

## TO THE STOCKHOLDERS

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For the six months ended June 30, 2008, the net asset value per Common Share decreased 4.5%, while the investment return to our stockholders was negative by 6.1%. By comparison, our benchmark, the Standard & Poor's 500 Stock Index (including income) decreased 11.9%. For the twelve months ended June 30, 2008, the return on the net asset value per Common Share was -7.4%, and the return to our stockholders was -6.8%; these compare with a return of -13.2% for the S&P 500. During each period, the discount at which our shares traded continued to fluctuate and on June 30, 2008, it was 10.5%.

As set forth in the accompanying financial statements (unaudited), as of June 30, 2008, the net assets applicable to the Company's Common Stock were \$1,141,320,885 equal to \$36.15 per Common Share.

The decrease in net assets resulting from operations for the six months ended June 30, 2008 was \$54,812,857. During this period, the net realized gain on securities sold was \$33,093,704, and the decrease in net unrealized appreciation was \$87,661,514. Net investment income for the six months was \$5,704,953, and distributions to Preferred Stockholders amounted to \$5,950,000.

The worldwide market weakness of the first quarter has continued unabated. The combination of historically high personal consumption and low savings, together with the constrained balance sheets

of lending institutions, continues to weigh on our economy. In addition to rising energy prices and the falling value of houses, the specter of stagflation, that unpleasant combination of slow growth and rising prices, may also explain the pronounced lack of investor enthusiasm.

While it is undoubtedly true that investment returns for the financial sector are likely to be lower in the future, owing to the de-leveraging effects of shrinking balance sheets and new share issuance, equity prices appear to have largely adjusted to the new reality. Firms with permanent capital like ours are positioned to benefit, moreover, from the buying opportunities that market dislocation can provide.

Information about the Company, including our investment objectives, operating policies and procedures, investment results, record of dividend and distribution payments, financial reports and press releases, is on our website and has been updated through June 30, 2008. 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*

*Chairman of the Board*

*President and Chief Executive Officer*

July 9, 2008

**STATEMENT OF ASSETS AND LIABILITIES June 30, 2008 (Unaudited)**

*General American Investors*

ASSETS

<b>INVESTMENTS, AT VALUE (NOTE 1a)</b>		
Common and preferred stocks (cost \$849,000,051)		\$1,320,392,591
Corporate note (cost \$13,621,576)		13,234,375
Money market fund (cost \$2,924,321)		2,924,321
Total investments (cost \$865,545,948)		1,336,551,287

CASH, RECEIVABLES AND OTHER ASSETS

Cash	\$236,395	
Receivable for securities sold	310,117	
Premiums deposited with brokers for options written	3,898,415	
Dividends, interest and other receivables	1,497,613	
Pension asset, excess funded	9,598,415	
Prepaid expenses and other assets	3,245,493	
		18,786,448

<b>TOTAL ASSETS</b>		<b>1,355,337,735</b>
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LIABILITIES

Payable for securities purchased	591,417	
Preferred dividend accrued but not yet declared	231,389	
Outstanding options written, at value (premiums deposited with brokers \$3,898,415) (note 1a)	3,253,750	
Pension benefit liability	3,212,048	
Accrued thrift plan liability	3,485,661	
Accrued expenses and other liabilities	3,242,585	
		14,016,850

<b>TOTAL LIABILITIES</b>		<b>14,016,850</b>
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5.95% CUMULATIVE PREFERRED STOCK, SERIES B - 8,000,000 shares at a liquidation value of \$25 per share (note 2)		200,000,000
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NET ASSETS APPLICABLE TO COMMON STOCK - 31,573,058 shares (note 2)		\$1,141,320,885
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NET ASSET VALUE PER COMMON SHARE		\$36.15
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NET ASSETS APPLICABLE TO COMMON STOCK

Common Stock, 31,573,058 shares at par value (note 2)	\$31,573,058	
Additional paid-in capital (note 2)	602,738,135	
Undistributed realized gain on investments	33,191,074	
Undistributed net investment income	7,233,177	
Accumulated other comprehensive income (note 6)	1,116,826	
Unallocated distributions on Preferred Stock	(6,181,389)	
Unrealized appreciation on investments and options	471,650,004	
		\$1,141,320,885

