

# Gabelli Asset Management

For Immediate Release:

Contact:  
Investor Relations Department  
(914) 921-5146  
For further information visit our  
Website at: [www.gabelli.com](http://www.gabelli.com)

## **Gabelli Reports Third Quarter Earnings of \$0.38 Per Share Operating and Financial Base Poised for Market Recovery**

Rye, New York, October 28, 2002 – Gabelli Asset Management Inc. (NYSE: “GBL”) today reported revenues of \$47.3 million for the third quarter ended September 30, 2002, down 15.7% from revenues of \$56.1 million generated in the prior year period. Operating income for the quarter was \$22.3 million compared to \$25.3 million in the prior year. Earnings were \$0.38 per share on a diluted basis versus \$0.49 per share in the 2001 quarter. Over the short term our operating results are highly correlated to the overall equity market which affects investment advisory fees which are based on assets under management and investment income from the firm’s proprietary investment portfolio.

For the nine months ended September 30, 2002 revenues were \$162.8 million, down 5.1% from revenues of \$171.5 million generated during the first nine months of 2001. Operating income was \$77.3 million for the first nine months of 2002 compared to \$77.0 million in the prior year period. Earnings were \$1.35 per share on a diluted basis for the first nine months of 2002 versus \$1.52 per share in the comparable period of the prior year.

### **Financial Results**

Average total assets under management were \$22.8 billion in the third quarter of 2002 down from \$24.8 billion in the second quarter of 2002 and \$24.5 billion in the third quarter of 2001. At September 30, 2002 assets under management were \$20.2 billion versus \$23.2 billion at June 30, 2002 and \$22.3 billion at September 30, 2001. The decline in the equity markets was responsible for virtually the entire decline in managed assets during the third quarter. Against this backdrop and on a relative basis the firm’s equity funds’ average decline of 15.8% bettered the results posted by the Standard and Poor’s 500 and Russell 2000 indices which fell 17.3% and 21.4%, respectively, during the third quarter of 2002. For the quarter we experienced a modest net cash outflow. For the nine months ended September 30, 2002 net cash inflows totaled \$385 million.

Operating income declined 12.0% to \$22.3 million in the third quarter of 2002 compared with \$25.3 million in the 2001 quarter. Operating margin, even after allowing for a higher investment in research and marketing, was 47% in the 2002 quarter versus 45.1% in the prior year period. Other operating expenses were down \$0.6 million or 7%.

Operating income rose to \$77.3 million for the nine months ended September 30, 2002 from \$77.0 million for the nine months ended September 30, 2001.

Interest expense increased \$1.3 million to \$3.1 million in the third quarter of 2002. Investment income, after allowing for \$0.5 million in gains resulting from the repurchase of mandatory convertible debt securities, declined \$2.4 million. The impact of the negative swing on other income crimped results by \$0.07 per share.

The estimated effective tax rate for 2002 was 37.6% versus 38.6% in calendar 2001. The decline in minority interest expense reflects the increase in our ownership of Gabelli Securities, Inc. to 92% from 77% during the third quarter of 2001.

### **Base Building-Prepared for Growth**

We continue to expand the investment vehicles we offer clients through which we seek to provide superior long-term, risk-adjusted performance in both up and down markets. Our ability to generate returns versus the Standard and Poor's 500 in both up (1997 – 1999) and down (2000 – September 30, 2002) markets is included in Exhibit A. For example, our value products, representing the traditional foundation of our firm, matched the upside in rising markets while declining significantly less in the recent bear market. Over the long term this provides added value to our clients. Results of our Growth and International Growth products are similarly illustrated. Note that we believe that our Growth team, headed by Howard Ward, is prepared to outperform the market on the upside.

- See Exhibit A -

Our private partnership products seek to generate absolute returns regardless of the market condition. For the first nine months of 2002 our European and Japanese long/short funds and our arbitrage funds, earned positive returns. The arbitrage funds invest in announced merger arbitrage transactions with a goal of earning double digit returns non-correlated with the stock market.

