



Gabelli Asset Management

For Immediate Release:

Contact: Robert S. Zuccaro
Chief Financial Officer
(914) 921-5146
For further information visit our
Website at: www.gabelli.com

Gabelli Reports Second Quarter Earnings of \$0.46 Per Share

**Operating Income Rises 7.8% to a Record \$26.9 million in the 2002 Quarter
But Lower Investment Income Puts Earnings Below Prior Year
Will Expense Stock Options Beginning in 2003**

Rye, New York, July 26, 2002 – Gabelli Asset Management Inc. (NYSE: “GBL”) today reported revenues of \$57.4 million for the second quarter ended June 30, 2002 up nominally from \$57.0 million generated in the prior year period. Operating income rose 7.8% to a record \$26.9 million in the 2002 quarter from \$24.9 million in 2001. However, a combination of lower investment income, higher interest expense and an eight percent increase in diluted shares outstanding resulted in earnings of \$0.46 per diluted share for the second quarter of 2002 versus \$0.53 per diluted share in the comparable 2001 quarter.

Revenues were \$115.4 million for the first six months of 2002, virtually the same as in the first half of 2001. Operating income for the first half of 2002 was \$55 million, 6.3% higher than the in the first half of 2001. Net income for the six months ended June 30, 2002 was \$29.3 million or \$0.97 per diluted share versus \$30.7 million or \$1.03 per diluted share in the first half of 2001

Financial Highlights

Average total assets under management were \$24.8 billion in the second quarter of 2002 versus \$24.6 billion in both the first quarter of 2002 and the second quarter of 2001. At June 30, 2002 assets under management were \$23.2 billion versus \$25.9 billion at March 31, 2002 and \$25.6 billion at June 30, 2001. Broad declines in the worldwide equity markets accounted for the \$2.7 billion drop in assets during the latter half of the second quarter of 2002. Total cash flows remained positive, as net cash inflows into our institutional and high-net-worth equity separate accounts (GAMCO) and value and specialty, notably bear and market-neutral, mutual fund products more than offset net cash outflows from growth-oriented mutual fund products.

Revenues for the quarter and year-to-date were about unchanged from their comparable prior year periods, as the increase in investment advisory fees was offset by lower mutual fund distribution fees. The growth in investment advisory fees was driven by increased revenues from GAMCO’s institutional and high-net-worth business. Mutual fund advisory fees and mutual fund distribution fees were lower as average assets in open-end equity mutual funds declined 8.6% to \$8.2 billion in the second quarter of 2002 from \$8.9 billion in the 2001 quarter.

Operating margins improved to 46.8% from 43.7% in the second quarter of 2001 as we continued to benefit from ongoing efforts to control expenses. Year to date margins were 47.6% versus 44.8% in the first half of 2001.

Interest expense increased \$2.2 million to \$3.2 million in the second quarter of 2002 and increased \$4.0 million to \$5.9 million for the first half of 2002 versus comparable prior year periods. Interest expense reflects the issuance of two convertible securities, totaling \$190 million, in August 2001 and February 2002 which were partially offset by the repayment of a \$50 million note on January 2, 2002. Investment income generated from approximately \$500 million in proprietary investments was \$1.1 million and \$3.2 million for the quarter and six months ended June 30, 2002, respectively. The decline in investment income reflects both our focus on preserving liquidity during a period characterized by highly volatile and depressed equity markets and a lower interest rate environment.

The estimated effective tax rate in 2002 was lowered to 37.6% from 38.6% in calendar 2001 as we benefit from lower state tax rates. In 2002, the New York State corporate tax rate is now 9% versus 9.5% in 2001.

Minority interest declined as a result of the share exchange transaction, completed in August 2001, in which we increased our ownership in Gabelli Securities, Inc. to 92% from 77%.