<b>NET ASSETS APPLICABLE TO COMMON STOCK</b>		<b>\$1,141,320,885</b>
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(see notes to financial statements)

**STATEMENT OF OPERATIONS Six Months Ended June 30, 2008 (Unaudited)**

*General American Investors*

INCOME		
Dividends (net of foreign withholding taxes of \$355,915)	\$11,515,415	
Interest	<u>1,112,132</u>	\$12,627,547
EXPENSES		
Investment research	4,226,979	
Administration and operations	1,507,715	
Office space and general	710,182	
Directors' fees and expenses	144,679	
Auditing and legal fees	125,145	
Transfer agent, custodian and registrar fees and expenses	93,651	
Stockholders' meeting and reports	65,431	
Miscellaneous taxes	<u>48,812</u>	<u>6,922,594</u>
NET INVESTMENT INCOME		5,704,953
REALIZED GAIN (LOSS) AND CHANGE IN UNREALIZED APPRECIATION ON INVESTMENTS (NOTES 1c AND 4)		
Net realized gain on investments:		
Long transactions	31,469,145	
Written option transactions (note 1b)	1,624,559	
Net decrease in unrealized appreciation	<u>(87,661,514)</u>	
NET LOSS ON INVESTMENTS		(54,567,810)
DISTRIBUTIONS TO PREFERRED STOCKHOLDERS		<u>(5,950,000)</u>
DECREASE IN NET ASSETS RESULTING FROM OPERATIONS		<u><u>(\$54,812,857)</u></u>

(see notes to financial statements)

**STATEMENT OF CHANGES IN NET ASSETS**

*General American Investors*

	Six Months Ended June 30, 2008 (Unaudited)	Year Ended December 31, 2007
<b>OPERATIONS</b>		
Net investment income	\$5,704,953	\$9,782,623
Net realized gain on investments	33,093,704	175,785,885
Net decrease in unrealized appreciation	(87,661,514)	(71,533,458)
	<u>(48,862,857)</u>	<u>114,035,050</u>
Distributions to Preferred Stockholders:		
From net investment income	—	(689,497)
From short-term capital gains	—	(778,809)
From long-term capital gains	—	(10,431,694)
Unallocated distributions	(5,950,000)	—
Decrease in net assets from Preferred distributions	(5,950,000)	(11,900,000)
	<u>(54,812,857)</u>	<u>102,135,050</u>
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	<u>(54,812,857)</u>	<u>102,135,050</u>
OTHER COMPREHENSIVE INCOME (Adjustment to apply FAS 158 (Note 6))	<u>8,263</u>	<u>456,004</u>
<b>DISTRIBUTIONS TO COMMON STOCKHOLDERS</b>		
From net investment income	(183,597)	(9,603,869)
From short-term capital gains	—	(10,847,882)
From long-term capital gains	(6,613,893)	(145,301,188)
	<u>(6,797,490)</u>	<u>(165,752,939)</u>
DECREASE IN NET ASSETS FROM COMMON DISTRIBUTIONS	<u>(6,797,490)</u>	<u>(165,752,939)</u>
<b>CAPITAL SHARE TRANSACTIONS (NOTE 2)</b>		
Value of Common Shares issued in payment of dividends and distributions	—	96,902,914
Cost of Common Shares purchased	—	(30,271,148)
	<u>—</u>	<u>66,631,766</u>
INCREASE IN NET ASSETS - CAPITAL TRANSACTIONS	<u>—</u>	<u>66,631,766</u>
NET INCREASE (DECREASE) IN NET ASSETS	<u>(61,602,084)</u>	<u>3,469,881</u>
<b>NET ASSETS APPLICABLE TO COMMON STOCK</b>		
BEGINNING OF PERIOD	1,202,922,969	1,199,453,088
END OF PERIOD (including undistributed net investment income of \$7,233,177 and \$1,711,821, respectively)	<u>\$1,141,320,885</u>	<u>\$1,202,922,969</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, 2008 and for each year in the five-year period ended December 31, 2007. This information has been derived from information contained in the financial statements and market price data for the Company's shares.

