

# Dreyfus Appreciation Fund, Inc.

**ANNUAL REPORT** December 31, 2007



**Dreyfus**  
A BNY Mellon Company<sup>SM</sup>

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Not FDIC-Insured • Not Bank-Guaranteed • May Lose Value
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## A LETTER FROM THE CEO

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Dear Shareholder:

We are pleased to present this annual report for Dreyfus Appreciation Fund, Inc., covering the 12-month period from January 1, 2007, through December 31, 2007.

Looking back, 2007 was a year of significant change for the stock market. Turmoil in the sub-prime mortgage market, declining housing values and soaring energy prices sparked a “flight to quality” in which investors reassessed their attitudes toward risk. As a result, smaller, more speculative companies that had led the stock market over the past several years lost value over the second half of the year, while shares of larger, multinational growth companies returned to favor. Many financial services and consumer discretionary companies were hurt by repercussions from the sub-prime lending crisis and economic downturn, but energy and basic materials producers generally moved higher along with underlying commodity prices.

The turbulence of 2007 reinforced a central principle of successful investing: diversification. Investors with broad exposure to the world’s stock and bond markets were better protected from the full impact of market volatility in areas that, earlier in the year, were among the bright spots at the time. As we look ahead, we believe that now is the perfect time to meet with your financial advisor, who can help you plan and diversify your investment portfolio in a way that manages the potential opportunities and risks that may continue to arise in 2008.

For information about how the fund performed during the reporting period, as well as market perspectives, we have provided a Discussion of Fund Performance given by the fund’s Portfolio Manager.

Thank you for your continued confidence and support.

Sincerely,

Thomas F. Eggers  
Chief Executive Officer  
The Dreyfus Corporation  
January 15, 2008



## DISCUSSION OF FUND PERFORMANCE

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*For the period of January 1, 2007, through December 31, 2007, as provided by Fayez Sarofim, of Fayez Sarofim & Co., Sub-Investment Adviser*

### **Fund and Market Performance**

After posting gains during the first half of 2007, stocks generally moved lower over the second half of the year when the U.S. economy weakened and a credit crunch spread from the sub-prime mortgage sector of the bond market to other areas of the financial markets. As investors grew more risk averse, they began to turn toward the types of large-cap growth stocks in which the fund invests. As a result, the fund produced a higher return than its benchmark for the reporting period overall.

For the 12-month period ended December 31, 2007, Dreyfus Appreciation Fund produced a total return of 6.54%.<sup>1</sup> In comparison, the total return of the fund's benchmark, the Standard & Poor's 500 Composite Stock Price Index ("S&P 500 Index"), was 5.49% for the same period.<sup>2</sup>

### **The Fund's Investment Approach**

The fund invests primarily in large, well-established multinational companies that we believe are solidly positioned to weather difficult economic climates and thrive in more favorable environments. We focus on purchasing blue-chip stocks at a price we consider to be justified by the company's fundamentals. The result is a portfolio of stocks in prominent companies selected for their sustained patterns of profitability, strong balance sheets, expanding global presence and above-average growth potential. At the same time, we manage the fund in a manner particularly well suited to long-term investors. Generally, we buy and sell relatively few stocks during the course of the year, helping to minimize investors' tax liabilities and reduce trading costs.<sup>3</sup>

### **Large-Cap Growth Stocks Returned to Favor in 2007**

U.S. stocks, as defined by the S&P 500 Index, posted positive absolute returns in 2007 despite a downturn in the U.S. economy and a credit crunch emanating from the sub-prime mortgage market over the second half of the year. Concerns regarding declining housing prices, higher energy costs and their potential effects on consumer spending weighed on the U.S. economy and parts of the stock market. The Federal Reserve Board attempted to promote greater market liquidity and forestall a potential recession by reducing the overnight federal funds rate from 5.25% to 4.25% by the reporting period's end.

In contrast to the flagging U.S. economy, global economic growth remained robust. Consequently, some of the year's stronger gains stemmed from large companies with substantial overseas operations. Energy stocks ranked among the top contributors to the S&P 500 Index's results for 2007, with energy producers benefiting from powerful overseas demand and rising commodity prices. Materials stocks advanced amid persistently high demand for construction materials in emerging markets, such as China and India. Conversely, U.S. banks, broker-dealers and bond insurers posted sharp declines after announcing substantial sub-prime-related losses. Consumer discretionary stocks also suffered as investors shied away from companies that might be sensitive to slower consumer spending.

### **Stock Selection Strategy Produced Positive Results**

As investors grew increasingly risk averse, they began to favor multinational growth companies with a track record of consistent earnings growth across full economic cycles. The fund was well positioned for this development. Overweighted exposure to energy stocks, such as Exxon Mobil, also boosted the fund's relative performance. The fund's consumer staples stocks, which historically have tended to hold up well when the economy slows, also fared well. For example, tobacco giant Altria Group benefited from its spin-off of Kraft Foods and plans to separate from its international tobacco division. Beverage leaders Coca-Cola and PepsiCo achieved robust growth in overseas markets, as did household goods provider Procter & Gamble.

Disappointments during 2007 proved to be relatively mild. An under-weighted position in information technology stocks prevented the fund from participating as fully as the benchmark in the sector's gains, but strong stock selections helped offset a portion of any allocation-related weakness. Similarly, the fund held no utilities, and missed out on that relatively small sector's advance. Although financial stocks — including some of the banks and brokers ensnared in the sub-prime mortgage debacle — produced negative absolute returns, our stock selection strategy enabled the fund's financial holdings to outperform the benchmark's financials component.

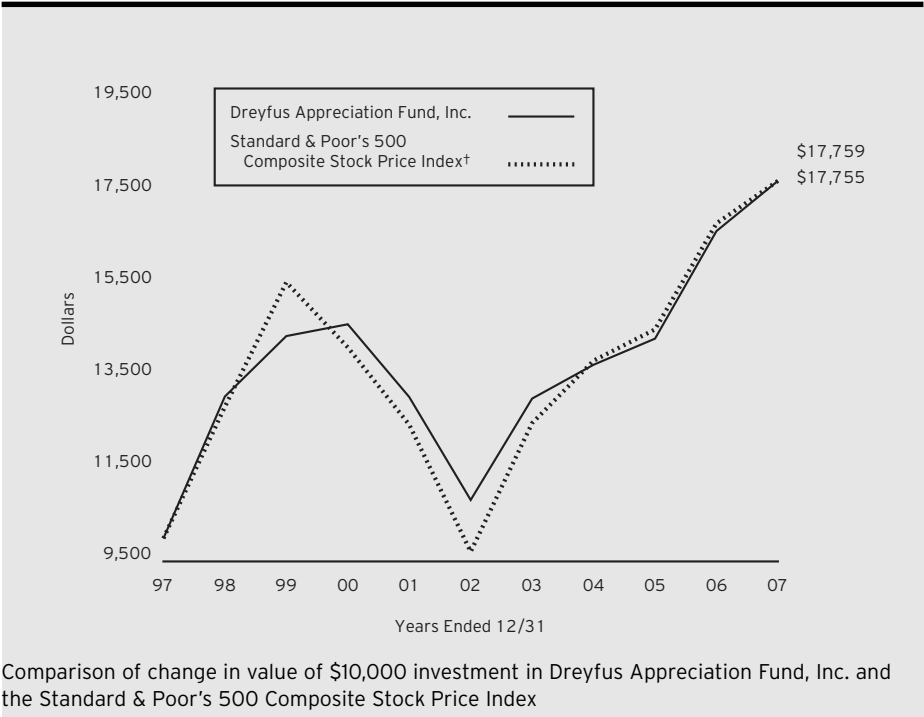
### **New Holdings Expected to Benefit from Ongoing Trends**