We continue to expand our research team of security analysts. When we went public in February 1999 our sell-side broker-dealer, Gabelli & Company, had ten analysts. Today we have twenty-one analysts up from fifteen at the beginning of the year and eighteen at June 30, 2002. While this is crimping our current operations, we believe our sell side analysts will be well positioned to supply the fundamental research not associated with investment banking that will be increasingly demanded. All of us on Wall Street understand the "Gabelli" and "Bernstein" model.

We are building our client service, marketing, research and portfolio management infrastructure in each of our London, Chicago and Palm Beach offices. We expect to further expand our presence in selected locations both in the U.S. and longer term in Asia.

To date we have focused our acquisition strategy on identifying firms which help to lengthen our franchise and support our money management activities. Both Mathers (joined us in October 1999) and Comstock (acquired May 2000) provide our clients with non-market correlated investment products. Both have been successful in protecting their clients' assets in the severe market decline. The Comstock Capital Value Fund, in particular, generated annualized returns of 34.9% since being acquired in May 2000. On October 15, 2002, we announced the acquisition of Grove Investment Advisors, an investment advisor of a long/short hedge fund specializing in the oil, gas and power sectors managed by J. Iain Smith. We continue to search for opportunities to expand our product base and to add to our team of talented investment professionals.

We strengthened further our hedge fund capabilities in marketing, client service and in product offering.

- We announced the purchase of Grove Investment Advisors, a long/short hedge fund specializing in the oil, gas and power sectors.
- We became a sub-adviser to a 1940 Act registered long/short fund extending our private partnership investment expertise to this embryonic channel.
- We had positive inflows during the quarter in our private partnerships.

We have consistently stated that gains in our stock price would fully correspond with increases in operating earnings. This clearly is the case from levels of the market at September 30, 2002 with the Dow Jones Industrial Average at 7592 and the S&P 500 at 815.

GBL may be viewed as a surrogate to the overall stock market. We have a terrific brand and a strong balance sheet with over \$14 a share in net cash. Equally important, from levels at September 30, 2002, we believe that the overall markets will grow over the balance of this decade in line with the 6% increase that we envision for corporate profits. Gabelli is positioned to have its assets (managed by style) outpace the gains of the overall markets. As an example, GAMCO, from its inception in January 1977 through September 30, 2002, has generated returns of for its clients of 18.5% versus 12.6% for the overall S&P 500 Index. We believe from current market levels, our Growth and International Growth will do the same. In addition, acquisitions such as Mathers/Comstock/Grove as well as our affiliations with Westwood Management Corporation and others will augment future growth.

### **Financial Strength and Flexibility**

We continue to maintain a strong and liquid balance sheet. Cash and investments were a record \$522 million at September 30, 2002 versus \$428 million at December 31, 2001 and \$ 429 million at September 30, 2001. Our total debt of \$184.7 million consists of a 6% \$100 million convertible note (convertible at \$53) and \$84.7 million of a mandatory convertible security which will be exchanged for a maximum of 2.15 million shares in February 2005. Stockholders' equity, including the mandatory convertible securities at September 30, 2002 was \$401.3 million versus \$275.3 million at December 31, 2001 and \$257.5 million a year ago.

The company repurchased 67,392 shares during the third quarter for \$2.1 million at an average investment of \$30.89 per share. Since the inception of the stock repurchase program, the total number of shares repurchased is 793,097 at an average investment of \$23.93 per share. We repurchased 110,600 shares of the mandatory convertible securities during the third quarter at a total investment of \$2.1 million bringing the total of exchangeable securities repurchased to 210,100 at an average price \$21.10 per share. We expect to continue repurchasing shares under the company's stock repurchase program.

### **Outlook**

For our firm's first twenty-five years we created significant value by intensely focusing on the research process and by leveraging our brand name, performance and investment expertise through both up and down markets. We have added to our investment team and enhanced our client service to meet the challenges and opportunities which will present themselves over the balance of this decade.