	Six Months Ended June 30, 2008 (Unaudited)	Year Ended December 31,				
		2007	2006	2005	2004	2003
<b>PER SHARE OPERATING PERFORMANCE</b>						
Net asset value, beginning of period	\$38.10	\$40.54	\$39.00	\$35.49	\$33.11	\$26.48
Net investment income	.18	.31	.34	.19	.32	.03
Net gain (loss) on investments - realized and unrealized	(1.72)	3.39	4.72	5.85	3.48	7.72
Other comprehensive income	—	.02	.03	—	—	—
<b>Distributions on Preferred Stock:</b>						
Dividends from net investment income	—	(.02)	(.04)	(.03)	(.09)	(.01)
Distributions from net short-term capital gains	—	(.03)	(.01)	(.08)	—	—
Distributions from net long-term capital gains	—	(.36)	(.36)	(.30)	(.32)	(.35)
Unallocated	(.19)	—	—	—	—	—
	(.19)	(.41)	(.41)	(.41)	(.41)	(.36)
Total from investment operations	(1.73)	3.31	4.68	5.63	3.39	7.39
<b>Distributions on Common Stock:</b>						
Dividends from net investment income	(.01)	(.33)	(.29)	(.15)	(.23)	(.02)
Distributions from net short-term capital gains	—	(.38)	(.04)	(.44)	—	—
Distributions from net long-term capital gains	(.21)	(5.04)	(2.81)	(1.53)	(.78)	(.52)
	(.22)	(5.75)	(3.14)	(2.12)	(1.01)	(.54)
Capital Stock transaction - effect of Preferred Stock offering	—	—	—	—	—	(.22)
Net asset value, end of period	\$36.15	\$38.10	\$40.54	\$39.00	\$35.49	\$33.11
Per share market value, end of period	\$32.36	\$34.70	\$37.12	\$34.54	\$31.32	\$29.73
<b>TOTAL INVESTMENT RETURN - Stockholder return, based on market price per share</b>	(6.09)%*	8.72%	16.78%	17.40%	8.79%	27.01%
<b>RATIOS AND SUPPLEMENTAL DATA</b>						
Net assets applicable to Common Stock, end of period (000's omitted)	\$1,141,321	\$1,202,923	\$1,199,453	\$1,132,942	\$1,036,393	\$986,335
Ratio of expenses to average net assets applicable to Common Stock	1.19%**	1.11%	1.06%	1.25%	1.15%	1.23%
Ratio of net income to average net assets applicable to Common Stock	0.98%**	0.78%	0.86%	0.51%	0.94%	0.13%
Portfolio turnover rate	12.77%*	31.91%	19.10%	20.41%	16.71%	18.62%
<b>PREFERRED STOCK</b>						
Liquidation value, end of period (000's omitted)	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000
Asset coverage	671%	701%	700%	666%	618%	593%
Liquidation preference per share	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00
Market value per share	\$23.36	\$21.99	\$24.44	\$24.07	\$24.97	\$25.04