We added a number of new positions during the reporting period that we believe will help the fund participate more fully in certain secular growth trends. For example, we added coal producer Peabody Energy and driller Transocean to complement existing holdings of integrated oil producers as the search intensifies for new sources of energy. In the information technology area, Cisco Systems, QUALCOMM and Texas Instruments may give the fund greater exposure to rising demand for Internet bandwidth and the development of wireless “smartphone” technologies. Among industrial companies, Caterpillar and United Technologies are expected to benefit from the construction boom in overseas markets. In our judgment, economic and market conditions currently are ripe for large-cap growth stocks such as these.

January 15, 2008

- <sup>1</sup> *Total return includes reinvestment of dividends and any capital gains paid. Past performance is no guarantee of future results. Share price and investment return fluctuate such that upon redemption, fund shares may be worth more or less than their original cost.*
- <sup>2</sup> *SOURCE: LIPPER INC. — Reflects reinvestment of dividends and, where applicable, capital gain distributions. The Standard & Poor's 500 Composite Stock Price Index is a widely accepted, unmanaged index of U.S. stock market performance.*
- <sup>3</sup> *Achieving tax efficiency is not a part of the fund's investment objective, and there can be no guarantee that the fund will achieve any particular level of taxable distributions in future years. In periods when the manager has to sell significant amounts of securities (e.g., during periods of significant net redemptions or changes in index components) funds can be expected to be less tax efficient than during periods of more stable market conditions and asset flows.*

FUND PERFORMANCE



Average Annual Total Returns as of 12/31/07			
	1 Year	5 Years	10 Years
Fund	6.54%	10.39%	5.91%

† Source: Lipper Inc.

Past performance is not predictive of future performance. The fund's performance shown in the graph and table does not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.

The above graph compares a \$10,000 investment made in Dreyfus Appreciation Fund, Inc. on 12/31/97 to a \$10,000 investment made in the Standard & Poor's 500 Composite Stock Price Index (the "Index") on that date. All dividends and capital gain distributions are reinvested.

The fund's performance shown in the line graph takes into account all applicable fees and expenses. The Index is a widely accepted, unmanaged index of U.S. stock market performance. Unlike a mutual fund, the Index is not subject to charges, fees and other expenses. Investors cannot invest directly in any index. Further information relating to fund performance, including expense reimbursements, if applicable, is contained in the Financial Highlights section of the prospectus and elsewhere in this report.



# UNDERSTANDING YOUR FUND'S EXPENSES (Unaudited)

As a mutual fund investor, you pay ongoing expenses, such as management fees and other expenses. Using the information below, you can estimate how these expenses affect your investment and compare them with the expenses of other funds. You also may pay one-time transaction expenses, including sales charges (loads) and redemption fees, which are not shown in this section and would have resulted in higher total expenses. For more information, see your fund's prospectus or talk to your financial adviser.

## Review your fund's expenses

The table below shows the expenses you would have paid on a \$1,000 investment in Dreyfus Appreciation Fund, Inc. from July 1, 2007 to December 31, 2007. It also shows how much a \$1,000 investment would be worth at the close of the period, assuming actual returns and expenses.

Expenses and Value of a \$1,000 Investment	
assuming actual returns for the six months ended December 31, 2007	
Expenses paid per \$1,000†	\$ 4.77
Ending value (after expenses)	\$1,014.80

## COMPARING YOUR FUND'S EXPENSES WITH THOSE OF OTHER FUNDS (Unaudited)

### Using the SEC's method to compare expenses

The Securities and Exchange Commission (SEC) has established guidelines to help investors assess fund expenses. Per these guidelines, the table below shows your fund's expenses based on a \$1,000 investment, assuming a hypothetical 5% annualized return. You can use this information to compare the ongoing expenses (but not transaction expenses or total cost) of investing in the fund with those of other funds. All mutual fund shareholder reports will provide this information to help you make this comparison. Please note that you cannot use this information to estimate your actual ending account balance and expenses paid during the period.

Expenses and Value of a \$1,000 Investment	
assuming a hypothetical 5% annualized return for the six months ended December 31, 2007	
Expenses paid per \$1,000†	\$ 4.79
Ending value (after expenses)	\$1,020.47

† Expenses are equal to the fund's annualized expense ratio of .94%, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period).

# STATEMENT OF INVESTMENTS

December 31, 2007

<b>Common Stocks–100.0%</b>	Shares	Value (\$)
<b>Consumer Discretionary–14.8%</b>		
Christian Dior	547,800 <sup>a</sup>	71,891,092
Home Depot	995,100	26,807,994
McDonald's	1,170,200	68,936,482
McGraw-Hill	2,141,200 <sup>a</sup>	93,805,972
News, Cl. A	5,135,708	105,230,657
News, Cl. B	239,000	5,078,750
Procter & Gamble	2,389,400	175,429,748
Target	946,100	47,305,000
Wal-Mart Stores	1,027,500	48,837,075
		<b>643,322,770</b>
<b>Consumer Staples–22.1%</b>		
Altria Group	3,500,700	264,582,906
Anheuser-Busch	876,300	45,865,542
Coca-Cola	2,396,600	147,079,342
Estee Lauder, Cl. A	731,800	31,913,798
Kraft Foods, Cl. A	672,568	21,945,894
Nestle, ADR	1,244,900	142,814,928
PepsiCo	2,041,600	154,957,440
SYSCO	746,900	23,310,749
Walgreen	2,838,400	108,086,272
Whole Foods Market	448,200 <sup>a</sup>	18,286,560
		<b>958,843,431</b>
<b>Energy–23.6%</b>		
BP, ADR	494,000	36,145,980
Chevron	1,974,800	184,308,084
ConocoPhillips	1,942,000	171,478,600
Exxon Mobil	3,393,398	317,927,459
Halliburton	1,248,200	47,319,262
Occidental Petroleum	975,900	75,134,541
Patriot Coal	17,500 <sup>b</sup>	730,450
Peabody Energy	175,000	10,787,000
Royal Dutch Shell, ADR	632,300	53,239,660
Total, ADR	1,145,300 <sup>a</sup>	94,601,780
Transocean	265,848 <sup>b</sup>	38,056,141
		<b>1,029,728,957</b>