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## 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:**

### Assets Under Management (in millions)

	September 30		%
	<u>2001</u>	<u>2002</u>	<u>Inc. (Dec.)</u>
Mutual Funds:			
Open End	\$7,405	\$6,200	(16.3%)
Closed End	1,706	1,515	(11.2)
Fixed Income	<u>1,830</u>	<u>1,988</u>	8.6
Total Mutual Funds	<u>10,941</u>	<u>9,703</u>	(11.3)
Institutional & Separate Accounts:			
Equities	10,008	9,305	(7.0)
Fixed Income	<u>780</u>	<u>557</u>	(28.6)
Total Institutional & Separate Accounts	<u>10,788</u>	<u>9,862</u>	(8.6)
Alternative Investments	<u>615</u>	<u>625</u>	1.6
Total Assets Under Management	<u>\$22,344</u>	<u>\$20,190</u>	(9.6)

**Table II:**

### Fund Flows – 3<sup>rd</sup> Quarter 2002 (in millions)

	<u>June 30, 2002</u>	<u>Net Cash Flows</u>	<u>Market Appreciation / (Depreciation)</u>	<u>September 30, 2002</u>
Mutual Funds:				
Equities	\$ 9,088	\$ (129)	\$ (1,244)	\$7,715
Fixed Income	<u>1,823</u>	<u>152</u>	<u>13</u>	<u>1,988</u>
Total Mutual Funds	<u>10,911</u>	<u>23</u>	<u>(1,231)</u>	<u>9,703</u>
Institutional and Separate Accounts				
Equities	11,129	(217)	(1,607)	9,305
Fixed Income	<u>544</u>	<u>10</u>	<u>3</u>	<u>557</u>
Total Institutional and Separate Accounts	<u>11,673</u>	<u>(207)</u>	<u>(1,604)</u>	<u>9,862</u>
Alternative Investments	<u>611</u>	<u>16</u>	<u>(2)</u>	<u>625</u>
Total Assets Under Management	<u>\$ 23,195</u>	<u>\$(168)</u>	<u>\$ (2,837)</u>	<u>\$20,190</u>

**Table III:**

### Assets Under Management (in millions)

	<u>9/01</u>	<u>12/01</u>	<u>3/02</u>	<u>6/02</u>	<u>9/02</u>	% Increase/(decrease)	
						<u>6/02</u>	<u>9/01</u>
Mutual Funds							
Open end	\$ 7,405	\$ 8,334	\$ 8,627	\$ 7,353	\$6,200	(15.7%)	(16.3%)
Closed end	1,706	1,831	1,850	1,735	1,515	(12.7)	(11.2)
Fixed income	<u>1,830</u>	<u>1,790</u>	<u>1,835</u>	<u>1,823</u>	<u>1,988</u>	9.1	8.6
Total Mutual Funds	<u>10,941</u>	<u>11,955</u>	<u>12,312</u>	<u>10,911</u>	<u>9,703</u>	(11.1)	(11.3)
Institutional & Separate Accounts:							
Equities	10,008	11,513	12,326	11,129	9,305	(16.4)	(7.0)
Fixed Income	<u>780</u>	<u>720</u>	<u>673</u>	<u>544</u>	<u>557</u>	2.4	(28.6)
Total Institutional & Separate Accounts	<u>10,788</u>	<u>12,233</u>	<u>12,999</u>	<u>11,673</u>	<u>9,862</u>	(15.5)	(8.6)
Alternative Investments	<u>615</u>	<u>573</u>	<u>605</u>	<u>611</u>	<u>625</u>	2.1	1.6
Total Assets Under Management	<u>\$ 22,344</u>	<u>\$ 24,761</u>	<u>\$ 25,916</u>	<u>\$ 23,195</u>	<u>\$20,190</u>	(13.0)	(9.6)