\*Not annualized

\*\*Annualized

**STATEMENT OF INVESTMENTS June 30, 2008 (Unaudited)**

*General American Investors*

Shares	COMMON AND PREFERRED STOCKS	Value (note 1a)
<b>AEROSPACE/DEFENSE (6.0%)</b>		
300,000	The Boeing Company	\$19,716,000
600,700	Textron Inc.	28,791,551
325,000	United Technologies Corporation	20,052,500
	(COST \$78,462,056)	<u>68,560,051</u>
<b>BUILDING AND REAL ESTATE (5.0%)</b>		
2,306,590	CEMEX, S.A. de C.V. ADR (a) (c)	(COST \$31,830,094) 56,972,762
<b>COMMUNICATIONS AND INFORMATION SERVICES (7.6%)</b>		
915,000	Cisco Systems, Inc. (a)	21,282,900
324,100	Lamar Advertising Company Class A (a)	11,677,323
1,038,500	MetroPCS Communications, Inc. (a)	18,391,835
800,000	QUALCOMM Incorporated	35,496,000
	(COST \$79,024,954)	<u>86,848,058</u>
<b>COMPUTER SOFTWARE AND SYSTEMS (13.1%)</b>		
700,000	Activision, Inc. (a)	23,849,000
1,555,000	Dell Inc. (a)	34,023,400
570,000	Microsoft Corporation	15,680,700
410,000	NetEase.com, Inc. (a)	8,933,900
70,000	Nintendo Co., Ltd.	39,545,100
890,000	Teradata Corporation (a)	20,594,600
335,000	THQ Inc. (a)	6,787,100
	(COST \$123,287,451)	<u>149,413,800</u>
<b>CONSUMER PRODUCTS AND SERVICES (8.5%)</b>		
350,000	Diageo plc ADR	25,854,500
375,000	Heineken N. V.	19,117,500
466,100	Hewitt Associates, Inc. Class A (a)	17,865,613
425,000	Nestle S.A.	19,256,750
240,000	PepsiCo, Inc.	15,261,600
	(COST \$75,732,527)	<u>97,355,963</u>
<b>ENVIRONMENTAL CONTROL (INCLUDING SERVICES) (4.6%)</b>		
881,500	Republic Services, Inc.	26,180,550
680,000	Waste Management, Inc.	25,642,800
	(COST \$39,285,764)	<u>51,823,350</u>
<b>FINANCE AND INSURANCE (19.8%)</b>		
<b>BANKING (2.5%)</b>		
300,000	M&T Bank Corporation	21,162,000
485,000	Wachovia Corporation	7,532,050
	(COST \$4,524,141)	<u>28,694,050</u>
<b>INSURANCE (13.5%)</b>		
325,000	The Allstate Corporation	14,816,750
325,000	American International Group, Inc.	8,599,500
325,000	Arch Capital Group Ltd. (a)	21,554,000
185,000	AXIS Capital Holdings Limited	5,514,850
200	Berkshire Hathaway Inc. Class A (a)	24,150,000
315,000	Everest Re Group, Ltd.	25,108,650
1,275,000	Fidelity National Financial, Inc.	16,065,000
265,000	MetLife, Inc.	13,984,050
275,000	PartnerRe Ltd.	19,010,750
100,000	Transatlantic Holdings, Inc.	5,647,000
	(COST \$87,551,980)	<u>154,450,550</u>
<b>OTHER (3.8%)</b>		
450,000	American Express Company	16,951,500
10,000	Epoch Holding Corporation, Series A Convertible Preferred 4.6% (d) (f)	15,219,370
1,025,000	Nelnet, Inc. (a)	11,510,750
	(COST \$51,081,155)	<u>43,681,620</u>
	(COST \$143,157,276)	<u>226,826,220</u>