**Common Stocks (continued)**

	Shares	Value (\$)
<b>Financial—14.3%</b>		
American Express	1,444,100	75,122,082
American International Group	587,100	34,227,930
Ameriprise Financial	547,800	30,189,258
Bank of America	1,550,000	63,953,000
Berkshire Hathaway, Cl. A	400 <sup>b</sup>	56,640,000
Citigroup	3,315,933	97,621,068
HSBC Holdings, ADR	796,700 <sup>a</sup>	66,691,757
JPMorgan Chase & Co.	1,917,100	83,681,415
Merrill Lynch & Co.	1,045,700	56,133,175
Prudential Financial	200,000	18,608,000
SunTrust Banks	622,400 <sup>a</sup>	38,893,776
		<b>621,761,461</b>
<b>Health Care—6.9%</b>		
Abbott Laboratories	1,294,700 <sup>a</sup>	72,697,405
Johnson & Johnson	1,892,200 <sup>a</sup>	126,209,740
Medtronic	400,000	20,108,000
Merck & Co.	478,000	27,776,580
Roche Holding, ADR	597,600	51,572,880
		<b>298,364,605</b>
<b>Industrial—8.3%</b>		
Caterpillar	550,000	39,908,000
Emerson Electric	1,752,800	99,313,648
General Electric	4,878,000	180,827,460
United Technologies	550,000	42,097,000
		<b>362,146,108</b>
<b>Information Technology—8.7%</b>		
Apple	150,000 <sup>b</sup>	29,712,000
Automatic Data Processing	897,100	39,947,863
Cisco Systems	1,350,000 <sup>b</sup>	36,544,500
Intel	4,929,800	131,428,468
Microsoft	2,190,200	77,971,120
QUALCOMM	550,000	21,642,500
Texas Instruments	1,200,000	40,080,000
		<b>377,326,451</b>

STATEMENT OF INVESTMENTS *(continued)*

<b>Common Stocks (continued)</b>	Shares	Value (\$)
<b>Materials—1.3%</b>		
Praxair	622,400	<b>55,213,104</b>
<b>Total Common Stocks</b> (cost \$2,543,352,834)		<b>4,346,706,887</b>
<b>Other Investment—0.9%</b>		
<b>Registered Investment Company;</b>		
Dreyfus Institutional Preferred Plus Money Market Fund (cost \$38,578,000)	38,578,000 <sup>c</sup>	<b>38,578,000</b>
<b>Investment of Cash Collateral for Securities Loaned—2.9%</b>		
<b>Registered Investment Company;</b>		
Dreyfus Institutional Cash Advantage Fund (cost \$126,970,380)	126,970,380 <sup>c</sup>	<b>126,970,380</b>
<b>Total Investments</b> (cost \$2,708,901,214)	<b>103.8%</b>	<b>4,512,255,267</b>
<b>Liabilities, Less Cash and Receivables</b>	<b>(3.8%)</b>	<b>(165,479,001)</b>
<b>Net Assets</b>	<b>100.0%</b>	<b>4,346,776,266</b>

ADR—American Depository Receipts

<sup>a</sup> All or a portion of these securities are on loan. At December 31, 2007, the total market value of the fund's securities on loan is \$148,767,376 and the total market value of the collateral held by the fund is \$154,539,485, consisting of cash collateral of \$126,970,380 and U.S. Government and Agency securities valued at \$27,569,105.

<sup>b</sup> Non-income producing security.

<sup>c</sup> Investment in affiliated money market mutual fund.

Portfolio Summary (Unaudited)<sup>†</sup>

	Value (%)		Value (%)
Energy	23.6	Industrial	8.3
Consumer Staples	22.1	Health Care	6.9
Consumer Discretionary	14.8	Money Market Investments	3.8
Financial	14.3	Materials	1.3
Information Technology	8.7		<b>103.8</b>

<sup>†</sup> Based on net assets.

See notes to financial statements.

# STATEMENT OF ASSETS AND LIABILITIES

December 31, 2007

	Cost	Value
<b>Assets (\$):</b>		
Investments in securities—See Statement of Investments (including securities on loan, valued at \$148,767,376)—Note 1(c):		
Unaffiliated issuers	2,543,352,834	4,346,706,887
Affiliated issuers	165,548,380	165,548,380
Cash		1,724,042
Dividends and interest receivable		6,899,930
Receivable for shares of Common Stock subscribed		3,353,757
Receivable for investment securities sold		2,686,959
Prepaid expenses		46,914
		<b>4,526,966,869</b>
<b>Liabilities (\$):</b>		
Due to The Dreyfus Corporation and affiliates—Note 3(b)		2,401,998
Due to Fayez Sarofim & Co.		1,018,180
Liability for securities on loan—Note 1(c)		126,970,380
Payable for shares of Common Stock redeemed		48,092,070
Interest payable—Note 2		41,686
Accrued expenses		1,666,289
		<b>180,190,603</b>
<b>Net Assets (\$)</b>		<b>4,346,776,266</b>
<b>Composition of Net Assets (\$):</b>		
Paid-in capital		2,538,079,372
Accumulated undistributed investment income—net		1,992,479
Accumulated net realized gain (loss) on investments		3,350,362
Accumulated net unrealized appreciation (depreciation) on investments		1,803,354,053
<b>Net Assets (\$)</b>		<b>4,346,776,266</b>
<b>Shares Outstanding</b>		
(300 million shares of \$.001 par value Common Stock authorized)		97,251,339
<b>Net Asset Value</b> , offering and redemption price per share (\$)		<b>44.70</b>

See notes to financial statements.

# STATEMENT OF OPERATIONS

Year Ended December 31, 2007

<b>Investment Income (\$):</b>	
<b>Income:</b>	
Cash dividends (net of \$1,462,165 foreign taxes withheld at source):	
Unaffiliated issuers	100,457,469
Affiliated issuers	617,070
Income from securities lending	773,204
<b>Total Income</b>	<b>101,847,743</b>
<b>Expenses:</b>	
Investment advisory fee—Note 3(a)	12,229,579
Sub-Investment advisory fees—Note 3(a)	11,884,579
Shareholder servicing costs—Note 3(b)	16,087,248
Prospectus and shareholders' reports	556,287
Directors' fees and expenses—Note 3(c)	252,497
Custodian fees—Note 3(b)	230,621
Interest expense—Note 2	183,108
Registration fees	101,065
Professional fees	77,441
Loan commitment fees—Note 2	41,172
Miscellaneous	116,132
<b>Total Expenses</b>	<b>41,759,729</b>
<b>Investment Income—Net</b>	<b>60,088,014</b>
<b>Realized and Unrealized Gain (Loss) on Investments—Note 4 (\$):</b>	
Net realized gain (loss) on investments and foreign currency transactions	127,073,623
Net unrealized appreciation (depreciation) on investments	85,819,976
<b>Net Realized and Unrealized Gain (Loss) on Investments</b>	<b>212,893,599</b>
<b>Net Increase in Net Assets Resulting from Operations</b>	<b>272,981,613</b>

