					
Dividends from net investment income	(.04)	(.03)	(.09)	(.01)	(.12)
Distributions from net short-term capital gains	(.01)	(.08)	—	—	—
Distributions from net long-term capital gains	(.36)	(.30)	(.32)	(.35)	(.23)
	<u>(.41)</u>	<u>(.41)</u>	<u>(.41)</u>	<u>(.36)</u>	<u>(.35)</u>
Total from investment operations	<u>4.68</u>	<u>5.63</u>	<u>3.39</u>	<u>7.39</u>	<u>(8.04)</u>
Distributions on Common Stock:					
Dividends from investment income	(.29)	(.15)	(.23)	(.02)	(.02)
Distributions from net short-term capital gains	(.04)	(.44)	—	—	(.19)
Distributions from net long-term capital gains	(2.81)	(1.53)	(.78)	(.52)	(.41)
	<u>(3.14)</u>	<u>(2.12)</u>	<u>(1.01)</u>	<u>(.54)</u>	<u>(.62)</u>
Capital Stock transaction - effect of Preferred Stock offering	—	—	—	(.22)	—
Net asset value, end of year	<u>\$40.54</u>	<u>\$39.00</u>	<u>\$35.49</u>	<u>\$33.11</u>	<u>\$26.48</u>
Per share market value, end of year	<u>\$37.12</u>	<u>\$34.54</u>	<u>\$31.32</u>	<u>\$29.73</u>	<u>\$23.85</u>
TOTAL INVESTMENT RETURN - Stockholder					
Return, based on market price per share	16.78%	17.40%	8.79%	27.01%	(27.21)%
RATIOS AND SUPPLEMENTAL DATA					
Net assets applicable to Common Stock, end of year (000's omitted)	\$1,199,453	\$1,132,942	\$1,036,393	\$986,335	\$809,192
Ratio of expenses to average net assets applicable to Common Stock	1.06%	1.25%	1.15%	1.23%	0.92%
Ratio of net income to average net assets applicable to Common Stock	0.86%	0.51%	0.94%	0.13%	0.61%
Portfolio turnover rate	19.10%	20.41%	16.71%	18.62%	22.67%
PREFERRED STOCK					
Liquidation value, end of year (000's omitted)	\$200,000	\$200,000	\$200,000	\$200,000	\$150,000
Asset coverage	700%	666%	618%	593%	639%
Liquidation preference per share	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00
Market value per share	\$24.44	\$24.07	\$24.97	\$25.04	\$25.85

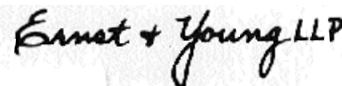
TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF
GENERAL AMERICAN INVESTORS COMPANY, INC.

We have audited the accompanying statement of assets and liabilities, including the statement of investments, of General American Investors Company, Inc. as of December 31, 2006, and the related statements of operations and changes in net assets for each of the two years in the period then ended, and financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 2006, by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of General American Investors Company, Inc. at December 31, 2006, the results of its operations and the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with U.S. generally accepted accounting principles.

The signature of Ernst & Young LLP is written in a cursive, handwritten style in black ink. The signature is placed over a light gray rectangular background.

New York, New York
January 17, 2007

NAME (AGE) EMPLOYEE SINCE	PRINCIPAL OCCUPATION DURING PAST 5 YEARS	NAME (AGE) EMPLOYEE SINCE	PRINCIPAL OCCUPATION DURING PAST 5 YEARS
Spencer Davidson (64) 1994	<i>President and Chief Executive Officer of the Company since 1995</i>	Sally A. Lynch, Ph.D. (47) 1997	<i>Vice-President of the Company since 2006 securities analyst (biotechnology industry)</i>
Andrew V. Vindigni (47) 1988	<i>Senior Vice-President of the Company since 2006 Vice-President 1995-2006; securities analyst (financial services industry)</i>	Peter P. Donnelly (58) 1974	<i>Vice-President of the Company since 1991 securities trader</i>
Eugene S. Stark (48) 2005	<i>Vice-President, Administration of the Company since 2005, Principal Financial Officer since 2005, Chief Compliance Officer since 2006; Chief Financial Officer of Prospect Energy Corporation (2005); Vice-President of Prudential Financial, Inc. (1987-2004)</i>	Diane G. Radosti (54) 1980	<i>Treasurer of the Company since 1990 Principal Accounting Officer since 2003</i>
Jesse Stuart (40) 2003	<i>Vice-President of the Company since 2006 securities analyst (general industries); securities analyst & portfolio manager of Scudder, Stevens and Clark (1996-2003)</i>	Carole Anne Clementi (60) 1982	<i>Secretary of the Company since 1994 shareholder relations and office management</i>
		Craig A. Grassi (38) 1991	<i>Assistant Vice-President of the Company since 2005 information technology</i>
		Maureen E. LoBello (56) 1992	<i>Assistant Secretary of the Company since 2005 benefits administration</i>

All officers serve for a term of one year and are elected by the Board of Directors at the time of its annual organization meeting on the second Wednesday in April. The address for each officer is the Company's office. Other directorships and affiliations for Mr. Davidson are shown in the listing of Directors on page 20.