**STATEMENT OF INVESTMENTS June 30, 2008 (Unaudited) - continued**

*General American Investors*

Shares	COMMON AND PREFERRED STOCKS (continued)	Value (note 1a)
<b>HEALTH CARE / PHARMACEUTICALS (3.5%)</b>		
70,000	Biogen Idec Inc. (a)	\$3,912,300
529,900	Cytokinetics, Incorporated (a)	1,965,929
200,000	Genentech, Inc. (a)	15,180,000
119,500	Gilead Sciences, Inc. (a)	6,327,525
190,000	Novo Nordisk B	12,448,800
	(COST \$19,519,876)	<u>39,834,554</u>
<b>MACHINERY AND EQUIPMENT (2.5%)</b>		
1,000,000	ABB Ltd. ADR	(COST \$10,779,026)
		<u>28,320,000</u>
<b>METAL (1.4%)</b>		
371,000	Carpenter Technology Corporation	(COST \$22,541,198)
		<u>16,194,150</u>
<b>MISCELLANEOUS (4.1%)</b>		
	Other (b)	(COST \$49,552,605)
		<u>46,759,759</u>
<b>OIL AND NATURAL GAS (INCLUDING SERVICES) (23.1%)</b>		
549,800	Apache Corporation	76,422,200
800,000	Halliburton Company	42,456,000
600,000	Patterson-UTI Energy, Inc.	21,678,000
2,470,000	Weatherford International Ltd. (a)	122,487,300
	(COST \$84,814,970)	<u>263,043,500</u>
<b>RETAIL TRADE (13.3%)</b>		
575,000	Costco Wholesale Corporation	40,330,500
725,000	The Home Depot, Inc.	16,979,500
333,100	Target Corporation	15,485,819
1,675,000	The TJX Companies, Inc.	52,712,250
470,000	Wal-Mart Stores, Inc.	26,414,000
	(COST \$54,317,368)	<u>151,922,069</u>
<b>TECHNOLOGY (2.3%)</b>		
1,900,000	Xerox Corporation	(COST \$25,689,854)
		<u>25,764,000</u>
<b>TRANSPORTATION (0.9%)</b>		
236,100	Alexander & Baldwin, Inc.	(COST \$11,005,032)
		<u>10,754,355</u>
	<b>TOTAL COMMON AND PREFERRED STOCKS (115.7%)</b>	(COST \$849,000,051)
		<u>1,320,392,591</u>
<b>Principal Amount</b>	<b>CORPORATE NOTE</b>	
<b>CONSUMER PRODUCTS AND SERVICES (1.2%)</b>		
\$13,750,000	General Motors Nova Scotia Finance Company 6.85% Guaranteed Notes due 10/15/08 (f)	(COST \$13,621,576)
		<u>13,234,375</u>
<b>Shares</b>	<b>SHORT-TERM SECURITY AND OTHER ASSETS</b>	
2,924,321	SSgA Prime Money Market Fund (0.2%)	(COST \$2,924,321)
		<u>2,924,321</u>
	<b>TOTAL INVESTMENTS (e) (117.1%)</b>	(COST \$865,545,948)
		1,336,551,287
	Cash, receivables and other assets less liabilities (0.4%)	4,769,598
	<b>PREFERRED STOCK (-17.5%)</b>	(200,000,000)
	<b>NET ASSETS APPLICABLE TO COMMON STOCK (100%)</b>	<u><u>\$1,141,320,885</u></u>

(a) Non-income producing security.

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

(c) 1,600,000 shares held by custodian in a segregated custodian account as collateral for short positions and options, if any.

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

(e) At June 30, 2008: (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 \$533,628,073, (3) aggregate gross unrealized depreciation was \$62,622,734, and

(4) net unrealized appreciation was \$471,005,339.

(f) Level 2 fair value measurement, note 8.

(see notes to financial statements)

**STATEMENT OF OPTIONS WRITTEN June 30, 2008 (Unaudited)**

*General American Investors*

Contracts (100 shares each)	COMMON STOCK/EXPIRATION DATE/EXERCISE PRICE	Value (note 1a)
<b>CALL OPTIONS</b>		
<b>OIL AND NATURAL GAS (INCLUDING SERVICES)</b>		
1,691	Apache Corporation/July 08/\$135.00	\$1,268,250
2,500	Apache Corporation/July 08/\$140.00	1,200,000
1,500	Apache Corporation/July 08/\$145.00	405,000
	(PREMIUMS DEPOSITED WITH BROKERS \$3,696,416)	2,873,250
<b>HEALTH CARE / PHARMACEUTICALS</b>		
500	Genentech, Inc./July 08/\$75.00 (PREMIUMS DEPOSITED WITH BROKERS \$108,499)	125,000
	<b>TOTAL CALL OPTIONS</b> (PREMIUMS DEPOSITED WITH BROKERS \$3,804,915)	<b>2,998,250</b>
<b>PUT OPTION</b>		
<b>FINANCE AND INSURANCE</b>		
500	American Express Company/July 08/\$42.50 (PREMIUMS DEPOSITED WITH BROKERS \$93,500)	255,500
	<b>TOTAL CALL AND PUT OPTIONS</b> (PREMIUMS DEPOSITED WITH BROKERS \$3,898,415)	<b>\$3,253,750</b>

(See notes to financial statements)

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**PORTFOLIO DIVERSIFICATION June 30, 2008 (Unaudited)**

*General American Investors*

The diversification of the Company's net assets applicable to its Common Stock by industry group as of June 30, 2008 and 2007 is shown in the following table.

