
**GENERAL
AMERICAN
INVESTORS**

**2005
ANNUAL
REPORT**





GENERAL AMERICAN INVESTORS COMPANY, INC.

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

FINANCIAL SUMMARY (unaudited)

	2005	2004
Net assets applicable to Common Stock - December 31	\$1,132,941,654	\$1,036,393,093
Net investment income	5,408,018	9,253,481
Net realized gain	63,024,095	36,774,029
Net increase in unrealized appreciation	103,638,830	62,361,773
Distributions to Preferred Stockholders	(11,900,000)	(11,900,000)
Per Common Share-December 31		
Net asset value	\$39.00	\$35.49
Market price	\$34.54	\$31.32
Discount from net asset value	-11.4%	-11.7%
Common Shares outstanding-Dec. 31	29,050,399	29,205,312
Common Stockholders of record-Dec. 31	4,100	4,300
Market price range* (high-low)	\$35.45-\$29.37	\$31.74-\$27.88
Market volume-shares	7,242,000	6,206,400

*Unadjusted for dividend payments.

DIVIDEND SUMMARY (per share) (unaudited)

Record Date	Payment Date	Ordinary Income	Long-Term Capital Gain	Total
Common Stock				
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>
Nov. 12, 2004	Dec. 23, 2004	\$.215327	\$.684673	\$.900000
Jan. 31, 2005	Mar. 10, 2005	.002000	.272000	.274000
<i>Total from 2004 earnings</i>		<u>\$.217327</u>	<u>\$.956673</u>	<u>\$1.174000</u>

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

Preferred Stock

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	.102969	.268906	.371875
<i>Total for 2005</i>		<u>\$.411876 (b)</u>	<u>\$1.075624</u>	<u>\$1.487500</u>
Mar. 8, 2004	Mar. 24, 2004	\$.083947	\$.287928	\$.371875
Jun. 7, 2004	Jun. 24, 2004	.083947	.287928	.371875
Sep. 7, 2004	Sep. 24, 2004	.083947	.287928	.371875
Dec. 7, 2004	Dec. 27, 2004	.083947	.287928	.371875
<i>Total for 2004</i>		<u>\$.335788</u>	<u>\$1.151712</u>	<u>\$1.487500</u>

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

The U.S. stock market rose for the third consecutive year, gaining 4.8% in the 12 months ended December 31, 2005, 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 16.2%. The return to our Common Stockholders was 17.4%, reflecting a slight narrowing in the discount at which our shares trade, which, at year end, was 11.4%.

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	17.5%	14.3%
5	4.3	0.5
10	16.4	9.0
20	14.8	11.9
30	17.4	12.7
40	12.9	10.3

The share repurchase program, a part of our continuing effort to maximize NAV, continues apace. During 2005, the Company purchased 1,222,404 of its Common Shares in the open market at an average discount to NAV of 12.4%. The Board of Directors has authorized repurchases of Common Shares when they are trading at a discount in excess of 8% of NAV.

Markets rallied again last year, continuing the trend that began in 2003. Earnings rose meaningfully, and interest rates remained at relatively modest levels by historic standards, notwithstanding the Federal Reserve's ongoing tightening campaign. While mirroring economic trends, the relatively muted performance of stocks reflected the compression in valuation multiples (price to earnings ratios) that generally attends a maturing business cycle.

Our performance last year benefited importantly from the portfolio's exposure to the shares of oil and natural gas producers and their service providers. Other contributors included financial services, biotech and cement companies. As in the past, our investments were focused on companies with strong financial characteristics and powerful positions in growing industries. Both operating costs relative to average net assets and portfolio turnover remained well below the equity mutual fund industry norm.

We enter 2006 with cautious optimism, encouraged by robust global growth and the resiliency of our economy in the face of rising interest rates and higher energy costs. While there is currently little evidence of decelerating spending, we fear that consumer demand for durables like cars and housing is unlikely to rise appreciably. It would appear that consumers have been

spending more than they make for some time, while other sources of liquidity, like home equity loans, will probably contract, even assuming that the Fed stops raising rates this year. With the unemployment rate below 5% and labor shortages, especially among skilled workers, increasingly common, corporations may well supplement flagging consumer demand with increased expenditure on productivity-enhancing capital goods. They have been reluctant spenders in this business cycle, continuing to cut costs and rationalize facilities in the face of lower-cost Asian competition.

As corporate earnings have continued to grow, market valuations have become more reasonable, but not generally compelling. Inflation appears to be rising steadily, if not spectacularly, which together with an aging economic expansion may continue to pressure the multiple awarded earnings and, consequently, market prices. We remain encouraged, however, by the earnings and cash flow characteristics of our portfolio companies and highly confident that our staff will continue to perform to its customary high standard.

As mentioned in the mid-year report, Eugene L. DeStaebler, Jr., who had been an officer of the Company for thirty years, retired as Vice-President, Administration, on June 30, 2005. Mr. DeStaebler continued to serve as Chief Compliance Officer, under a consultancy arrangement, through December 31, 2005. Effective January 1, 2006, Eugene S. Stark, Vice-President, Administration, assumed the additional responsibilities of Chief Compliance Officer.

We are pleased to report that on December 14, 2005, Dr. Sally Lynch, who has been employed as a securities analyst at the Company since 1997, and Mr. Jesse Stuart, CFA, who has also been employed as a securities analyst since 2003, were appointed Vice-Presidents of the Company, both effective January 1, 2006.

We are saddened to report that Dr. William O. Baker, our esteemed colleague and Director Emeritus, died on October 31, 2005. Dr. Baker, a prominent scientist, former Chairman of the Board of Bell Laboratories, and an adviser to five presidents on scientific affairs, served as a director of the Company for 13 years, and as Director Emeritus since 1996. 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 18, 2006

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 furnished upon request. It is also available on most electronic quotation services using the symbol "XGAMX." The figure for net asset value per share, together with the market price and the percentage discount or premium from net asset value as of the close of each week, is published in *The New York Times*, *The Wall Street Journal* and *Barron's*.