**Table IV:**

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

	<b>For the Three Months Ended September 30,</b>			<b>For the Nine Months Ended September 30,</b>		
	<b><u>2001</u></b>	<b><u>2002</u></b>	<b><u>% Inc. (Dec.)</u></b>	<b><u>2001</u></b>	<b><u>2002</u></b>	<b><u>% Inc. (Dec.)</u></b>
Revenues.....	\$ 56,121	\$ 47,320	(15.7)%	\$ 171,482	\$ 162,754	(5.1%)
Expenses.....	<u>30,799</u>	<u>25,045</u>	(18.7)	<u>94,451</u>	<u>85,493</u>	(9.5)
Operating income.....	25,322	22,275	(12.0)	77,031	77,261	0.3
Investment income.....	3,742	1,330	(64.5)	11,457	4,567	(60.1)
Interest expense.....	<u>(1,741)</u>	<u>(3,057)</u>	75.6	<u>(3,628)</u>	<u>(8,971)</u>	147.3
Other income (expense), net.....	<u>2,001</u>	<u>(1,727)</u>	(186.3)	<u>7,829</u>	<u>(4,404)</u>	(156.3)
Income before management fee, income taxes and minority interest.....	27,323	20,548	(24.8)	84,860	72,857	(14.1)
Management fee.....	<u>2,732</u>	<u>2,055</u>		<u>8,486</u>	<u>7,286</u>	
Income before income taxes and minority interest	24,591	18,493		76,374	65,571	
Income taxes.....	9,493	6,954		29,481	24,655	
Minority interest.....	<u>152</u>	<u>46</u>		<u>1,210</u>	<u>93</u>	
Net income.....	<u>\$ 14,946</u>	<u>\$ 11,493</u>	(23.1)	<u>\$ 45,683</u>	<u>\$ 40,823</u>	(10.6)
Net income per share:						
Basic.....	<u>\$ 0.50</u>	<u>\$ 0.38</u>	(24.0)	<u>\$ 1.54</u>	<u>\$ 1.36</u>	(11.7)
Diluted.....	<u>\$ 0.49</u>	<u>\$ 0.38</u>	(22.4)	<u>\$ 1.52</u>	<u>\$ 1.35</u>	(11.2)
Weighted average shares outstanding:						
Basic.....	<u>29,748</u>	<u>30,141</u>	1.3	<u>29,595</u>	<u>30,102</u>	1.7
Diluted.....	<u>31,142</u>	<u>30,296</u>	(2.7)	<u>30,310</u>	<u>30,337</u>	0.1

**Table V**

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

	2001					2002			
	1 <sup>st</sup> <u>Quarter</u>	2 <sup>nd</sup> <u>Quarter</u>	3 <sup>rd</sup> <u>Quarter</u>	4 <sup>th</sup> <u>Quarter</u>	<u>Total</u>	1 <sup>st</sup> <u>Quarter</u>	2 <sup>nd</sup> <u>Quarter</u>	3 <sup>rd</sup> <u>Quarter</u>	<u>Total</u>
Income Statement Data:									
Revenues	\$ 58,344	\$ 57,017	\$ 56,121	\$ 52,932	\$ 224,414	\$ 58,032	\$ 57,402	\$ 47,320	\$ 162,754
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>25,045</u>	<u>85,493</u>
Operating income	26,794	24,915	25,322	27,742	104,773	28,117	26,869	22,275	77,261
Investment income	2,067	5,648	3,742	3,191	14,648	2,093	1,144	1,330	4,567
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>(3,057)</u>	<u>(8,971)</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>(1,727)</u>	<u>(4,404)</u>
Income before management fee, income taxes and minority interest	27,930	29,607	27,323	28,387	113,247	27,482	24,827	20,548	72,857
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>2,055</u>	<u>7,286</u>
Income before income taxes and minority interest	25,137	26,646	24,591	25,548	101,922	24,734	22,344	18,493	65,571
Income taxes	9,703	10,285	9,493	9,861	39,342	9,300	8,401	6,954	24,655
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>46</u>	<u>93</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>\$ 11,493</u>	<u>\$ 40,823</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>\$ 0.38</u>	<u>\$ 1.36</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>\$ 0.38</u>	<u>\$ 1.35</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>30,141</u>	<u>30,102</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>30,296</u>	<u>30,337</u>