*See notes to financial statements.*

## STATEMENT OF CHANGES IN NET ASSETS

	Year Ended December 31,	
	2007	2006
<b>Operations (\$):</b>		
Investment income—net	60,088,014	61,423,751
Net realized gain (loss) on investments	127,073,623	167,064,768
Net unrealized appreciation (depreciation) on investments	85,819,976	412,416,396
<b>Net Increase (Decrease) in Net Assets Resulting from Operations</b>	<b>272,981,613</b>	<b>640,904,915</b>
<b>Dividends to Shareholders from (\$):</b>		
Investment income—net	(60,345,000)	(59,804,759)
Net realized gain on investments	(122,515,821)	(172,821,722)
<b>Total Dividends</b>	<b>(182,860,821)</b>	<b>(232,626,481)</b>
<b>Capital Stock Transactions (\$):</b>		
Net proceeds from shares sold	948,441,022	929,293,623
Dividends reinvested	161,992,097	205,352,133
Cost of shares redeemed	(1,235,975,893)	(1,623,177,782)
<b>Increase (Decrease) in Net Assets from Capital Stock Transactions</b>	<b>(125,542,774)</b>	<b>(488,532,026)</b>
<b>Total Increase (Decrease) in Net Assets</b>	<b>(35,421,982)</b>	<b>(80,253,592)</b>
<b>Net Assets (\$):</b>		
Beginning of Period	4,382,198,248	4,462,451,840
<b>End of Period</b>	<b>4,346,776,266</b>	<b>4,382,198,248</b>
Undistributed investment income—net	1,992,479	2,255,218
<b>Capital Share Transactions (Shares):</b>		
Shares sold	20,971,014	22,234,797
Shares issued for dividends reinvested	3,658,644	4,702,886
Shares redeemed	(27,464,584)	(39,124,827)
<b>Net Increase (Decrease) in Shares Outstanding</b>	<b>(2,834,926)</b>	<b>(12,187,144)</b>

*See notes to financial statements.*

## FINANCIAL HIGHLIGHTS

The following table describes the performance for the fiscal periods indicated. Total return shows how much your investment in the fund would have increased (or decreased) during each period, assuming you had reinvested all dividends and distributions. These figures have been derived from the fund's financial statements.

	Year Ended December 31,				
	2007	2006	2005	2004	2003
<b>Per Share Data (\$):</b>					
Net asset value, beginning of period	43.78	39.75	38.69	37.14	31.20
Investment Operations:					
Investment income—net <sup>a</sup>	.62	.61	.53	.52	.42
Net realized and unrealized gain (loss) on investments	2.24	5.83	1.07	1.55	5.93
Total from Investment Operations	2.86	6.44	1.60	2.07	6.35
Distributions:					
Dividends from investment income—net	(.64)	(.62)	(.54)	(.52)	(.41)
Dividends from net realized gain on investments	(1.30)	(1.79)	—	—	—
Total Distributions	(1.94)	(2.41)	(.54)	(.52)	(.41)
Net asset value, end of period	44.70	43.78	39.75	38.69	37.14
<b>Total Return (%)</b>	<b>6.54</b>	<b>16.26</b>	<b>4.14</b>	<b>5.57</b>	<b>20.39</b>
<b>Ratios/Supplemental Data (%):</b>					
Ratio of total expenses to average net assets	.95	.95	.92	.95	.96
Ratio of net investment income to average net assets	1.37	1.45	1.35	1.40	1.28
Portfolio Turnover Rate	7.35	1.00	6.81	8.23	4.73
Net Assets, end of period (\$ x 1,000)	4,346,776	4,382,198	4,462,452	4,420,163	3,982,040

<sup>a</sup> Based on average shares outstanding at each month end.

See notes to financial statements.



### NOTE 1—Significant Accounting Policies:

Dreyfus Appreciation Fund, Inc. (the “fund”) is registered under the Investment Company Act of 1940, as amended (the “Act”), as a diversified open-end management investment company. The fund’s investment objective is to provide investors with long-term capital growth consistent with the preservation of capital. The Dreyfus Corporation (the “Manager” or “Dreyfus”) serves as the fund’s investment adviser. Fayez Sarofim & Co. (“Sarofim”) serves as the fund’s sub-investment adviser. On July 1, 2007, Mellon Financial Corporation and The Bank of New York Company, Inc. merged, forming The Bank of New York Mellon Corporation (“BNY Mellon”). As part of this transaction, Dreyfus became a wholly-owned subsidiary of BNY Mellon. MBSC Securities Corporation (the “Distributor”), a wholly-owned subsidiary of the Manager, is the distributor of the fund’s shares, which are sold to the public without a sales charge.

The fund’s financial statements are prepared in accordance with U.S. generally accepted accounting principles, which may require the use of management estimates and assumptions. Actual results could differ from those estimates.

The fund enters into contracts that contain a variety of indemnifications. The fund’s maximum exposure under these arrangements is unknown. The fund does not anticipate recognizing any loss related to these arrangements.

**(a) Portfolio valuation:** Investments in securities are valued at the last sales price on the securities exchange or national securities market on which such securities are primarily traded. Securities listed on the National Market System for which market quotations are available are valued at the official closing price or, if there is no official closing price that day, at the last sale price. Securities not listed on an exchange or the national securities market, or securities for which there were no transactions, are valued at the average of the most recent bid and asked prices. Bid price is used when no asked price is available. Registered open-end investment companies that are not traded on an exchange are valued at

their net asset value. When market quotations or official closing prices are not readily available, or are determined not to reflect accurately fair value, such as when the value of a security has been significantly affected by events after the close of the exchange or market on which the security is principally traded (for example, a foreign exchange or market), but before the fund calculates its net asset value, the fund may value these investments at fair value as determined in accordance with the procedures approved by the Board of Directors. Fair valuing of securities may be determined with the assistance of a pricing service using calculations based on indices of domestic securities and other appropriate indicators, such as prices of relevant ADRs and futures contracts. For other securities that are fair valued by the Board of Directors, certain factors may be considered such as: fundamental analytical data, the nature and duration of restrictions on disposition, an evaluation of the forces that influence the market in which the securities are purchased and sold, and public trading in similar securities of the issuer or comparable issuers. Financial futures are valued at the last sales price. Investments denominated in foreign currencies are translated to U.S. dollars at the prevailing rates of exchange.

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

**(b) Foreign currency transactions:** The fund does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gains or losses on investments.

Net realized foreign exchange gains or losses arise from sales and maturities of short-term securities, sales of foreign currencies, currency gains or losses realized on securities transactions and the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in the value of assets and liabilities other than investments in securities, resulting from changes in exchange rates. Such gains and losses are included with net realized and unrealized gains or losses on investments.

**(c) Securities transactions and investment income:** Securities transactions are recorded on a trade date basis. Realized gains and losses from securities transactions are recorded on the identified cost basis. Dividend income is recognized on the ex-dividend date and interest income, including, where applicable, accretion of discount and amortization of premium on investments, is recognized on the accrual basis.

The fund has an arrangement with the custodian bank whereby the fund receives earnings credits from the custodian when positive cash balances are maintained, which are used to offset custody fees. For financial reporting purposes, the fund includes net earnings credits, if any, as an expense offset in the Statement of Operations.