The ratio of market price to net asset value has shown considerable variation over a long period of time. While shares of GAM usually sell at a discount from their underlying net asset value, as do the shares of most other domestic equity closed-end investment companies, they, occasionally, sell at a premium over net asset value. During 2005, the stock sold at discounts from net asset value which ranged from 9.8% (November 9) to 14.9% (July 5). At December 31, the price of the stock was at a discount of 11.4% as compared with a discount of 11.7% 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 1943-2005 (except for the year 1974). (A table listing dividends and distributions paid during the 20-year period 1986-2005 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, 2005 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 Dividends & 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, 2005**

The investment return for a Common Stockholder of General American Investors (GAM) over the 20 years ended December 31, 2005 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 1986.

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.

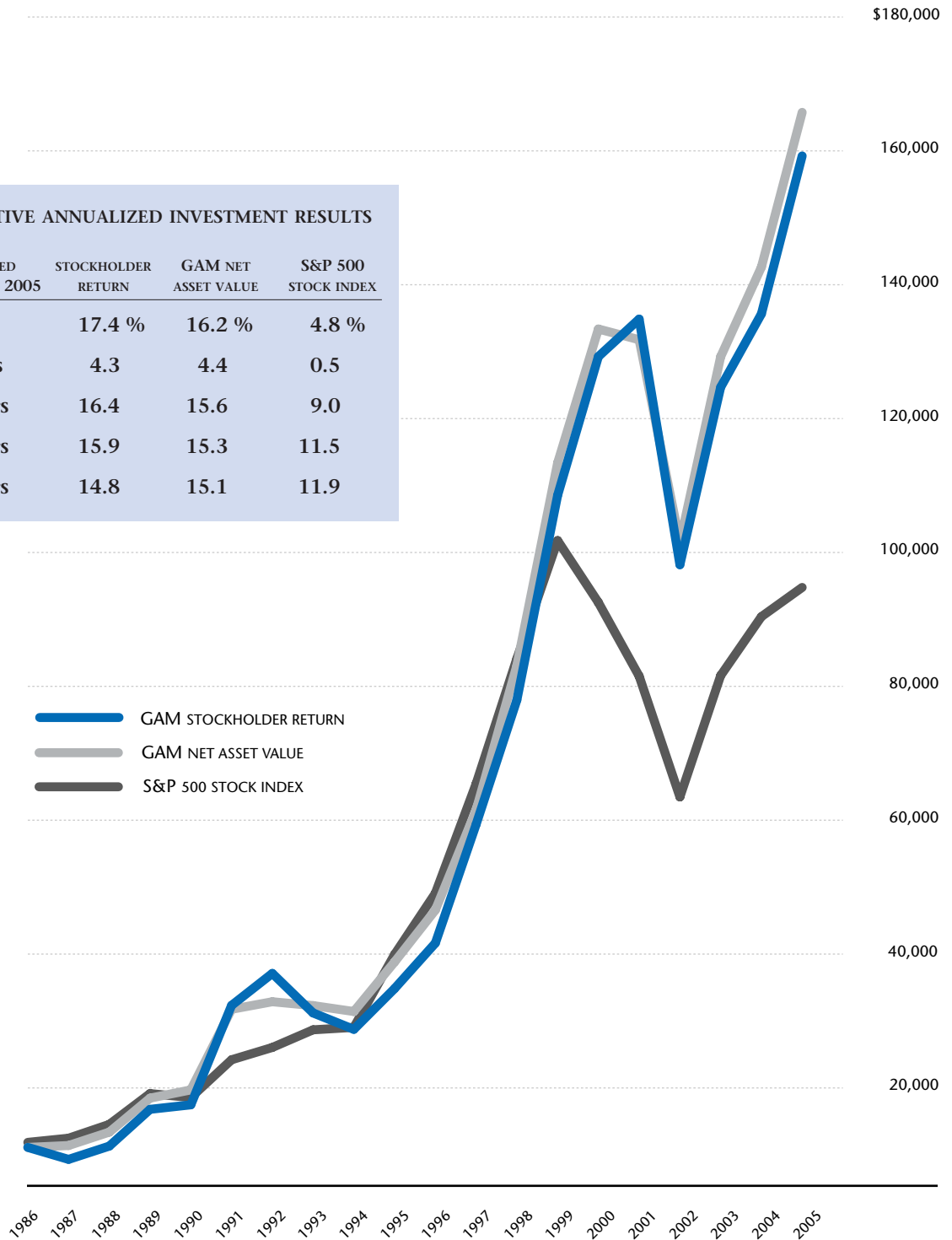
The results illustrated are a record of past performance and may not be indicative of future results.

	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
1986	\$11,117	11.17%	\$11,117	11.17%	\$11,869	18.69%
1987	9,326	-16.11	11,398	2.53	12,491	5.24
1988	11,309	21.26	13,401	17.57	14,556	16.53
1989	16,805	48.60	18,475	37.86	19,158	31.62
1990	17,477	4.00	19,710	6.69	18,566	-3.09
1991	32,332	85.00	31,752	61.09	24,210	30.40
1992	37,111	14.78	32,879	3.55	26,048	7.59
1993	31,203	-15.92	32,303	-1.75	28,684	10.12
1994	28,751	-7.86	31,418	-2.74	29,048	1.27
1995	34,851	21.22	38,827	23.58	39,941	37.50
1996	41,640	19.48	46,580	19.97	49,092	22.91
1997	59,371	42.58	61,509	32.05	65,454	33.33
1998	77,960	31.31	83,124	35.14	84,141	28.55
1999	108,536	39.22	113,381	36.40	101,777	20.96
2000	129,266	19.10	133,381	17.64	92,526	-9.09
2001	134,864	4.33	131,781	-1.20	81,525	-11.89
2002	98,167	-27.21	101,445	-23.02	63,475	-22.14
2003	124,682	27.01	129,241	27.40	81,603	28.56
2004	135,642	8.79	142,643	10.37	90,408	10.79
2005	159,243	17.40	165,751	16.20	94,775	4.83