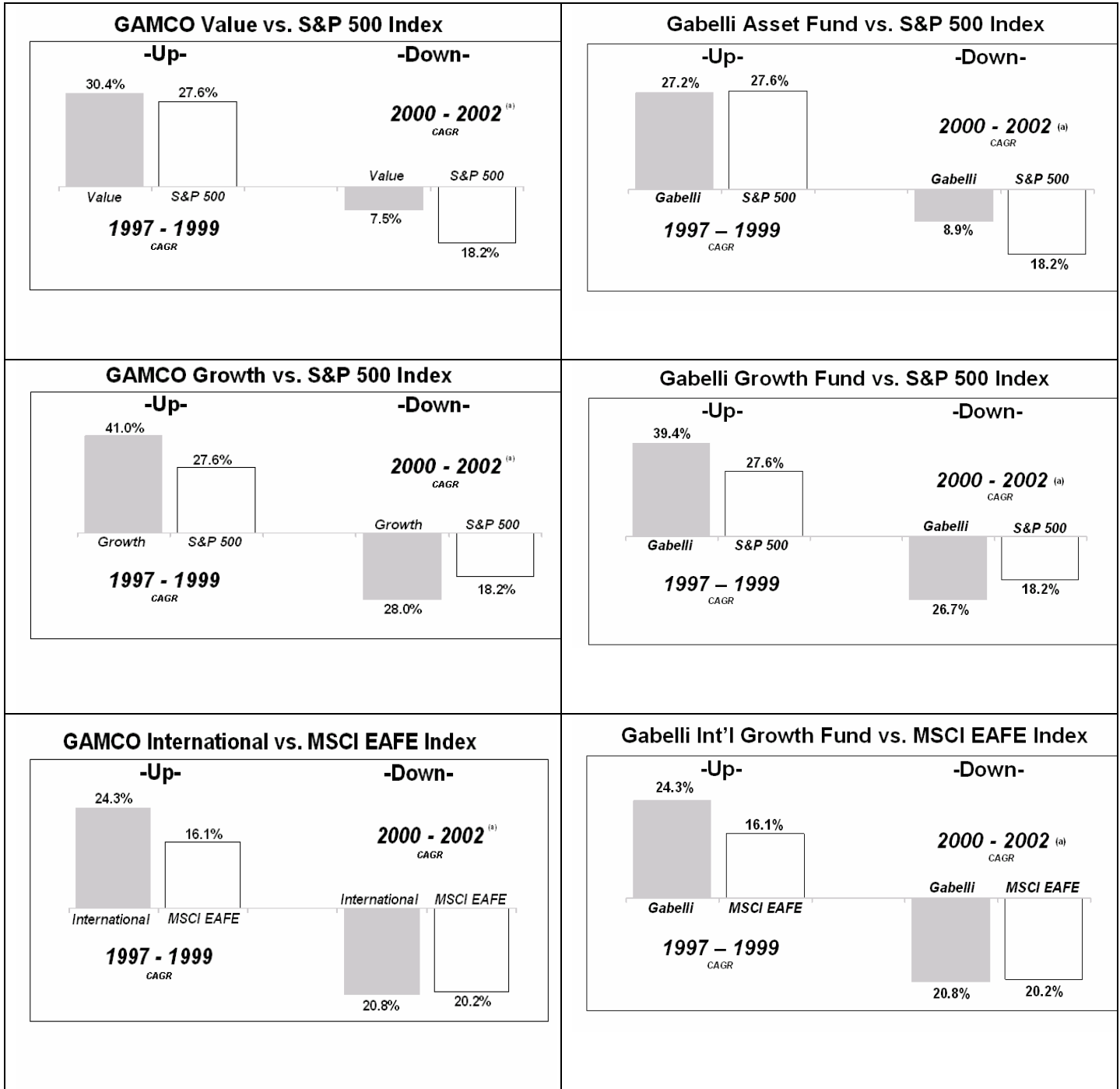
**Table VI**

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

	Dec. 31, <u>2001</u>	September 30, <u>2001</u> (unaudited)	<u>2002</u>
<b>ASSETS</b>			
Cash and cash equivalents.....	\$ 305,447	\$ 307,933	\$ 316,351
Investments .....	122,131	121,244	205,603
Receivables.....	28,241	27,107	26,151
Deferred tax asset(a).....	18,661	20,206	939
Other assets.....	<u>11,914</u>	<u>6,085</u>	<u>14,939</u>
Total assets.....	\$ <u>486,394</u>	\$ <u>482,575</u>	\$ <u>563,983</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
Note Payable (a).....	\$ 50,000	\$ 50,000	\$ -
Accrued expenses and other liabilities.....	<u>53,486</u>	<u>67,676</u>	<u>55,256</u>
Total liabilities.....	103,486	117,676	55,256
Convertible Note.....	100,000	100,000	100,000
Mandatory Convertible Securities.....	-	-	84,748
Minority interest.....	7,611	7,435	7,432
Stockholders' equity.....	<u>275,297</u>	<u>257,464</u>	<u>316,547</u>
Total liabilities and stockholders' equity.....	\$ <u>486,394</u>	\$ <u>482,575</u>	\$ <u>563,983</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 was realized in 2002.