Pursuant to a securities lending agreement with Mellon Bank, N.A. ("Mellon Bank"), an affiliate of Dreyfus, the fund may lend securities to qualified institutions. It is the fund's policy, that at origination, all loans are secured by collateral of at least 102% of the value of U.S. securities loaned and 105% of the value of foreign securities loaned. Collateral equivalent to at least 100% of the market value of securities on loan is maintained at all times. Collaterals are either in the form of cash, which can be invested in certain money market mutual funds managed by Dreyfus, U.S. Government and Agency securities or Letters of Credit. The fund is entitled to receive all income on securities loaned, in addition to income earned as a result of the lending transaction. Although

each security loaned is fully collateralized, the fund bears the risk of delay in recovery of, or loss of rights in, the securities loaned should a borrower fail to return the securities in a timely manner. During the period ended December 31, 2007, Mellon Bank earned \$331,373, pursuant to the securities lending agreement.

**(d) Affiliated issuers:** Investments in other investment companies advised by Dreyfus are defined as “affiliated” in the Act.

**(e) Dividends to shareholders:** Dividends are recorded on the ex-dividend date. Dividends from investment income-net and dividends from net realized capital gains, if any, are normally declared and paid annually but the fund may make distributions on a more frequent basis to comply with the distribution requirements of the Internal Revenue Code of 1986, as amended (the “Code”). To the extent that net realized capital gains can be offset by capital loss carryovers, it is the policy of the fund not to distribute such gains. Income and capital gain distributions are determined in accordance with income tax regulations, which may differ from U.S. generally accepted accounting principles.

**(f) Federal income taxes:** It is the policy of the fund to continue to qualify as a regulated investment company, if such qualification is in the best interests of its shareholders, by complying with the applicable provisions of the Code, and to make distributions of taxable income sufficient to relieve it from substantially all federal income and excise taxes.

During the current year, the fund adopted FASB Interpretation No. 48 “Accounting for Uncertainty in Income Taxes” (“FIN 48”). FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FIN 48 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the fund’s tax returns to determine whether the tax positions are “more-likely-than-not” of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or

expense in the current year. The adoption of FIN 48 had no impact on the operations of the fund for the period ended December 31, 2007.

The fund is not subject to examination by U.S. Federal, State and City tax authorities for the tax years before 2004.

At December 31, 2007, the components of accumulated earnings on a tax basis were as follows: undistributed ordinary income \$2,662,587, undistributed capital gains \$2,680,254 and unrealized appreciation \$1,803,354,053.

The tax characters of distributions paid to shareholders during the fiscal periods ended December 31, 2007 and December 31, 2006, were as follows: ordinary income \$65,435,266 and \$60,779,172 and long-term capital gains \$117,425,555 and \$171,847,309, respectively.

During the period ended December 31, 2007, as a result of permanent book to tax differences, primarily due to the tax treatment for foreign currency transactions, the fund decreased accumulated undistributed investment income-net by \$5,753 and increased accumulated net realized gain (loss) on investments by the same amount. Net assets and net asset value per share were not affected by this reclassification.

#### **NOTE 2—Bank Line of Credit:**

The fund participates with other Dreyfus-managed funds in a \$350 million redemption credit facility (the “Facility”) to be utilized for temporary or emergency purposes, including the financing of redemptions. In connection therewith, the fund has agreed to pay commitment fees on its pro rata portion of the Facility. Interest is charged to the fund based on prevailing market rates in effect at the time of borrowing.

The average daily amount of borrowings outstanding under the Facility during the period ended December 31, 2007 was approximately \$3,232,200 with a related weighted average annualized interest rate of 5.67%.

**NOTE 3—Investment Advisory Fee, Sub-Investment Advisory Fee and Other Transactions With Affiliates:**

(a) Fees payable by the fund pursuant to the provisions of an Investment Advisory Agreement with Dreyfus and a Sub-Investment Advisory Agreement with Sarofim are payable monthly, computed on the average daily value of the fund's net assets at the following annual rates:

<u>Average Net Assets</u>	<u>Dreyfus</u>	<u>Sarofim</u>
0 up to \$25 million . . . . .	.44%	.11%
\$25 million up to \$75 million . . . .	.37%	.18%
\$75 million up to \$200 million . . .	.33%	.22%
\$200 million up to \$300 million . .	.29%	.26%
In excess of \$300 million . . . . .	.275%	.275%

(b) Under the Shareholder Services Plan, the fund pays the Distributor for the provision of certain services at the annual rate of .25% of the value of the fund's average daily net assets. The services provided may include personal services relating to shareholder accounts, such as answering shareholder inquiries regarding the fund and providing reports and other information, and services related to the maintenance of shareholder accounts. The Distributor may make payments to Service Agents (a securities dealer, financial institution or other industry professional) in respect of these services. The Distributor determines the amounts to be paid to Service Agents. During the period ended December 31, 2007, the fund was charged \$10,960,981 pursuant to the Shareholder Services Plan.

The fund compensates Dreyfus Transfer, Inc., a wholly-owned subsidiary of Dreyfus, under a transfer agency agreement for providing personnel and facilities to perform transfer agency services for the fund. During the period ended December 31, 2007, the fund was charged \$1,846,793 pursuant to the transfer agency agreement.

The fund compensates Mellon Bank, an affiliate of the Manager, under a custody agreement for providing custodial services for the fund. During the period ended December 31, 2007, the fund was charged \$230,621 pursuant to the custody agreement.

During the period ended December 31, 2007, the fund was charged \$4,821 for services performed by the Chief Compliance Officer.

The components of "Due to The Dreyfus Corporation and affiliates" in the Statement of Assets and Liabilities consist of: management fees \$1,047,481, shareholder services plan fees \$938,937, custodian fees \$97,564, chief compliance officer fees \$3,616 and transfer agency per account fees \$314,400.

(c) Each Board member also serves as a Board member of other funds within the Dreyfus complex. Annual retainer fees and attendance fees are allocated to each fund based on net assets.

#### **NOTE 4—Securities Transactions:**

The aggregate amount of purchases and sales of investment securities, excluding short-term securities, during the period ended December 31, 2007, amounted to \$321,034,079 and \$568,583,335, respectively.

At December 31, 2007, the cost of investments for federal income tax purposes was \$2,708,901,214; accordingly, accumulated net unrealized appreciation on investments was \$1,803,354,053, consisting of \$1,839,608,133 gross unrealized appreciation and \$36,254,080 gross unrealized depreciation.

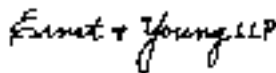
# REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

## Shareholders and Board of Directors Dreyfus Appreciation Fund, Inc.

We have audited the accompanying statement of assets and liabilities of Dreyfus Appreciation Fund, Inc., including the statement of investments, as of December 31, 2007, and the related statement of operations for the year then ended, the statement of changes in net assets for each of the two years in the period then ended, and financial highlights for each of the years indicated therein. These financial statements and financial highlights are the responsibility of the Fund'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 Fund'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 Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2007 by correspondence with the custodian. 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 Dreyfus Appreciation Fund, Inc. at December 31, 2007, the results of its operations for the year then ended, 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 indicated years, in conformity with U.S. generally accepted accounting principles.