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

CUMULATIVE VALUE
OF INVESTMENT

COMPARATIVE ANNUALIZED INVESTMENT RESULTS			
YEARS ENDED DECEMBER 31, 2005	STOCKHOLDER RETURN	GAM NET ASSET VALUE	S&P 500 STOCK INDEX
1 year	17.4 %	16.2 %	4.8 %
5 years	4.3	4.4	0.5
10 years	16.4	15.6	9.0
15 years	15.9	15.3	11.5
20 years	14.8	15.1	11.9



INCREASES		SHARES	SHARES HELD DECEMBER 31, 2005
ADDITIONS	Cytokinetics, Incorporated	54,900	604,900
	MFA Mortgage Investments, Inc.	375,000	1,300,000
	Patterson-UTI Energy, Inc.	250,000	1,000,000
	Talisman Energy Inc.	208,700	1,000,000
	Weatherford International Ltd.	185,000	1,220,000 (a)
DECREASES			
ELIMINATIONS	Central Securities Corporation	102,809 (b)	—
	CIENA Corporation	550,000	—
	Millenium Pharmaceuticals, Inc.	120,000	—
	Reinsurance Group of America, Incorporated	200,000	—
	Silicon Genesis Corporation	144,000	—
REDUCTIONS	American International Group, Inc.	5,000	345,000
	Annaly Mortgage Management, Inc.	175,000	500,000
	Bank of America Corporation	35,000	280,000
	Brooks Automation, Inc.	168,500	323,000
	Devon Energy Corporation	582,000	758,000
	Everest Re Group, Ltd.	10,000	540,000
	Genentech, Inc.	35,000	330,000
	The Home Depot, Inc.	225,000	1,695,000
	Microsoft Corporation	125,000	1,400,000
	PartnerRe Ltd.	25,000	375,000
	Pfizer Inc	50,000	1,250,000

* Excludes transactions in Stocks-Miscellaneous-Other.

(a) Includes shares received in conjunction with a stock split.

(b) Includes shares received from dividend payments.

DIVIDENDS AND DISTRIBUTIONS PER COMMON SHARE (1986-2005) (UNAUDITED)

The following table shows aggregate dividends and distributions paid per share on the Company's Common Stock for each year during the 20-year period 1986-2005. Amounts shown include payments made after year-end attributable to income and gain in each respective year.

YEAR	EARNINGS SOURCE		
	INCOME	SHORT-TERM CAPITAL GAINS	LONG-TERM CAPITAL GAINS
1986	\$.36	—	\$2.15
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

YEAR	EARNINGS SOURCE		
	INCOME	SHORT-TERM CAPITAL GAINS	LONG-TERM CAPITAL GAINS
1996	\$.20	\$.05	\$2.71
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

TEN LARGEST INVESTMENT HOLDINGS (UNAUDITED)

General American Investors

The statement of investments as of December 31, 2005, shown on pages 12 and 13 includes 53 security issues. Listed here are the ten largest holdings on that date.

	SHARES	VALUE	% COMMON NET ASSETS*
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.	1,695,000	\$68,613,600	6.1%
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.	1,143,041	67,816,623	6.0
THE TJX COMPANIES, INC. Through its T.J. Maxx and Marshalls divisions, TJX is a leading off-price retailer. The continued growth of these divisions, along with expansion into related U.S. and foreign off-price formats, provide ongoing growth opportunities.	2,500,000	58,075,000	5.1
EVEREST RE GROUP, LTD. The largest independent U.S. property/casualty reinsurer, which generates annual premiums of approximately \$4.7 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 growth.	540,000	54,189,000	4.8
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.	1,000,000	52,880,000	4.7
DEVON ENERGY CORPORATION One of the largest independent oil and gas exploration and production companies, Devon operates both domestically and internationally. Recent opportunistic acquisitions have enhanced production and improved the company's exploration profile.	758,000	47,405,320	4.2
APACHE CORPORATION Apache is a large independent oil and gas company. The company has 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.	665,000	45,565,800	4.0
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	44,164,000	3.9
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 the expectation that economic activity will continue to improve should result in higher waste volumes for the company.	1,175,000	44,121,250	3.9
EOG RESOURCES, INC. EOG is rapidly growing its reserves and production of natural gas. The company's assets are primarily in North America and Trinidad. The company earns among the highest returns on capital in its industry.	600,000	44,022,000	3.8
		<u>\$526,852,593</u>	<u>46.5%</u>

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

PORTFOLIO DIVERSIFICATION (UNAUDITED)