We continue to build a strong and liquid balance sheet. Cash and investments were \$510 million at June 30, 2002 versus \$428 million at December 31, 2001 and \$299 million at June 30, 2001. Convertible debt, consisting of a \$100 million 6.5% convertible note convertible at \$53 per share and \$87.5 million in mandatory exchangeable securities where we settle up in February 2005 by issuing a maximum of 2.2 million shares at \$39.40 while paying 6.95% in interest, was \$187.5 million at June 30, 2002 compared to \$100 million at December 31, 2001. Stockholders' equity, not including the \$87.5 million of equity for the exchangeable securities, was \$307 million at June 30, 2002 versus \$235 million a year earlier.

At June 30, 2002 there were 32.3 million shares outstanding on a diluted basis versus 29.9 million a year earlier, reflecting (a) shares which may be issued for a \$100 million convertible note (b) shares issued in August 2001, increasing our ownership in a subsidiary (c) options exercised- net of stock repurchased.

The company repurchased 59,648 shares of its Class A Common Stock during the second quarter for \$2.2 million, bringing total shares repurchased in 2002 to 152,800 at a total investment of \$5.8 million. Since the inception of the stock repurchase program, the total number of shares repurchased is 725,705 at an average outlay of \$23.28 per share. In July 2002, the Board of Directors authorized the repurchase of up to an additional \$5 million under the company's stock repurchase program.

Investment, Business and Other Highlights

- Gabelli Japanese Value Partners, an event-driven hedge fund focusing on Japanese equities, was launched in April.
- GAMCO was selected to manage two new sub-advisory products, utilizing the traditional Gabelli value approach, which were launched in the second quarter of 2002. The AXP Partners Select Value Fund, is a multi-cap equity fund focusing primarily on U.S. companies and the Skandia Global GAMCO U.S. All-Cap Value equity fund which will be marketed internationally.

- Our non-market correlated mutual funds (Comstock, Mathers, Gold, ABC) comprise \$570 million of assets under management:
 - **Gabelli ABC Fund** - This fund, which is scheduled to be closed to new investors on October 1, 2002, has received Morningstar's prestigious "Five Star" overall rating. We reduced fees on this fund to 50 basis points on April 1, to reflect a dearth of investment opportunities. In early May we announced the Fund would be closed to new investors outside those in the Gabelli Family of Funds.
 - **Gabelli Gold Fund** - invests in equity securities of issuers engaged in gold-related industries. At June 30, 2002 the fund's one and three year total return was 73.94% and 25.46%, respectively.
 - **Comstock Capital Value Fund** - The fund's managers view the U.S. equity markets as highly overvalued and have positioned the fund to seek profits in a major U.S. equity market decline. The fund returned 22.55% for the twelve months ended June 30, 2002 and has received Morningstar's "Five Star" rating for its three-year performance.
- The Gabelli Equity Trust closed-end fund ("NYSE: "GAB") completed the placement of \$130 million of Series C Auction Rate Cumulative Preferred Stock. The preferred shares, rated "Aaa" by Moody's Investors Service, Inc. and "AAA" by Standard & Poors Rating Services, sets its dividend rate through a weekly auction process. Salomon Smith Barney and Gabelli & Company, Inc. led the underwriting.
- The Gabelli Utility Trust ("NYSE: "GUT") rights offering whereby holders of three rights were entitled to purchase one newly issued share of common stock was heavily oversubscribed with subscriptions received for nearly twice the 3.7 million shares authorized to be issued. The Gabelli Utility Trust has \$104 million in total assets after the offering.
- Our sell side broker-dealer, Gabelli & Company, Inc. is well positioned to benefit from any renewed demand for independent institutional research. Barry M. Abramson and Evan D. Miller were both added to our team. Mr. Abramson joins the global team as a specialist in utilities having previously been a Managing Director and Senior U.S. Utilities Analyst at UBS Warburg. Mr. Miller joins our London office as a specialist in telecommunications after spending nearly twenty-five years with firms including British Telecom, Sprint, Credit Suisse First Boston and Lehman Brothers. In addition, with planned additions our research department has increased from eighteen to twenty-three sell side analysts.