**EXHIBIT A**  
**Performance in Up and Down Markets**



See important disclosures on next page

All performance results are calculated through September 30, 2002.  
CAGR -- Compound Annual Growth Rate

GAMCO or Gabelli Asset Management Company, a wholly-owned subsidiary of Gabelli Asset Management Inc., manages private investment advisory accounts for institutions and individuals.

The GAMCO Value composite represents fully discretionary, tax-exempt accounts managed for the full period under measurement and meeting minimum account size requirements. The performance calculations include accounts under management during the respective periods. As of 9/30/02 the GAMCO Value composite included 57 accounts with aggregate market value of \$3.2 billion. The inception date of the GAMCO Value composite is 12/31/77. No two portfolios are identical. Accounts not within this size and type may have experienced different results.

The GAMCO Growth composite represents fully discretionary, tax-exempt accounts managed for the full period under measurement and meeting minimum account size requirements. The performance calculations include accounts under management during the respective periods. At 9/30/02 the composite included 5 accounts with an aggregate market value of approximately \$66 million. No two portfolios are identical. Accounts not within this size and type may have experienced different results.

Performance results for GAMCO International reflect the returns of the Gabelli International Growth Fund ("GIGF"), an open-ended registered investment company managed by Gabelli Funds, L.L.C. ("Gabelli Funds"), an affiliate of GAMCO. The fund's inception date is 6/30/95. GIGF is the only international growth portfolio continuously under management by GAMCO or Gabelli Funds during this period. The addition of other international growth accounts under Gabelli's management would not have a material impact on the results portrayed.

GAMCO's Compound Annualized Rates of Return are computed after actual transaction costs and after deducting investment advisory fees. GAMCO's performance results are computed on a total-return basis, which includes all dividends, interest and accrued interest, realized and unrealized gains and losses. Returns are presented in U.S. dollars.

The average annual returns for The Gabelli Asset Fund for the one, five and ten year periods ended September 30, 2002 were **-12.65%**, **-3.70%** and **+11.50%** respectively. The average annual returns for the S&P 500 Index for the one, five and ten year periods ended September 30, 2002 were **-20.47%**, **-1.62%** and **+8.99%** respectively.

The average annual returns for The Gabelli Growth Fund for the one, five and ten year periods ended September 30, 2002 were **-25.81%**, **-3.60%** and **+7.85%** respectively.

The average annual returns for the Gabelli International Growth Fund for the one year, five year and life of fund (since 6/30/1995) periods ended September 30, 2002 were **-12.29%**, **-2.41%** and **+4.28%** respectively. The average annual returns for the MSCI-EAFE (Morgan Stanley Capital International – Europe, Australasia and Far East) Index for the one, five and life of fund (since 6/30/1995) periods ended September 30, 2002 were **-15.26%**, **-5.37%** and **-0.43%** respectively.

The S&P 500 is an unmanaged index of 500 primarily large-cap U.S. stocks, that is generally representative of the U.S. stock market activity. The S&P 500 Index is not available for direct investment and its returns do not reflect expenses that are deducted from the fund's return. The MSCI-EAFE is an unmanaged index that is generally considered to be representative of international stock market activity. The MSCI-EAFE index is not available for direct investment and its returns do not reflect the fees and expenses that have been deducted from the fund's return.

**Past performance does not guarantee future results.** Average annual returns reflect changes in share price, reinvested dividends and capital gains and are net of expenses. Investment results and the principal value of an investment will fluctuate. When shares are redeemed, they may be worth more or less than their original cost. The prospectus contains more complete information, including management fees and expenses. The prospectus should be read carefully before investing or sending money. Distributed by Gabelli & Company, Inc. To obtain a prospectus or current performance call 1-800-GABELLI (800-422-3554) or visit <http://www.gabelli.com>.