INDUSTRY CATEGORY	JUNE 30, 2008		PERCENT COMMON NET ASSETS*	
	COST(000)	VALUE(000)	2008	2007
Oil and Natural Gas (Including Services)	\$84,815	\$263,044	23.1%	17.4%
Finance and Insurance				
Banking	4,524	28,694	2.5	6.3
Insurance	87,552	154,450	13.5	15.6
Other	51,081	43,682	3.8	2.2
	<u>143,157</u>	<u>226,826</u>	<u>19.8</u>	<u>24.1</u>
Retail Trade	54,317	151,922	13.3	16.7
Computer Software and Systems	123,288	149,414	13.1	6.4
Consumer Products and Services	89,354	110,590	9.7	7.8
Communications and Information Services	79,025	86,848	7.6	10.7
Aerospace/Defense	78,462	68,560	6.0	3.9
Building and Real Estate	31,830	56,973	5.0	6.4
Environmental Control (Including Services)	39,286	51,823	4.6	4.1
Miscellaneous**	49,553	46,760	4.1	5.6
Health Care				
Pharmaceuticals	19,520	39,835	3.5	4.5
Medical Instruments and Devices	—	—	—	0.6
	<u>19,520</u>	<u>39,835</u>	<u>3.5</u>	<u>5.1</u>
Machinery & Equipment	10,779	28,320	2.5	2.0
Technology	25,690	25,764	2.3	3.4
Metals	22,541	16,194	1.4	1.4
Transportation	11,005	10,754	0.9	—
	862,622	1,333,627	116.9	115.0
Short-Term Securities	2,924	2,924	0.2	0.1
Total Investments	<u>\$865,546</u>	<u>1,336,551</u>	<u>117.1</u>	<u>115.1</u>
Other Assets and Liabilities - Net		4,770	0.4	0.1
Preferred Stock		(200,000)	(17.5)	(15.2)
Net Assets Applicable to Common Stock		<u>\$1,141,321</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.

## NOTES TO FINANCIAL STATEMENTS (Unaudited)

### General American Investors

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

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

a. **SECURITY VALUATION** Securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the period. Securities reported on the NASDAQ national market are valued at the official closing price on that day. Listed and NASDAQ securities for which no sales are reported on that day and other securities traded in the over-the-counter market are valued at the last bid price (asked price for 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. **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.

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

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

e. **OTHER** As is 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** - 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. With respect to the Common Stock, 31,574,058 and 31,573,058 shares were issued and outstanding, respectively, and 8,000,000 Preferred Shares were issued and outstanding on June 30, 2008.

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.

Under the Investment Company Act of 1940, the Company is required to maintain an asset coverage of at least 200% for the Preferred Stock. In addition, pursuant to the Rating Agency Guidelines, the Company is required to maintain a certain discounted asset coverage for its portfolio that equals or exceeds the Basic Maintenance Amount under the guidelines established by Moody's Investors Service, Inc. The Company has met these requirements since the issuance of the Preferred Stock. If the Company fails to meet these requirements in the future and does not cure such failure, the Company may be required to redeem, in whole or in part, shares of Preferred Stock at a redemption price of \$25.00 per share plus accumulated and unpaid dividends (whether or not earned or declared). In addition, the Company's failure to meet the foregoing asset coverage requirements could restrict its ability to pay dividends on shares of Common Stock and could lead to sales of portfolio securities at inopportune times.

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

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

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

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

*General American Investors*

2. CAPITAL STOCK - (Continued from bottom of previous page.)

There were no transactions in Common Stock during the six months ended June 30, 2008. Transactions in common stock during the year ended December 31, 2007 were as follows:

	<u>Shares</u>	<u>Amount</u>
Shares issued in payment of dividends and distributions (includes 2,404,865 shares issued from treasury)	2,747,460	\$2,747,460
Increase in paid-in capital		94,155,454
Total increase		<u>96,902,914</u>
Shares purchased (average discount from NAV of 10.4%)	763,600	(763,600)
Decrease in paid-in capital		(29,507,548)
Total decrease		<u>(30,271,148)</u>
Net increase		<u>\$66,631,766</u>

At June 30, 2008, the Company held in its treasury 1,000 shares of Common Stock with an aggregate cost in the amount of \$35,281. Distributions for tax and book purposes are substantially the same.