Stock Options

We will expense the cost of stock options issued beginning January 1, 2003 using the expense recognition guidance provided by SFAS No. 123, "Accounting for Stock-Based Compensation". The company, which has granted stock options to substantially all of its professional staff, had options to purchase 693,000 shares of common stock outstanding at June 30, 2002. Less than 10% of all options granted were issued to senior executive officers. Our Chairman and Chief Executive Officer, Mario J. Gabelli, has no stock options and has never received any. Mr. Gabelli indicated that "I have enough incentive through the ownership of shares to increase both the intrinsic value of GBL as well as its public market value".

Outlook

With a commitment for adding value to clients who have entrusted us with their assets, we are confident that the strength of our diversified products, extensive client base and our commitment to providing superior long-term, risk-adjusted performance will continue to benefit us through periods of increased volatility and will provide solid long-term performance for our shareholders.

SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION

Our disclosure and analysis in this press release contain some forward-looking statements. Forward-looking statements give our current expectations or forecasts of future events. You can identify these statements because they do not relate strictly to historical or current facts. They use words such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe,” and other words and terms of similar meaning. They also appear in any discussion of future operating or financial performance. In particular, these include statements relating to future actions, future performance of our products, expenses, the outcome of any legal proceedings, and financial results. Although we believe that we are basing our expectations and beliefs on reasonable assumptions within the bounds of what we currently know about our business and operations, there can be no assurance that our actual results will not differ materially from what we expect or believe. Some of the factors that could cause our actual results to differ from our expectations or beliefs include, without limitation: the adverse effect from a decline in the securities markets; a decline in the performance of our products; a general downturn in the economy; changes in government policy or regulation; changes in our ability to attract or retain key employees; and unforeseen costs and other effects related to legal proceedings or investigations of governmental and self-regulatory organizations. We also direct your attention to any more specific discussions of risk contained in our Form 10-K and other public filings. We are providing these statements as permitted by the Private Litigation Reform Act of 1995. We do not undertake to update publicly any forward-looking statements if we subsequently learn that we are unlikely to achieve our expectations or if we receive any additional information relating to the subject matters of our forward-looking statements.

Assets Under Management – Driver of Growth

The company reported assets under management as follows:

Table I:

| | <u>Assets Under Management (in millions)</u> | | |
|---|--|-----------------|--------------------|
| | June 30 | | % |
| | <u>2001</u> | <u>2002</u> | <u>Inc. (Dec.)</u> |
| Mutual Funds: | | | |
| Open End | \$ 8,963 | \$ 7,353 | (18.0%) |
| Closed End | 1,971 | 1,735 | (12.0) |
| Fixed Income | <u>1,541</u> | <u>1,823</u> | 18.3 |
| Total Mutual Funds | <u>12,475</u> | <u>10,911</u> | (12.5) |
| Institutional & Separate Accounts: | | | |
| Equities | 11,860 | 11,129 | (6.2) |
| Fixed Income | <u>737</u> | <u>544</u> | (26.2) |
| Total Institutional & Separate Accounts | <u>12,597</u> | <u>11,673</u> | (7.3) |
| Alternative Investments | <u>558</u> | <u>611</u> | 9.5 |
| Total Assets Under Management | <u>\$25,630</u> | <u>\$23,195</u> | (9.5) |

Table II:

Fund Flows – 2nd Quarter 2002 (in millions)

| | <u>March 31, 2002</u> | <u>Net Cash Flows</u> | <u>Market Appreciation / (Depreciation)</u> | <u>June 30, 2002</u> |
|---|-----------------------|---------------------------|---|----------------------|
| Mutual Funds: | | | | |
| Equities | \$ 10,477 | \$ (45) | \$ (1,344) | \$ 9,088 |
| Fixed Income | <u>1,835</u> | <u>(20)</u> | <u>8</u> | <u>1,823</u> |
| Total Mutual Funds | <u>12,312</u> | <u>(65)</u> | <u>(1,336)</u> | <u>10,911</u> |
| Institutional and Separate Accounts | | | | |
| Equities | 12,326 | 203 | (1,400) | 11,129 |
| Fixed Income | <u>673</u> | <u>(133)</u> | <u>4</u> | <u>544</u> |
| Total Institutional and Separate Accounts | <u>12,999</u> | <u>70</u> | <u>(1,396)</u> | <u>11,673</u> |
| Alternative Investments | <u>605</u> | <u>3</u> | <u>3</u> | <u>611</u> |
| Total Assets Under Management | <u>\$ 25,916</u> | <u>\$ 8</u> | <u>\$ (2,729)</u> | <u>\$ 23,195</u> |

Table III:

| | <u>Assets Under Management (in millions)</u> | | | | | % Increase/(decrease) | |
|---|--|------------------|------------------|------------------|------------------|-----------------------|-------------|
| | <u>6/01</u> | <u>9/01</u> | <u>12/01</u> | <u>3/02</u> | <u>6/02</u> | <u>3/02</u> | <u>6/01</u> |
| Mutual Funds | | | | | | | |
| Open end | \$ 8,963 | \$ 7,405 | \$ 8,334 | \$ 8,627 | \$ 7,353 | (14.8%) | (18.0%) |
| Closed end | 1,971 | 1,706 | 1,831 | 1,850 | 1,735 | (6.2) | (12.0) |
| Fixed income | <u>1,541</u> | <u>1,830</u> | <u>1,790</u> | <u>1,835</u> | <u>1,823</u> | (0.7) | 18.3 |
| Total Mutual Funds | <u>12,475</u> | <u>10,941</u> | <u>11,955</u> | <u>12,312</u> | <u>10,911</u> | (11.4) | (12.5) |
| Institutional & Separate Accounts: | | | | | | | |
| Equities | 11,860 | 10,008 | 11,513 | 12,326 | 11,129 | (9.7) | (6.2) |
| Fixed Income | <u>737</u> | <u>780</u> | <u>720</u> | <u>673</u> | <u>544</u> | (19.2) | (26.2) |
| Total Institutional & Separate Accounts | <u>12,597</u> | <u>10,788</u> | <u>12,233</u> | <u>12,999</u> | <u>11,673</u> | (10.2) | (7.3) |
| Alternative Investments | <u>558</u> | <u>615</u> | <u>573</u> | <u>605</u> | <u>611</u> | 1.0 | 9.5 |
| Total Assets Under Management | <u>\$ 25,630</u> | <u>\$ 22,344</u> | <u>\$ 24,761</u> | <u>\$ 25,916</u> | <u>\$ 23,195</u> | (10.5) | (9.5) |

Table IV:

GABELLI ASSET MANAGEMENT INC.
UNAUDITED CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(in thousands, except per share data)