New York, New York  
February 20, 2008



## IMPORTANT TAX INFORMATION (Unaudited)

In accordance with federal tax law, the fund hereby designates 100% of the ordinary dividends paid during the fiscal year ended December 31, 2007 as qualifying for the corporate dividends received deduction. For the fiscal year ended December 31, 2007, certain dividends paid by the Fund may be subject to a maximum tax rate of 15%, as provided for by the Jobs and Growth Tax Relief Reconciliation Act of 2003. Of the distributions paid during the fiscal year, \$65,435,266 represents the maximum amount that may be considered qualified dividend income. Shareholders will receive notification in January 2008 of the percentage applicable to the preparation of their 2007 income tax returns. Also the fund hereby designates \$1.2434 per share as a long-term capital gain distribution and \$.0539 per share as a short-term capital gain distribution of the \$1.9123 per share paid on December 20, 2007.

## INFORMATION ABOUT THE REVIEW AND APPROVAL OF THE FUND'S INVESTMENT ADVISORY AGREEMENT (Unaudited)

At a meeting of the Board of Directors held on July 24, 2007, the Board considered the re-approval of the fund's Investment Advisory Agreement ("Management Agreement"), pursuant to which the Manager provides the fund with investment advisory and administrative services, and the Sub-Investment Advisory Agreement (the "Sub-Investment Advisory Agreement") with Fayez Sarofim & Co. ("Sarofim & Co."), pursuant to which Sarofim & Co. provides day-to-day management of the fund's investments subject to the Manager's oversight. The Board members, none of whom are "interested persons" (as defined in the Investment Company Act of 1940, as amended) of the fund, were assisted in their review by independent legal counsel and met with counsel in executive session separate from representatives of the Manager and Sarofim & Co.

Analysis of Nature, Extent and Quality of Services Provided to the Fund. The Board members received a presentation from representatives of the Manager regarding services provided to the fund and other funds in the Dreyfus fund complex, and discussed the nature, extent and quality of the services provided to the fund pursuant to its Management Agreement, and by Sarofim & Co. pursuant to the Sub-Investment Advisory Agreement. The Manager's representatives reviewed the fund's distribution of accounts and the relationships the Manager has with various intermediaries and the different needs of each. The Manager's representatives noted the diversity of distribution of the fund as well as among the funds in the Dreyfus fund complex generally, and the Manager's corresponding need for broad, deep, and diverse resources to be able to provide ongoing shareholder services in each distribution channel, including those of the fund. The Board also reviewed the number of shareholder accounts in the fund, as well as the fund's asset size.

The Board members considered Sarofim & Co.'s research and portfolio management capabilities. The Board members also considered that the Manager provides oversight of day-to-day fund operations, including fund accounting and administration and assistance in meeting legal and regulatory requirements, and the Manager's extensive administrative, accounting and compliance infrastructure, as well as the Manager's supervisory activities over Sarofim & Co.

Comparative Analysis of the Fund's Performance, Management Fee and Expense Ratio. The Board members reviewed reports prepared by Lipper, Inc., an independent provider of investment company data, comparing the fund's performance to a group of comparable funds (the "Performance Group") and to a broader group of funds (the "Performance Universe") selected by Lipper. The Board members had been provided with a description of the methodology Lipper used to select the Performance Group and Performance Universe as well as the Expense Group and Expense Universe (discussed below). The Board members noted that the fund's performance for various periods ended May 31, 2007 was higher than the Performance Group median for the one-year period ended May 31, 2007, and lower than the median for each other reported time period. The Board noted that the fund's performance was higher than the Performance Universe median for the one- year period ended May 31, 2007, equal to the median for the ten-year period ended May 31, 2007, and lower than the median for each other reported time period. The Board members discussed with representatives of the Manager and Sarofim & Co. the investment strategy employed in the management of the fund's assets and how that strategy affected the fund's relative performance, particularly during the periods the fund had underperformed. A representative of the Manager noted that high quality, mega-cap stocks had been out of favor for a long period of time but appear to be returning to favor. The representatives of the Manager noted that Sarofim & Co. is an experienced manager with a long-term "buy-and-hold" investment approach to investing in high quality companies that are predominantly "mega-cap" companies. Sarofim & Co.'s considerable reputation, based on following this investment approach, was noted. The Manager also provided the Board with the fund's total return performance for the past 10 calendar years in comparison to the Standard & Poor's Composite Stock Index (the "Index"), and noted that the fund had outperformed the Index in 5 of the past 10 calendar years, including 2006.

The Board members also discussed the fund's management fee and expense ratio compared to a comparable group of funds (the "Expense Group") that were composed of the same funds included in the Performance Group and a broader group of funds (the "Expense Universe") each selected and provided by Lipper. The Board noted that the fund's management fee and total expense ratio were lower than or equal to the Expense Group and Expense Universe medians.

Representatives of the Manager reviewed with the Board members the fees paid to the Manager, Sarofim & Co. or their affiliates by mutual funds managed by the Manager, Sarofim & Co. or their affiliates with similar investment objectives, policies and strategies, and included in the same Lipper category, as the fund (the "Similar Funds"). The Board members also reviewed the fees paid by other accounts managed by the Manager, Sarofim & Co. or their respective affiliates with similar investment objectives, policies and strategies as the fund (the "Separate Accounts" and, collectively with the Similar Funds, the "Similar Accounts"). The Manager's representatives explained the nature of the Separate Accounts and the differences, from the Manager's and Sarofim & Co.'s perspective, as applicable, in management of the Separate Accounts as compared to managing and providing services to the fund. The Manager's representatives also reviewed the costs associated with distribution through intermediaries. The Board analyzed differences in fees paid to the Manager or Sarofim & Co. and discussed the relationship of the fees paid in light of the services provided. The Board members considered the relevance of the fee information provided for the Similar Accounts to evaluate the appropriateness and reasonableness of the fund's management fee and sub-investment advisory fee.

The Board considered the fee paid to Sarofim & Co. in relation to the fee paid to the Manager and the respective services provided by Sarofim & Co. and the Manager.

Analysis of Profitability and Economies of Scale. The Manager's representatives reviewed the dollar amount of expenses allocated and profit received by the Manager and the method used to determine such expenses and profit and the dollar amount of expenses allocated and

profit received by Sarofim & Co. The Board previously had been provided with information prepared by an independent consulting firm regarding the Manager's approach to allocating costs to, and determining the profitability of, individual funds and the entire Dreyfus mutual fund complex. The Board members also had been informed that the methodology had also been reviewed by an independent registered public accounting firm which, like the consultant, found the methodology to be reasonable. The consulting firm also analyzed where any economies of scale might emerge in connection with the management of a fund. The Board members evaluated the profitability analysis in light of the relevant circumstances for the fund, and the extent to which economies of scale would be realized if the fund grows and whether fee levels reflect these economies of scale for the benefit of fund shareholders. The Board members also considered potential benefits to the Manager and Sarofim & Co. and their affiliates from acting as investment adviser and sub-investment adviser, respectively, to the fund and noted that there were no soft dollar arrangements with respect to trading the fund's portfolio.