3. OFFICERS' COMPENSATION - The aggregate compensation paid and accrued by the Company during the six months ended June 30, 2008 to its officers (identified on back cover) amounted to \$4,084,250.

4. PURCHASES AND SALES OF SECURITIES - Purchases and sales of securities (other than short-term securities and options) for the six months ended June 30, 2008 amounted to \$171,950,668 and \$176,446,439.

5. WRITTEN OPTIONS - Transactions in written covered call and collateralized put options during the six months ended June 30, 2008 were as follows:

	<u>Covered Calls</u>		<u>Collateralized Puts</u>	
	<u>Contracts</u>	<u>Premiums</u>	<u>Contracts</u>	<u>Premiums</u>
Options outstanding, December 31, 2007	7,500	\$3,073,787	1,999	\$638,671
Options written	16,206	8,701,980	3,700	1,058,763
Options expired	(6,210)	(2,652,261)	—	—
Options exercised	(502)	(305,952)	(159)	(58,304)
Options terminated in closing purchase transactions	(10,803)	(5,012,638)	(5,040)	(1,545,631)
Options outstanding, June 30, 2008	<u>6,191</u>	<u>\$3,804,916</u>	<u>500</u>	<u>\$93,499</u>

6. BENEFIT PLANS - The Company has funded (Qualified) and 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. The components of the net periodic benefit cost (income) of the plans for the six months ended June 30, 2008 were:

Service cost	\$157,675
Interest cost	369,976
Expected return on plan assets	(715,462)
Amortization of prior service cost	11,046
Net periodic benefit cost (income)	<u>(\$176,765)</u>

The Company also has funded and unfunded defined contribution thrift plans that are available to its employees. The aggregate cost of such plans for the six months ended June 30, 2008 was \$277,422. The unfunded liability at June 30, 2008 was \$3,485,661.

The Company applies 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" which requires 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.

7. OPERATING LEASE COMMITMENT - In June 2007, the Company entered into an operating lease agreement for office space which expires in February 2018 and provides for future rental payments in the aggregate amount of approximately \$10.8 million. The lease agreement contains clauses whereby the Company receives free rent for a specified number of months and credit towards construction of office improvements, and incurs escalations annually relating to operating costs and real property taxes and to annual rent charges beginning in February 2013. The Company has the option to renew the lease after February 2018 for five years at market rates. Rental expense approximated \$449,200 for the six months ended June 30, 2008. Minimum rental commitments under the operating lease are approximately \$0.9 million in 2008, \$1.0 million per annum in 2009 through 2012, \$1.1 million in 2013 through 2017, and \$0.1 million in 2018.

8. FAIR VALUE MEASUREMENTS - Effective January 1, 2008, the Company adopted FASB Statement of Financial Accounting Standard No. 157 "Fair Value Measurements." Various data inputs are used in determining the value of the Company's investments. These inputs are summarized in a hierarchy consisting of the three broad levels listed below:

Level 1 - quoted prices in active markets for identical securities (including money market funds which are valued using amortized cost and which transact at net asset value, typically \$1 per share),

Level 2 - other significant observable inputs (including quoted prices for similar securities, interest rates, credit risk, etc.), and

Level 3 - significant unobservable inputs (including the Company's own assumptions in determining the fair value of investments).

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The following is a summary of the inputs used to value the Company's net assets as of June 30, 2008:

<u>Valuation Inputs</u>	<u>Investments in Securities</u>	<u>Options Written</u>
Level 1 - Quoted prices	\$1,308,097,542	\$3,253,750
Level 2 - Other significant observable inputs (see (f), pages 6 and 7)	28,453,745	—
Level 3 - Unobservable inputs	—	—
Total	<u>\$1,336,551,287</u>	<u>\$3,253,750</u>