General American Investors

INDUSTRY CATEGORY	DECEMBER 31, 2005		PERCENT COMMON NET ASSETS*	
	COST(000)	VALUE(000)	2005	2004
Oil and Natural Gas (Including Services)	\$207,050	\$335,962	29.7%	18.3%
Finance and Insurance				
Banking	18,171	99,890	8.8	10.1
Insurance	67,625	179,443	15.8	18.5
Other	16,084	12,880	1.1	2.1
	<u>101,880</u>	<u>292,213</u>	<u>25.7</u>	<u>30.7</u>
Retail Trade	74,945	202,530	17.9	20.7
Health Care				
Pharmaceuticals	50,789	90,856	8.0	10.6
Medical Instruments and Devices	10,484	25,906	2.3	2.1
	<u>61,273</u>	<u>116,762</u>	<u>10.3</u>	<u>12.7</u>
Communications and Information Services	53,830	68,706	6.1	7.3
Building and Real Estate	30,441	67,817	6.0	3.9
Consumer Products and Services	62,733	66,602	5.9	3.8
Environmental Control (Including Services)	26,227	44,121	3.9	3.8
Computer Software and Systems	41,604	43,620	3.8	5.5
Miscellaneous**	42,347	42,466	3.7	4.4
Technology	25,690	27,835	2.5	—
Electronics	12,287	13,525	1.2	1.8
Semiconductors	4,709	5,509	0.5	0.9
Special Holdings	3,003	—	—	0.1
	<u>748,019</u>	<u>1,327,668</u>	<u>117.2</u>	<u>113.9</u>
Short-Term securities	3,823	3,823	0.3	5.6
Total investments	<u>\$751,842</u>	<u>1,331,491</u>	<u>117.5</u>	<u>119.5</u>
Cash, receivables and other assets less liabilities		1,451	0.1	(0.2)
Preferred Stock		(200,000)	(17.6)	(19.3)
Net assets applicable to Common Stock		<u>\$1,132,942</u>	<u>100.0%</u>	<u>100.0%</u>

The diversification of the Company's net assets applicable to its securities by industry group as of December 31, 2005 and 2004 is shown in the following table.

* 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,	
	2005	2004
INVESTMENTS, AT VALUE (NOTE 1a)		
Common and preferred stocks (cost \$714,895,565 and \$691,689,451, respectively)	\$1,301,855,069	\$1,167,272,723
Corporate note (cost \$33,123,366 and \$12,326,060, respectively)	25,812,500	13,225,252
Corporate discount notes (cost for 2004 \$58,487,897)	—	58,487,897
Money Market Fund (cost for 2005 \$3,822,949)	3,822,949	—
Total investments (cost \$751,841,880 and \$762,503,408, respectively)	1,331,490,518	1,238,985,872
CASH, RECEIVABLES AND OTHER ASSETS		
Cash	13,298	176,980
Receivable for securities sold	5,733,693	—
Deposit with broker for securities sold short	—	3,070,685
Deposit with broker for options written	—	188,519
Dividends, interest and other receivables	1,028,867	1,081,136
Prepaid pension cost	7,714,456	7,478,936
Prepaid expenses and other assets	214,022	294,166
TOTAL ASSETS	<u>1,346,194,854</u>	<u>1,251,276,294</u>
LIABILITIES		
Payable for securities purchased	1,468,214	411,300
Preferred dividend accrued but not yet declared	231,389	231,389
Securities sold short, at value (proceeds for 2004 \$3,070,685) (note 1a)	—	3,608,280
Outstanding options written, at value (premiums received \$188,519 for 2004) (note 1a)	—	123,580
Accrued pension expense	5,699,484	5,484,775
Accrued expenses and other liabilities	5,854,113	5,023,877
TOTAL LIABILITIES	<u>13,253,200</u>	<u>14,883,201</u>
5.95% CUMULATIVE PREFERRED STOCK, SERIES B - 8,000,000 shares at a liquidation value of \$25 per share (note 2)	<u>200,000,000</u>	<u>200,000,000</u>
NET ASSETS APPLICABLE TO COMMON STOCK - 29,050,399 and 29,205,312 shares, respectively (note 2)	<u>\$1,132,941,654</u>	<u>\$1,036,393,093</u>
NET ASSET VALUE PER COMMON SHARE	<u>\$39.00</u>	<u>\$35.49</u>
NET ASSETS APPLICABLE TO COMMON STOCK		
Common Stock, 29,050,399 and 29,205,312 shares at par value, respectively (note 2)	\$29,050,399	\$29,205,312
Additional paid-in capital (note 2)	518,972,693	521,985,714
Undistributed realized gain on investments (note 2)	3,969,333	7,864,450
Undistributed net investment income (note 2)	1,531,980	1,559,198
Unallocated distributions on Preferred Stock	(231,389)	(231,389)
Unrealized appreciation on investments, securities sold short and options	579,648,638	476,009,808
NET ASSETS APPLICABLE TO COMMON STOCK	<u>\$1,132,941,654</u>	<u>\$1,036,393,093</u>

(see notes to financial statements)

STATEMENT OF OPERATIONS

General American Investors

	YEAR ENDED DECEMBER 31,	
	2005	2004
INCOME		
Dividends (net of foreign withholding taxes of \$490,458 and \$222,175, respectively)	\$16,403,240	\$18,010,297
Interest	2,318,112	2,538,401
TOTAL INCOME	18,721,352	20,548,698
EXPENSES		
Investment research	8,695,758	7,257,447
Administration and operations	3,236,737	2,685,811
Office space and general	537,671	535,685
Directors' fees and expenses	218,402	187,539
Auditing and legal fees	216,600	172,200
Transfer agent, custodian and registrar fees and expenses	176,854	179,102
Stockholders' meeting and reports	129,857	169,197
Miscellaneous taxes	101,455	108,236
TOTAL EXPENSES	13,313,334	11,295,217
NET INVESTMENT INCOME	5,408,018	9,253,481
REALIZED GAIN (LOSS) AND CHANGE IN UNREALIZED APPRECIATION ON INVESTMENTS (NOTES 1f AND 4)		
Net realized gain on investments:		
Long transactions	63,646,612	39,187,387
Short sale transactions (note 1b)	(755,114)	(2,512,348)
Option transactions (note 1c)	132,597	98,990
Net realized gain on investments (long-term except for \$14,501,035 for 2005)	63,024,095	36,774,029
Net increase in unrealized appreciation	103,638,830	62,361,773
NET GAIN ON INVESTMENTS	166,662,925	99,135,802
DISTRIBUTIONS TO PREFERRED STOCKHOLDERS	(11,900,000)	(11,900,000)
INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$160,170,943	\$96,489,283

(see notes to financial statements)