It was noted that the Board members should consider the Manager's and Sarofim & Co.'s profitability with respect to the fund as part of their evaluation of whether the fees under the Investment Advisory Agreement and Sub-Investment Advisory Agreement bear a reasonable relationship to the mix of services provided by the Manager and Sarofim & Co., respectively, including the nature, extent and quality of such services. The Board members also discussed the profitability percentages determined by appropriate court cases to be reasonable given the services rendered to investment companies. It was noted that the Manager's and Sarofim & Co.'s respective profitability percentages for managing the fund were not unreasonable given the services provided.

At the conclusion of these discussions, the Board agreed that it had been furnished with sufficient information to make an informed business decision with respect to continuation of the fund's Investment Advisory Agreement and Sub-Investment Advisory Agreement. Based on the discussions and considerations as described above, the Board made the following conclusions and determinations.

- The Board concluded that the nature, extent and quality of the services provided by the Manager and Sarofim & Co. to the fund are adequate and appropriate.
- The Board noted the improvement in the fund's performance for the one-year period ended May 31, 2007, but remained concerned with the fund's longer-term performance. However, the Board understood that the fund's performance was consistent with Sarofim & Co.'s investment approach during all periods, which involves investments in high quality mega-cap companies, and that, for a significant period of time, such companies have been out of favor but appear to have come back into favor recently. While management assured the Board members that portfolio management had been consistent with the strategy description in fund materials and Sarofim & Co.'s stated investment style, the Board determined to continue to closely monitor performance.
- The Board concluded that the fees paid by the fund to the Manager and Sarofim & Co. were reasonable in light of the considerations described above.
- The Board determined that the economies of scale which may accrue to the Manager or Sarofim & Co. and their affiliates in connection with the management of the fund had been adequately considered by the Manager and Sarofim & Co. in connection with the advisory fee rates charged to the fund and that, to the extent in the future it were to be determined that material economies of scale had not been shared with the fund, the Board would seek to have those economies of scale shared with the fund.

The Board members considered these conclusions and determinations, along with information received on a routine and regular basis throughout the year, and, without any one factor being dispositive, the Board determined that re-approval of the fund's Investment Advisory Agreement and Sub-Investment Advisory Agreement was in the best interests of the fund and its shareholders.

BOARD MEMBERS INFORMATION (Unaudited)

**Joseph S. DiMartino (64)**  
**Chairman of the Board (1995)**

*Principal Occupation During Past 5 Years:*

- Corporate Director and Trustee

*Other Board Memberships and Affiliations:*

- The Muscular Dystrophy Association, Director
- Century Business Services, Inc., a provider of outsourcing functions for small and medium size companies, Director
- The Newark Group, a provider of a national market of paper recovery facilities, paperboard mills and paperboard converting plants, Director
- Sunair Services Corporation, a provider of certain outdoor-related services to homes and businesses, Director

*No. of Portfolios for which Board Member Serves:* 163

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**Clifford L. Alexander, Jr. (74)**  
**Board Member (1981)**

*Principal Occupation During Past 5 Years:*

- President of Alexander & Associates, Inc., a management consulting firm (January 1981-present)
- Chairman of the Board of Moody's Corporation (October 2000-October 2003)

*Other Board Memberships and Affiliations:*

- Mutual of America Life Insurance Company, Director

*No. of Portfolios for which Board Member Serves:* 51

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**David W. Burke (71)**  
**Board Member (2006)**

*Principal Occupation During Past 5 Years:*

- Corporate Director and Trustee

*Other Board Memberships and Affiliations:*

- John F. Kennedy Library Foundation, Director

*No. of Portfolios for which Board Member Serves:* 85

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**Peggy C. Davis (64)**  
**Board Member (1990)**

*Principal Occupation During Past 5 Years:*

- Shad Professor of Law, New York University School of Law (1983-present)
- Writer and teacher in the fields of evidence, constitutional theory, family law, social sciences and the law, legal process and professional methodology and training

*No. of Portfolios for which Board Member Serves:* 64

**Diane Dunst (68)**  
**Board Member (2006)**

*Principal Occupation During Past 5 Years:*

- President, Huntting House Antiques

*No. of Portfolios for which Board Member Serves:* 23

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**Ernest Kafka (75)**  
**Board Member (1981)**

*Principal Occupation During Past 5 Years:*

- Physician engaged in private practice specializing in the psychoanalysis of adults and adolescents (1962-present)
- Instructor, The New York Psychoanalytic Institute (1981-present)
- Associate Clinical Professor of Psychiatry at Cornell Medical School (1987-2002)

*No. of Portfolios for which Board Member Serves:* 23

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**Nathan Leventhal (64)**  
**Board Member (1989)**

*Principal Occupation During Past 5 Years:*

- Commissioner, NYC Planning Commission (March 2007-present)
- Chairman of the Avery-Fisher Artist Program (November 1997-present)

*Other Board Memberships and Affiliations:*

- Movado Group, Inc., Director
- Mayor's Committee on Appointments, Chairman

*No. of Portfolios for which Board Member Serves:* 23

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**Jay I. Meltzer (79)**  
**Board Member (2006)**

*Principal Occupation During Past 5 Years:*

- Physician, Internist and Specialist in Clinical Hypertension
- Clinical Professor of Medicine at Columbia University & College of Physicians and Surgeons
- Faculty Associate, Center for Bioethics, Columbia

*No. of Portfolios for which Board Member Serves:* 23



**Daniel Rose (78)**  
**Board Member (2006)**

*Principal Occupation During Past 5 Years:*

- Chairman and Chief Executive Officer of Rose Associates, Inc., a New York based real estate development and management firm

*Other Board Memberships and Affiliations:*

- Baltic-American Enterprise Fund, Vice Chairman and Director
- Harlem Educational Activities Fund, Inc., Chairman
- Housing Committee of the Real Estate Board of New York, Inc., Director

*No. of Portfolios for which Board Member Serves:* 32

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**Warren B. Rudman (77)**  
**Board Member (2006)**

*Principal Occupation During Past 5 Years:*

- Stonebridge International LLC, Co-Chairman
- Of Counsel to (from January 1993 to December 31, 2003, Partner in) the law firm Paul, Weiss, Rifkind, Wharton & Garrison LLP

*Other Board Memberships and Affiliations:*

- Boston Scientific, Director
- D.B. Zwirn & Co., Vice Chairman of the International Advisory Board

*No. of Portfolios for which Board Member Serves:* 33

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**Sander Vanocur (79)**  
**Board Member (2006)**

*Principal Occupation During Past 5 Years:*

- President, Old Owl Communications

*No. of Portfolios for which Board Member Serves:* 32

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Once elected all Board Members serve for an indefinite term, but achieve Emeritus status upon reaching age 80. The address of the Board Members and Officers is in c/o The Dreyfus Corporation, 200 Park Avenue, New York, New York 10166. Additional information about the Board Members is available in the fund's Statement of Additional Information which can be obtained from Dreyfus free of charge by calling this toll free number: 1-800-554-4611.