SERVICE ORGANIZATIONS

COUNSEL Sullivan & Cromwell LLP	TRANSFER AGENT AND REGISTRAR American Stock Transfer & Trust Company 59 Maiden Lane New York, NY 10038 1-800-413-5499 www.amstock.com
INDEPENDENT AUDITORS Ernst & Young LLP	
CUSTODIAN State Street Bank and Trust Company	

In addition to purchases of the Company's Common Stock as set forth in Note 2, on page 15, 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.

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

On May 2, 2006, the Company submitted a CEO annual certification to the New York Stock Exchange ("NYSE") on which the Company's principal executive officer certified that he was not aware, as of that date, of any violation by the Company of the NYSE's Corporate Governance listing standards. In addition, as required by Section 302 of the Sarbanes-Oxley Act of 2002 and related SEC rules, the Company's principal executive and principal financial officer made quarterly certifications, included in filings with the SEC on Forms N-CSR and N-Q relating to, among other things, the Company's disclosure controls and procedures and internal control over financial reporting, as applicable.

DIRECTORS

General American Investors

NAME (AGE) DIRECTOR SINCE	PRINCIPAL OCCUPATION DURING PAST 5 YEARS	OTHER DIRECTORSHIPS AND AFFILIATIONS
INDEPENDENT ("DISINTERESTED") DIRECTORS		
Lawrence B. Buttenwieser (75) CHAIRMAN OF THE BOARD OF DIRECTORS 1967	<i>Counsel</i> 2002-present <i>Partner</i> 1966-2002 Katten Muchin Zavis Rosenman and predecessor firms (lawyers)	
Arthur G. Altschul, Jr. (42) 1995	<i>Managing Member</i> Diaz & Altschul Capital Management, LLC (private investment company)	Delta Opportunity Fund, Ltd., <i>Director</i> Diversified Natural Products, Inc., <i>Director</i> Medicis Pharmaceutical Corporation, <i>Director</i> Medrium, Inc., <i>Chairman, Board of Directors</i> National Public Radio Foundation, <i>Trustee</i> Neurosciences Research Foundation, <i>Trustee</i> The Overbrook Foundation, <i>Director</i>
Lewis B. Cullman (88) 1961	<i>Philanthropist</i>	Chess-in-the-Schools, <i>Chairman, Board of Trustees</i> Metropolitan Museum of Art, <i>Honorary Trustee</i> Museum of Modern Art, <i>Vice Chairman,</i> <i>International Council and Honorary Trustee</i> Neurosciences Research Foundation, <i>Vice Chairman,</i> <i>Board of Trustees</i> The New York Botanical Garden, <i>Senior Vice</i> <i>Chairman, Board of Managers</i>
Gerald M. Edelman (77) 1976	<i>Member, Professor and Chairman of the</i> <i>Department of Neurobiology</i> The Scripps Research Institute	Neurosciences Institute of the Neurosciences Research Foundation, <i>Director and President</i>
John D. Gordan, III (61) 1986	<i>Partner</i> Morgan, Lewis & Bockius LLP (lawyers)	
Sidney R. Knafel (76) 1994	<i>Managing Partner</i> SRK Management Company (private investment company)	IGENE Biotechnology, Inc., <i>Director</i> Insight Communications Company, Inc., <i>Chairman, Board of Directors</i> VirtualScopics, Inc., <i>Director</i> Vocollect, Inc., <i>Director</i>
D. Ellen Shuman (51) 2004	<i>Vice President and</i> <i>Chief Investment Officer</i> Carnegie Corporation of New York	Bowdoin College, <i>Trustee</i> Edna McConnell Clark Foundation, <i>Investment Advisor</i> The Investment Fund for Foundations, <i>Director</i>
Joseph T. Stewart, Jr. (77) 1987	<i>Corporate director and trustee</i>	Foundation of the University of Medicine and Dentistry of New Jersey, <i>Trustee</i> Marine Biological Laboratory, <i>Member,</i> <i>Advisory Council</i> United States Merchant Marine Academy, <i>Trustee,</i> <i>Board of Advisors</i> United States Merchant Marine Academy Foundation, <i>Trustee</i>
Raymond S. Troubh (80) 1989	<i>Financial Consultant</i>	Diamond Offshore Drilling, Inc., <i>Director</i> Gentiva Health Services, Inc., <i>Director</i> Sun-Times Media Group, Inc., <i>Director</i> Triarc Companies, Inc., <i>Director</i>
INSIDE ("INTERESTED") DIRECTOR		
Spencer Davidson (64) 1995	<i>President and Chief Executive Officer</i> General American Investors Company, Inc. since 1995	Medicis Pharmaceutical Corporation, <i>Director</i> Neurosciences Research Foundation, <i>Trustee</i>

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

William T. Golden, DIRECTOR EMERITUS