**MAJOR STOCK CHANGES\* Three Months Ended June 30, 2008 (Unaudited)**

*General American Investors*

	SHARES TRANSACTIONED	SHARES HELD JUNE 30, 2008
<b>INCREASES</b>		
<b>NEW POSITIONS</b>		
American Express Company	50,000	450,000 (a)
MetroPCS Communications, Inc.	185,000	1,038,500 (a)
Teradata Corporation	600,000	890,000 (a)
The Boeing Company	300,000	300,000
<b>ADDITIONS</b>		
Carpenter Technology Corporation	50,000	371,000
Cisco Systems, Inc.	15,000	915,000
Dell Inc.	55,000	1,555,000
NetEase.com, Inc.	165,000	410,000
PepsiCo, Inc.	40,000	240,000
<b>DECREASES</b>		
<b>ELIMINATIONS</b>		
Alkermes, Inc.	80,000	—
BearingPoint, Inc.	1,000,000	—
Sprint Nextel Corporation	480,000	—
<b>REDUCTIONS</b>		
The Allstate Corporation	5,000	325,000
American International Group, Inc.	125,000	325,000
Apache Corporation	50,200	549,800 (b)
AXIS Capital Holdings Limited	20,000	185,000
Biogen Idec Inc.	20,000	70,000
Fidelity National Financial, Inc.	100,000	1,275,000
Heineken N.V.	10,000	375,000
Hewitt Associates, Inc. Class A	83,900	466,100
The Home Depot, Inc.	375,000	725,000
Nelnet, Inc.	125,000	1,025,000
Patterson-UTI Energy, Inc.	100,000	600,000
THQ Inc.	30,000	335,000
Transatlantic Holdings, Inc.	30,000	100,000
Wachovia Corporation	130,000	485,000

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

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

(b) Shares sold from an exercised call option.

**OTHER MATTERS (Unaudited)**

*General American Investors*

In addition to purchases of the Company's Common Stock as set forth in Note 2 on page 10, purchases of Common Stock may be made at such times, at such prices, in such amounts and in such manner as the Board of Directors may deem advisable.

The policies and procedures used by the Company to determine how to vote proxies relating to portfolio securities and the Company's proxy voting record for the twelve-month period ended June 30, 2008 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 [www.generalamericaninvestors.com](http://www.generalamericaninvestors.com) and (3) on the Securities and Exchange Commission's website at [www.sec.gov](http://www.sec.gov).

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](http://www.generalamericaninvestors.com) and on the SEC's website: [www.sec.gov](http://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 also be obtained by calling us at 1-800-436-8401.

On April 30, 2008, 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.

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DIRECTORS

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Spencer Davidson, *Chairman*  
Joseph T. Stewart, Jr., *Lead Independent Director*  
Arthur G. Altschul, Jr.      Sidney R. Knafel  
Rodney B. Berens      Daniel M. Neidich  
Lewis B. Cullman      D. Ellen Shuman  
Gerald M. Edelman      Raymond S. Troubh  
John D. Gordan, III

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OFFICERS

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Spencer Davidson, President & Chief Executive Officer  
Andrew V. Vindigni, Senior Vice-President  
Peter P. Donnelly, Vice-President & Trader  
Sally A. Lynch, Vice-President  
Eugene S. Stark, Vice-President, Administration &  
Chief Compliance Officer  
Jesse R. Stuart, Vice-President  
Diane G. Radosti, Treasurer  
Carole Anne Clementi, Secretary  
Craig A. Grassi, Assistant Vice-President  
Maureen E. LoBello, Assistant Secretary

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SERVICE COMPANIES

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

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**REPORT OF INDEPENDENT REGISTERED  
PUBLIC ACCOUNTING FIRM**

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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 statement of investments, as of June 30, 2008, and the related statements of operations and changes in net assets and financial highlights for the six-month period ended June 30, 2008. These financial statements and financial highlights are the responsibility of the Company's management.

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

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

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board, the statement of changes in net assets for the year ended December 31, 2007 and financial highlights for each of the five years in the period then ended and in our report, dated January 28, 2008 we expressed an unqualified opinion on such financial statements and financial highlights.

*New York, New York*  
July 28, 2008

ERNST & YOUNG LLP

GENERAL AMERICAN INVESTORS  
COMPANY, INC.



*SEMI-ANNUAL REPORT*  
June 30, 2008

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

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