STATEMENT OF CHANGES IN NET ASSETS

General American Investors

OPERATIONS	YEAR ENDED DECEMBER 31,	
	2005	2004
Net investment income	\$5,408,018	\$9,253,481
Net realized gain on investments	63,024,095	36,774,029
Net increase in unrealized appreciation	103,638,830	62,361,773
	<u>172,070,943</u>	<u>108,389,283</u>
Distributions to Preferred Stockholders:		
From net income	(845,368)	(2,686,304)
From short-term capital gains	(2,449,640)	—
From long-term capital gains	(8,604,992)	(9,213,696)
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>160,170,943</u>	<u>96,489,283</u>
DISTRIBUTIONS TO COMMON STOCKHOLDERS		
From net income	(4,333,771)	(6,602,940)
From short-term capital gains	(12,389,129)	—
From long-term capital gains	(43,672,026)	(22,647,281)
DECREASE IN NET ASSETS FROM COMMON DISTRIBUTIONS	<u>(60,394,926)</u>	<u>(29,250,221)</u>
CAPITAL SHARE TRANSACTIONS (note 2)		
Value of Common Shares issued in payment of distributions	36,584,716	15,781,952
Cost of Common Shares purchased	<u>(39,812,172)</u>	<u>(32,963,032)</u>
DECREASE IN NET ASSETS - CAPITAL TRANSACTIONS	<u>(3,227,456)</u>	<u>(17,181,080)</u>
NET INCREASE IN NET ASSETS	96,548,561	50,057,982
NET ASSETS APPLICABLE TO COMMON STOCK		
BEGINNING OF YEAR	<u>1,036,393,093</u>	<u>986,335,111</u>
END OF YEAR (including undistributed net investment income of \$1,531,980 and \$1,559,198, respectively)	<u>\$1,132,941,654</u>	<u>\$1,036,393,093</u>

(see notes to financial statements)

	SHARES	COMMON AND PREFERRED STOCKS	VALUE (NOTE 1a)
BUILDING AND REAL ESTATE (6.0%)	1,143,041	CEMEX, S.A. de C.V. ADR (COST \$30,440,830)	\$67,816,623
COMMUNICATIONS AND INFORMATION SERVICES (6.1%)	675,000 900,000 350,000 4,600,000	American Tower Corporation (a) Cisco Systems, Inc. (a) Lamar Advertising Company Class A (a) Telecom Corporation of New Zealand Limited (COST \$53,829,770)	18,292,500 15,408,000 16,145,500 18,860,000 68,706,000
COMPUTER SOFTWARE AND SYSTEMS (3.8%)	300,000 1,400,000 133,500	EMC Corporation (a) Microsoft Corporation VeriSign, Inc. (a) (COST \$41,604,314)	4,086,000 36,610,000 2,923,650 43,619,650
CONSUMER PRODUCTS AND SERVICES (3.6%)	350,000 275,000 175,000	Diageo plc ADR Ethan Allen Interiors Inc. PepsiCo, Inc. (COST \$29,609,424)	20,405,000 10,045,750 10,339,000 40,789,750
ELECTRONICS (1.2%)	550,000	Molex Incorporated Class A (COST \$12,287,441)	13,524,500
ENVIRONMENTAL CONTROL (INCLUDING SERVICES) (3.9%)	1,175,000	Republic Services, Inc. (COST \$26,227,380)	44,121,250
FINANCE AND INSURANCE (25.7%)			
		BANKING (8.8%)	
	280,000 585,000 310,000 200,000	Bank of America Corporation Golden West Financial Corporation M&T Bank Corporation SunTrust Banks, Inc. (COST \$18,170,793)	12,922,000 38,610,000 33,805,500 14,552,000 99,889,500
		INSURANCE (15.8%)	
	345,000 500,000 350,000 300 540,000 285,000 375,000 250,000	American International Group, Inc. Annuity and Life Re (Holdings), Ltd. (a) Arch Capital Group Ltd. (a) Berkshire Hathaway Inc. Class A (a) Everest Re Group, Ltd. MetLife, Inc. PartnerRe Ltd. Transatlantic Holdings, Inc. (COST \$67,625,042)	23,539,350 575,000 19,162,500 26,586,000 54,189,000 13,965,000 24,626,250 16,800,000 179,443,100
		OTHER (1.1%)	
	500,000 1,300,000	Annaly Mortgage Management, Inc. MFA Mortgage Investments, Inc. (COST \$16,084,154) (COST \$101,879,989)	5,470,000 7,410,000 12,880,000 292,212,600
HEALTH CARE (10.3%)			
		PHARMACEUTICALS (8.0%)	
	265,000 180,000 604,900 330,000 400,000 1,250,000	Alkermes, Inc. (a) Biogen Idec Inc. (a) Cytokinetics, Incorporated (a) Genentech, Inc. (a) MedImmune, Inc. (a) Pfizer Inc (COST \$50,789,396)	5,066,800 8,150,400 3,956,046 30,525,000 14,008,000 29,150,000 90,856,246
		MEDICAL INSTRUMENTS AND DEVICES (2.3%)	
	450,000	Medtronic, Inc. (COST \$10,483,716) (COST \$61,273,112)	25,906,500 116,762,746