Saul B. Klamman, Emeritus Board Member

## OFFICERS OF THE FUND (Unaudited)

### **J. DAVID OFFICER, President since December 2006.**

Chief Operating Officer, Vice Chairman and a Director of the Manager, and an officer of 78 investment companies (comprised of 163 portfolios) managed by the Manager. He is 59 years old and has been an employee of the Manager since April 1998.

### **PHILLIP N. MAISANO, Executive Vice President since July 2007.**

Chief Investment Officer, Vice Chair and a director of the Manager, and an officer of 78 investment companies (comprised of 163 portfolios) managed by the Manager. Mr. Maisano also is an officer and/or Board member of certain other investment management subsidiaries of The Bank of New York Mellon Corporation, each of which is an affiliate of the Manager. He is 60 years old and has been an employee of the Manager since November 2006. Prior to joining the Manager, Mr. Maisano served as Chairman and Chief Executive Officer of EACM Advisors, an affiliate of the Manager, since August 2004, and served as Chief Executive Officer of Evaluation Associates, a leading institutional investment consulting firm, from 1988 until 2004.

### **MICHAEL A. ROSENBERG, Vice President and Secretary since August 2005.**

Associate General Counsel of the Manager, and an officer of 79 investment companies (comprised of 180 portfolios) managed by the Manager. He is 47 years old and has been an employee of the Manager since October 1991.

### **JAMES BITETTO, Vice President and Assistant Secretary since August 2005.**

Associate General Counsel and Secretary of the Manager, and an officer of 79 investment companies (comprised of 180 portfolios) managed by the Manager. He is 41 years old and has been an employee of the Manager since December 1996.

### **JONI LACKS CHARATAN, Vice President and Assistant Secretary since August 2005.**

Associate General Counsel of the Manager, and an officer of 79 investment companies (comprised of 180 portfolios) managed by the Manager. She is 52 years old and has been an employee of the Manager since October 1988.

### **JOSEPH M. CHIOFFI, Vice President and Assistant Secretary since August 2005.**

Associate General Counsel of the Manager, and an officer of 79 investment companies (comprised of 180 portfolios) managed by the Manager. He is 46 years old and has been an employee of the Manager since June 2000.

### **JANETTE E. FARRAGHER, Vice President and Assistant Secretary since August 2005.**

Associate General Counsel of the Manager, and an officer of 79 investment companies (comprised of 180 portfolios) managed by the Manager. She is 45 years old and has been an employee of the Manager since February 1984.

### **JOHN B. HAMMALIAN, Vice President and Assistant Secretary since August 2005.**

Associate General Counsel of the Manager, and an officer of 79 investment companies (comprised of 180 portfolios) managed by the Manager. He is 44 years old and has been an employee of the Manager since February 1991.

### **ROBERT R. MULLERY, Vice President and Assistant Secretary since August 2005.**

Associate General Counsel of the Manager, and an officer of 79 investment companies (comprised of 180 portfolios) managed by the Manager. He is 55 years old and has been an employee of the Manager since May 1986.

**JEFF PRUSNOFSKY, Vice President and Assistant Secretary since August 2005.**

Associate General Counsel of the Manager, and an officer of 79 investment companies (comprised of 180 portfolios) managed by the Manager. He is 42 years old and has been an employee of the Manager since October 1990.

**JAMES WINDELS, Treasurer since November 2001.**

Director – Mutual Fund Accounting of the Manager, and an officer of 79 investment companies (comprised of 180 portfolios) managed by the Manager. He is 49 years old and has been an employee of the Manager since April 1985.

**ROBERT ROBOL, Assistant Treasurer since December 2002.**

Senior Accounting Manager – Money Market and Municipal Bond Funds of the Manager, and an officer of 79 investment companies (comprised of 180 portfolios) managed by the Manager. He is 43 years old and has been an employee of the Manager since October 1988.

**ROBERT SALVIOLO, Assistant Treasurer since May 2007.**

Senior Accounting Manager – Equity Funds of the Manager, and an officer of 79 investment companies (comprised of 180 portfolios) managed by the Manager. He is 40 years old and has been an employee of the Manager since June 1989.

**ROBERT SVAGNA, Assistant Treasurer since December 2002.**

Senior Accounting Manager – Equity Funds of the Manager, and an officer of 79 investment companies (comprised of 180 portfolios) managed by the Manager. He is 40 years old and has been an employee of the Manager since November 1990.

**GAVIN C. REILLY, Assistant Treasurer since December 2005.**

Tax Manager of the Investment Accounting and Support Department of the Manager, and an officer of 79 investment companies (comprised of 180 portfolios) managed by the Manager. He is 39 years old and has been an employee of the Manager since April 1991.

**JOSEPH W. CONNOLLY, Chief Compliance Officer since October 2004.**

Chief Compliance Officer of the Manager and The Dreyfus Family of Funds (79 investment companies, comprised of 180 portfolios). From November 2001 through March 2004, Mr. Connolly was first Vice-President, Mutual Fund Servicing for Mellon Global Securities Services. In that capacity, Mr. Connolly was responsible for managing Mellon's Custody, Fund Accounting and Fund Administration services to third-party mutual fund clients. He is 50 years old and has served in various capacities with the Manager since 1980, including manager of the firm's Fund Accounting Department from 1997 through October 2001.

**WILLIAM GERMENIS, Anti-Money Laundering Compliance Officer since September 2002.**

Vice President and Anti-Money Laundering Compliance Officer of the Distributor, and the Anti-Money Laundering Compliance Officer of 75 investment companies (comprised of 176 portfolios) managed by the Manager. He is 37 years old and has been an employee of the Distributor since October 1998.

# For More Information

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**Dreyfus Appreciation Fund, Inc.**

200 Park Avenue  
New York, NY 10166

**Investment Adviser**

The Dreyfus Corporation  
200 Park Avenue  
New York, NY 10166

**Sub-Investment Adviser**

Fayez Sarofim & Co.  
Two Houston Center  
Suite 2907  
Houston, TX 77010

**Custodian**

Mellon Bank, N.A.  
One Mellon Bank Center  
Pittsburgh, PA 15258

**Transfer Agent &  
Dividend Disbursing Agent**

Dreyfus Transfer, Inc.  
200 Park Avenue  
New York, NY 10166

**Distributor**

MBSC Securities Corporation  
200 Park Avenue  
New York, NY 10166

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**Ticker Symbol:** DGAGX

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**Telephone** 1-800-645-6561

**Mail** The Dreyfus Family of Funds, 144 Glenn Curtiss Boulevard, Uniondale, NY 11556-0144

**E-mail** Send your request to [info@dreyfus.com](mailto:info@dreyfus.com)

**Internet** Information can be viewed online or downloaded at: <http://www.dreyfus.com>

The fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission ("SEC") for the first and third quarters of each fiscal year on Form N-Q. The fund's Forms N-Q are available on the SEC's website at <http://www.sec.gov> and may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-202-551-8090.

A description of the policies and procedures that the fund uses to determine how to vote proxies relating to portfolio securities, and information regarding how the fund voted these proxies for the 12-month period ended June 30, 2007, is available at <http://www.dreyfus.com> and on the SEC's website at <http://www.sec.gov>. The description of the policies and procedures is also available without charge, upon request, by calling 1-800-645-6561.