| | For the Three Months Ended | | | For the Six Months Ended | | |
|---|----------------------------|------------------|--------------------------------|--------------------------|------------------|--------------------------------|
| | <u>June 30,</u> | | | <u>June 30,</u> | | |
| | <u>2001</u> | <u>2002</u> | <u>% Inc.</u> <u>(Dec.)</u> | <u>2001</u> | <u>2002</u> | <u>% Inc.</u> <u>(Dec.)</u> |
| Revenues..... | \$ 57,017 | \$57,402 | 0.7% | \$ 115,361 | \$ 115,434 | - |
| Expenses..... | <u>32,102</u> | <u>30,533</u> | (4.9) | <u>63,652</u> | <u>60,448</u> | (5.0%) |
| Operating income..... | 24,915 | 26,869 | 7.8 | 51,709 | 54,986 | 6.3 |
| Investment income..... | 5,648 | 1,144 | (79.7) | 7,715 | 3,237 | (58.0) |
| Interest expense..... | <u>(956)</u> | <u>(3,186)</u> | 233.3 | <u>(1,887)</u> | <u>(5,914)</u> | 213.4 |
| Other income (expense), net..... | <u>4,692</u> | <u>(2,042)</u> | (143.5) | <u>5,828</u> | <u>(2,677)</u> | (145.9) |
| Income before management fee, income taxes and minority interest..... | 29,607 | 24,827 | (16.1) | 57,537 | 52,309 | (9.1) |
| Management fee..... | <u>2,961</u> | <u>2,483</u> | | <u>5,754</u> | <u>5,231</u> | |
| Income before income taxes and minority interest | 26,646 | 22,344 | | 51,783 | 47,078 | |
| Income taxes..... | 10,285 | 8,401 | | 19,988 | 17,701 | |
| Minority interest..... | <u>520</u> | <u>2</u> | | <u>1,058</u> | <u>47</u> | |
| Net income..... | <u>\$ 15,841</u> | <u>\$ 13,941</u> | (12.0) | <u>\$ 30,737</u> | <u>\$ 29,330</u> | (4.6) |
| Net income per share: | | | | | | |
| Basic..... | <u>\$ 0.54</u> | <u>\$ 0.46</u> | (14.8) | <u>\$ 1.04</u> | <u>\$ 0.97</u> | (6.7) |
| Diluted..... | <u>\$ 0.53</u> | <u>\$ 0.46</u> | (13.2) | <u>\$ 1.03</u> | <u>\$ 0.97</u> | (5.8) |
| Weighted average shares outstanding: | | | | | | |
| Basic..... | <u>29,527</u> | <u>30,222</u> | 2.4 | <u>29,517</u> | <u>30,083</u> | 1.9 |
| Diluted..... | <u>29,932</u> | <u>32,327</u> | 8.0 | <u>29,887</u> | <u>32,246</u> | 7.9 |

Table V

Gabelli Asset Management Inc.
Unaudited Quarterly Consolidated Condensed Statements of Income
(in thousands, except per share data)