	SHARES	COMMON AND PREFERRED STOCKS (Continued)	VALUE (NOTE 1a)	
MISCELLANEOUS (3.7%)		Other (b)	(COST \$42,346,406)	\$42,466,400
OIL AND NATURAL GAS (INCLUDING SERVICES) (29.7%)	665,000	Apache Corporation		45,565,800
	758,000	Devon Energy Corporation		47,405,320
	600,000	EOG Resources, Inc.		44,022,000
	440,000	Halliburton Company		27,262,400
	1,000,000	Patterson-UTI Energy, Inc.		32,950,000
	1,000,000	Talisman Energy Inc.		52,880,000
	330,000	Total S.A. ADR		41,712,000
	1,220,000	Weatherford International Ltd. (a)		44,164,000
			(COST \$207,050,041)	335,961,520
RETAIL TRADE (17.9%)	700,000	Costco Wholesale Corporation		34,629,000
	750,000	Dollar General Corporation		14,302,500
	1,695,000	The Home Depot, Inc. (c)		68,613,600
	2,500,000	The TJX Companies, Inc.		58,075,000
	575,000	Wal-Mart Stores, Inc.		26,910,000
			(COST \$74,944,941)	202,530,100
SEMICONDUCTORS (0.5%)	323,000	Brooks Automation, Inc. (a)		4,047,190
	197,000	EMCORE Corporation (a)		1,461,740
			(COST \$4,709,063)	5,508,930
SPECIAL HOLDING (a)(d) (0.0%)	546,000	Standard MEMS, Inc. Series A Convertible Preferred	(COST \$3,003,000)	—
TECHNOLOGY (2.5%)	1,900,000	Xerox Corporation (a)	(COST \$25,689,854)	27,835,000
		TOTAL COMMON AND PREFERRED STOCKS (114.9%)	(COST \$714,895,565)	1,301,855,069
	PRINCIPAL AMOUNT	CORPORATE NOTE		
CONSUMER PRODUCTS AND SERVICES (2.3%)	\$35,000,000	General Motors Nova Scotia Finance Company 6.85% Guaranteed Notes Due 10/15/08	(COST \$33,123,366)	25,812,500
	SHARES	SHORT-TERM SECURITY AND OTHER ASSETS		
	3,822,949	SSgA Prime Money Market Fund (0.3%)	(COST \$3,822,949)	3,822,949
TOTAL INVESTMENTS (e) (117.5%)			(COST \$751,841,880)	1,331,490,518
Cash, receivables and other assets less liabilities (0.1%)				1,451,136
PREFERRED STOCK (-17.6%)				1,332,941,654
NET ASSETS APPLICABLE TO COMMON STOCK (100%)				(200,000,000)
				\$1,132,941,654

(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 open short positions.

(d) Restricted security acquired 12/17/99. Fair value in the opinion of the directors.

(e) At December 31, 2005: (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 \$602,842,012, (3) aggregate gross unrealized depreciation was \$23,193,374, and (4) net unrealized appreciation was \$579,648,638.

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. Corporate discount notes are valued at amortized cost, which approximates market value. Investments in money market funds are valued at their net asset value. Special holdings (restricted securities) and other securities for which quotations are not readily available are valued at fair value determined in good faith pursuant to procedures established by and under the general supervision of the Board of Directors.

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 29,050,399 shares and 8,000,000 shares, respectively, were outstanding at December 31, 2005.

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 2005 and 2004 were as follows:

	SHARES		AMOUNT	
	2005	2004	2005	2004
Shares issued in payment of dividends (includes 1,067,491 and 508,849 shares issued from treasury, respectively)	1,067,491	508,849	\$1,067,491	\$508,849
Increase in paid-in capital			35,517,225	15,273,103
Total increase			<u>36,584,716</u>	<u>15,781,952</u>
Shares purchased (at an average discount from net asset value of 12.4% and 10.3%, respectively)	1,222,404	1,092,800	(1,222,404)	(1,092,800)
Decrease in paid-in capital			<u>(38,589,768)</u>	<u>(31,870,232)</u>
Total decrease			<u>(39,812,172)</u>	<u>(32,963,032)</u>
Net decrease			<u>(\$3,227,456)</u>	<u>(\$17,181,080)</u>

At December 31, 2005, the Company held in its treasury 2,181,164 shares of Common Stock with an aggregate cost in the amount of \$60,890,513.

Distributions for tax and book purposes are substantially the same.

As of December 31, 2005, the components of distributable earnings on a tax basis were as follows:

Undistributed long-term gains	\$3,969,333
Unrealized appreciation	579,648,638
	<u>\$583,617,971</u>

To reflect reclassification arising from permanent "book/tax" differences for the year ended December 31, 2004 undistributed net investment income was decreased by \$96,483, undistributed realized gain on investments was increased by \$32,883, and additional paid-in capital was increased by \$63,600. These differences are primarily due to reclassification of dividends for tax purposes and non-deductible expenses. Net assets were not affected by this reclassification.

To reflect reclassification arising from permanent "book/tax" differences for the year ended December 31, 2005 undistributed net investment income was decreased by \$96,614, undistributed realized gain on investments was increased by \$163,692, and additional paid-in capital was decreased by \$4,078. These differences are primarily due to reclassification of dividends for tax purposes and non-deductible expenses. Net assets were not affected by this reclassification.

3. OFFICERS' COMPENSATION

The aggregate compensation paid by the Company during 2005 and 2004 to its officers amounted to \$5,881,000 and \$4,872,000, respectively.

4. PURCHASES AND SALES OF SECURITIES

Purchases and sales of securities and securities sold short (other than short-term securities and options) during 2005 amounted to \$254,596,163 and \$274,239,355, on long transactions, respectively, and \$3,825,799, with respect to short sale purchase transactions.

5. PENSION BENEFIT PLANS

The Company has both a funded (Qualified) and an unfunded (Supplemental) noncontributory defined benefit pension plans that cover substantially all of 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 Company also has funded and unfunded defined contribution thrift plans that cover substantially all employees. The aggregate cost of such plans for 2005 and 2004 was \$815,088 and \$626,307, respectively. The unfunded liability included in other liabilities at December 31, 2005 and 2004 was \$2,598,357 and \$2,541,127, respectively.

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

OBLIGATIONS AND FUNDED STATUS OF DEFINED BENEFIT PLANS:

	2005			2004		
	QUALIFIED PLAN	SUPPLEMENTAL PLAN	TOTAL	QUALIFIED PLAN	SUPPLEMENTAL PLAN	TOTAL
CHANGE IN BENEFIT OBLIGATION						
Benefit obligation at beginning of year	\$7,487,615	\$2,690,636	\$10,178,251	\$6,793,866	\$2,429,480	\$9,223,346
Service cost	194,771	112,956	307,727	151,059	91,900	242,959
Interest cost	481,413	166,597	648,010	420,507	153,455	573,962
Benefits Paid	(514,291)	(146,513)	(660,804)	(427,238)	(127,773)	(555,011)
Actuarial (gains)/losses	1,071,753	298,925	1,370,678	395,684	144,698	540,382
Plan amendments	180,895	16,433	197,328	153,737	(1,124)	152,613
Benefit obligation at end of year	8,902,156	3,139,034	12,041,190	7,487,615	2,690,636	10,178,251
CHANGE IN PLAN ASSETS						
Fair value of plan assets at beginning of year	14,625,572	—	14,625,572	13,029,458	—	13,029,458
Miscellaneous Adjustment	64,946	—	64,946	—	—	—
Actual return on plan assets	1,730,760	—	1,730,760	2,023,352	—	2,023,352
Employer contributions	—	146,513	146,513	—	127,773	127,773
Benefits paid	(514,291)	(146,513)	(660,804)	(427,238)	(127,773)	(555,011)
Fair value of plan assets at end of year	15,906,987	—	15,906,987	14,625,572	—	14,625,572
FUNDED STATUS						
Unrecognized actuarial (gains)/losses	407,303	(53,983)	353,320	206,316	(352,908)	(146,592)
Unrecognized prior service cost	302,322	91,890	394,212	134,662	99,896	234,558
Net amount recognized	\$7,714,456	(\$3,101,127)	\$4,613,329	\$7,478,935	(\$2,943,648)	\$4,535,287
AMOUNTS RECOGNIZED IN THE STATEMENT OF ASSETS AND LIABILITIES CONSIST OF:						
Prepaid benefit cost	\$7,714,456	—	\$7,714,456	\$7,478,935	—	\$7,478,935
Accrued benefit liability	—	(\$3,101,127)	(3,101,127)	—	(\$2,943,648)	(2,943,648)
Net amount recognized	\$7,714,456	(\$3,101,127)	\$4,613,329	\$7,478,935	(\$2,943,648)	\$4,535,287
Accumulated Benefit Obligation	\$8,322,164	\$2,725,423	\$11,047,587	\$6,882,288	\$2,295,334	\$9,177,622
Projected Benefit Obligation	8,902,156	3,139,034	12,041,190	7,487,615	2,690,636	10,178,251
Fair value of plan assets	15,906,987	—	15,906,987	14,625,572	—	14,625,572
WEIGHTED-AVERAGE ASSUMPTIONS AS OF END OF FISCAL YEAR						
Discount rate	5.50%	5.50%		5.75%	5.75%	
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	\$194,771	\$112,956	\$307,727	\$151,059	\$91,900	\$242,959
Interest cost	481,413	166,597	648,010	420,507	153,455	573,962
Expected return on plan assets	(1,077,936)	—	(1,077,936)	(1,080,350)	—	(1,080,350)
Amortization of:						
Prior service cost	13,235	24,439	37,674	(16,245)	28,565	12,320
Recognized net actuarial loss (gain)	152,996	—	152,996	—	(24,871)	(24,871)
Net periodic benefit cost	(\$235,521)	\$303,992	\$68,471	(\$525,029)	\$249,049	(\$275,980)
WEIGHTED-AVERAGE ASSUMPTIONS FOR DETERMINING NET PERIODIC BENEFIT COST FOR YEARS ENDED DECEMBER 31						
Discount rate	5.75%	5.75%		6.25%	6.25%	
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%	

The Company's Pension Committee, based on input from management and an outside consultant, reviews and determines the reasonableness of plan assumptions and the allocation of plan assets.

PLAN ASSETS The Company's qualified pension plan asset allocations at December 31, 2005 and 2004, by asset category, are as follows:	CASH FLOWS					
	December 31		Qualified Plan	Supplemental Plan	Total	
	2005	2004				
ASSET CATEGORY						
Equity securities	97.3%	96.6%				
Debt securities	2.7	3.4				
Total	100.0%	100.0%				
			Expected Company Contributions for 2006 to Plan Participants/Total Contributions			
			—	\$227,632	\$227,632	
			Estimated Future Benefit Payments:			
			2006	\$512,297	\$227,632	\$739,929
			2007	528,066	280,922	808,988
			2008	540,389	329,335	869,724
			2009	549,326	364,876	914,202
			2010	567,641	396,499	964,140
			2011-2015	3,069,125	2,393,245	5,462,370

6. CALL AND PUT OPTIONS

Transactions in written covered call and collateralized put options during the year ended December 31, 2005 were as follows:

	Covered Calls		Collateralized Puts	
	Contracts	Premiums	Contracts	Premiums
Options outstanding, December 31, 2004	539	\$90,021	500	\$98,498
Options written	4,067	2,188,984	1,000	263,989
Options terminated in closing purchase transactions	(4,606)	(2,279,005)	(500)	(98,498)
Options expired	—	—	(1,000)	(263,989)
Options outstanding, December 31, 2005	—	\$0	—	\$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 \$298,200 for 2005. Minimum rental commitments under the operating lease are approximately \$505,000 per annum in 2006 through 2007.

In January 2003, the Company extended a sublease agreement (originally entered into in March 1996) which expires in 2007 and provides for future rental receipts. Minimum rental receipts under the sublease are approximately \$254,000 per annum in 2006 through 2007. The Company will also receive its proportionate share of operating expenses and real property taxes under the sublease.

8. SUBSEQUENT EVENT

On January 18, 2006, the Board of Directors declared on the Common Stock a distribution of \$0.138 per share from net long-term capital gains. This distribution is payable in cash on February 13, 2006.