| | 2001 | | | | | 2002 | | |
|---|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|------------------|-----------------------------------|-----------------------------------|------------------|
| | 1 st <u>Quarter</u> | 2 nd <u>Quarter</u> | 3 rd <u>Quarter</u> | 4 th <u>Quarter</u> | <u>Total</u> | 1 st <u>Quarter</u> | 2 nd <u>Quarter</u> | <u>Total</u> |
| Income Statement Data: | | | | | | | | |
| Revenues | \$ 58,344 | \$ 57,017 | \$ 56,121 | \$ 52,932 | \$ 224,414 | \$ 58,032 | \$ 57,402 | \$ 115,434 |
| Expenses | <u>31,550</u> | <u>32,102</u> | <u>30,799</u> | <u>25,190</u> | <u>119,641</u> | <u>29,915</u> | <u>30,533</u> | <u>60,448</u> |
| Operating income | 26,794 | 24,915 | 25,322 | 27,742 | 104,773 | 28,117 | 26,869 | 54,986 |
| Investment income | 2,067 | 5,648 | 3,742 | 3,191 | 14,648 | 2,093 | 1,144 | 3,237 |
| Interest expense | <u>(931)</u> | <u>(956)</u> | <u>(1,741)</u> | <u>(2,546)</u> | <u>(6,174)</u> | <u>(2,728)</u> | <u>(3,186)</u> | <u>(5,914)</u> |
| Other income (expense), net | <u>1,136</u> | <u>4,692</u> | <u>2,001</u> | <u>645</u> | <u>8,474</u> | <u>(635)</u> | <u>(2,042)</u> | <u>(2,677)</u> |
| Income before management fee, income taxes and minority interest | 27,930 | 29,607 | 27,323 | 28,387 | 113,247 | 27,482 | 24,827 | 52,309 |
| Management fee | <u>2,793</u> | <u>2,961</u> | <u>2,732</u> | <u>2,839</u> | <u>11,325</u> | <u>2,748</u> | <u>2,483</u> | <u>5,231</u> |
| Income before income taxes and minority interest | 25,137 | 26,646 | 24,591 | 25,548 | 101,922 | 24,734 | 22,344 | 47,078 |
| Income taxes | 9,703 | 10,285 | 9,493 | 9,861 | 39,342 | 9,300 | 8,401 | 17,701 |
| Minority interest | <u>538</u> | <u>520</u> | <u>152</u> | <u>272</u> | <u>1,482</u> | <u>45</u> | <u>2</u> | <u>47</u> |
| Net income | <u>\$ 14,896</u> | <u>\$ 15,841</u> | <u>\$ 14,946</u> | <u>\$ 15,415</u> | <u>\$ 61,098</u> | <u>\$ 15,389</u> | <u>\$ 13,941</u> | <u>\$ 29,330</u> |
| Net income per share: | | | | | | | | |
| Basic | <u>\$ 0.50</u> | <u>\$ 0.54</u> | <u>\$ 0.50</u> | <u>\$ 0.52</u> | <u>\$ 2.06</u> | <u>\$ 0.51</u> | <u>\$ 0.46</u> | <u>\$ 0.97</u> |
| Diluted | <u>\$ 0.50</u> | <u>\$ 0.53</u> | <u>\$ 0.49</u> | <u>\$ 0.51</u> | <u>\$ 2.03</u> | <u>\$ 0.51</u> | <u>\$ 0.46</u> | <u>\$ 0.97</u> |
| Weighted average shares outstanding: | | | | | | | | |
| Basic | <u>29,507</u> | <u>29,527</u> | <u>29,748</u> | <u>29,875</u> | <u>29,666</u> | <u>29,941</u> | <u>30,222</u> | <u>30,083</u> |
| Diluted | <u>29,839</u> | <u>29,932</u> | <u>31,142</u> | <u>32,182</u> | <u>30,783</u> | <u>32,164</u> | <u>32,327</u> | <u>32,246</u> |

Table VI

GABELLI ASSET MANAGEMENT INC.
CONSOLIDATED CONDENSED STATEMENTS OF FINANCIAL CONDITION
(In thousands)

| | Dec. 31, | June 30, | |
|---|--------------------|-------------------|-------------------|
| | <u>2001</u> | <u>2001</u> | <u>2002</u> |
| ASSETS | (unaudited) | | |
| Cash and cash equivalents..... | \$ 305,447 | \$ 126,348 | \$ 395,928 |
| Investments | 122,131 | 172,899 | 113,896 |
| Receivables..... | 28,241 | 27,310 | 27,924 |
| Deferred tax asset..... | 18,661 | 19,580 | - |
| Taxes receivable (a)..... | - | - | 3,252 |
| Other assets..... | <u>11,914</u> | <u>6,054</u> | <u>15,641</u> |
| Total assets..... | \$ <u>486,394</u> | \$ <u>352,191</u> | \$ <u>556,641</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| Note Payable (a)..... | \$ 50,000 | \$ 50,000 | \$ - |
| Accrued expenses and other liabilities..... | <u>53,486</u> | <u>51,306</u> | <u>54,282</u> |
| Total liabilities..... | 103,486 | 101,306 | 54,282 |
| Convertible Note..... | 100,000 | - | 100,000 |
| Mandatory Convertible Securities..... | - | - | 87,513 |
| Minority interest..... | 7,611 | 15,435 | 7,385 |
| Stockholders' equity..... | <u>275,297</u> | <u>235,450</u> | <u>307,461</u> |
| Total liabilities and stockholders' equity..... | \$ <u>486,394</u> | \$ <u>352,191</u> | \$ <u>556,641</u> |

(a) This debt, arising from the Formation Transactions, was paid on January 2, 2002, resulting in a tax benefit to the company of \$19,830. This tax benefit will be realized in 2002 and has been included in Taxes receivable.