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, 2005. This information has been derived from information contained in the financial statements and market price data for the Company's shares.

	2005	2004	2003	2002	2001
PER SHARE OPERATING PERFORMANCE					
Net asset value, beginning of year	\$35.49	\$33.11	\$26.48	\$35.14	\$39.91
Net investment income	.19	.32	.03	.19	.41
Net gain (loss) on securities - realized and unrealized	5.85	3.48	7.72	(7.88)	(.66)
Distributions on Preferred Stock:					
Dividends from net investment income	(.03)	(.09)	(.01)	(.12)	(.03)
Distributions from net short-term capital gains	(.08)	—	—	—	(.04)
Distributions from net long-term capital gains	(.30)	(.32)	(.35)	(.23)	(.29)
	(.41)	(.41)	(.36)	(.35)	(.36)
Total from investment operations	5.63	3.39	7.39	(8.04)	(.61)
Less distributions on Common Stock:					
Dividends from investment income	(.15)	(.23)	(.02)	(.02)	(.37)
Distributions from net short-term capital gains	(.44)	—	—	(.19)	(.51)
Distributions from net long-term capital gains	(1.53)	(.78)	(.52)	(.41)	(3.28)
	(2.12)	(1.01)	(.54)	(.62)	(4.16)
Capital Stock transaction - effect of Preferred Stock offering	—	—	(.22)	—	—
Net asset value, end of year	\$39.00	\$35.49	\$33.11	\$26.48	\$35.14
Per share market value, end of year	\$34.54	\$31.32	\$29.73	\$23.85	\$33.47
TOTAL INVESTMENT RETURN - Stockholder					
Return, based on market price per share	17.40%	8.79%	27.01%	(27.21)%	4.33%
RATIOS AND SUPPLEMENTAL DATA					
Net assets applicable to Common Stock, end of year (000's omitted)	\$1,132,942	\$1,036,393	\$986,335	\$809,192	\$1,097,530
Ratio of expenses to average net assets applicable to Common Stock	1.25%	1.15%	1.23%	0.92%	0.97%
Ratio of net income to average net assets applicable to Common Stock	0.51%	0.94%	0.13%	0.61%	1.15%
Portfolio turnover rate	20.41%	16.71%	18.62%	22.67%	23.81%
PREFERRED STOCK					
Liquidation value, end of year (000's omitted)	\$200,000	\$200,000	\$200,000	\$150,000	\$150,000
Asset coverage	666%	618%	593%	639%	832%
Liquidation preference per share	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00
Market value per share	\$24.07	\$24.97	\$25.04	\$25.85	\$25.90

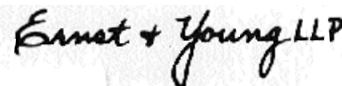
TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF
GENERAL AMERICAN INVESTORS COMPANY, INC.

We have audited the accompanying statement of assets and liabilities, including the statements of investments, of General American Investors Company, Inc. as of December 31, 2005, 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, 2005, 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, 2005, 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 18, 2006

NAME (AGE) EMPLOYEE SINCE	PRINCIPAL OCCUPATION DURING PAST 5 YEARS	NAME (AGE) EMPLOYEE SINCE	PRINCIPAL OCCUPATION DURING PAST 5 YEARS
Spencer Davidson (63) 1994	<i>President and Chief Executive Officer of the Company since 1995</i>	Sally A. Lynch, Ph.D. (46) 1997	<i>Vice-President of the Company since 2006 securities analyst (biotechnology industry)</i>
Andrew V. Vindigni (46) 1988	<i>Vice-President of the Company since 1995 securities analyst (financial services industry)</i>	Peter P. Donnelly (57) 1974	<i>Vice-President of the Company since 1991 securities trader</i>
Eugene S. Stark (47) 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 (53) 1980	<i>Treasurer of the Company since 1990 Principal Accounting Officer since 2003</i>
Jesse Stuart (39) 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 (59) 1982	<i>Secretary of the Company since 1994 shareholder relations and office management</i>
		Craig A. Grassi (37) 1991	<i>Assistant Vice-President of the Company since 2005; employee since 1991 information technology</i>
		Maureen E. LoBello (55) 1992	<i>Assistant Secretary of the Company since 2005; employee since 1992 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 6, 2005, 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 (74) 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. (41) 1995	<i>Managing Member</i> Diaz & Altschul Capital Management, LLC (private investment company)	Delta Opportunity Fund, Ltd., <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>
Lewis B. Cullman (87) 1961	<i>Managing Member</i> Cullman Ventures LLC	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 (76) 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 (60) 1986	<i>Partner</i> Morgan, Lewis & Bockius LLP (lawyers)	
Sidney R. Knafel (75) 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>
Richard R. Pivrotto (75) 1971	<i>President</i> Richard R. Pivrotto Co., Inc. (self-employed consultant)	Associated Community Bancorp, Inc., <i>Director</i> General Theological Seminary, <i>Trustee</i> Greenwich Hospital Corporation, <i>Trustee</i> Immunomedics, Inc., <i>Director</i> Princeton University, <i>Charter Trustee Emeritus</i>
D. Ellen Shuman (50) 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> Meristar Hospitality Corporation, <i>Director</i>
Joseph T. Stewart, Jr. (76) 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 (79) 1989	<i>Financial Consultant</i>	Diamond Offshore Drilling, Inc., <i>Director</i> Gentiva Health Services, Inc., <i>Director</i> Petrie Stores Liquidating Trust, <i>Trustee</i> Portland General Electric Company, <i>Director</i> Triarc Companies, Inc., <i>Director</i>
INSIDE ("INTERESTED") DIRECTOR		
Spencer Davidson (63) 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



General American Investors Company, Inc.

450 Lexington Avenue, New York, NY 10017

(212) 916-8400 (800) 436-8401

E-mail: InvestorRelations@gainv.com

www.generalamericaninvestors.com