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## **Gabelli Reports 2002 Fourth Quarter and Full Year Results** **Net Cash of \$14 per share**

Rye, New York, January 30, 2003 – Gabelli Asset Management Inc. (NYSE: GBL) today reported its results for the fourth quarter and full year ended December 31, 2002.

### **Fourth Quarter and Full Year**

Revenues were \$47.2 million for the fourth quarter of 2002 down 10.8% from revenues of \$52.9 million generated in the fourth quarter of 2001. Operating income for the quarter was \$21.9 million compared to \$27.7 million in the fourth quarter of 2001, a decline of 20.9%. Net income was \$12.5 million or \$0.41 per diluted share in the fourth quarter of 2002 versus to \$15.4 million or \$0.51 per diluted share in the prior year's quarter.

For the year ended December 31, 2002, revenues were \$210.0 million, down 6.4% from the revenues of \$224.4 million reported in 2001. Operating income was \$99.2 million in 2002 compared to \$104.8 million in the prior year. Net income was \$53.3 million or \$1.76 per diluted share in 2002 versus \$61.1 million or \$2.03 per diluted share in 2001. Average diluted shares outstanding for the full year ended December 31, 2002 were 30.3 million versus 30.8 million for the year 2001. There were 29,881,222 shares outstanding at December 31, 2002 versus 29,827,904 shares outstanding at December 31, 2001.

### **Financial Results**

Assets under management were \$21.2 billion at December 31, 2002, up about 5%, versus \$20.2 billion at September 30, 2002 and down 14.2% from \$24.8 billion at December 31, 2001. Average assets under management were \$22.4 billion in the fourth quarter of 2002, down 1.8% from \$22.8 billion in the third quarter of 2002 and down 6.3% from \$23.8 billion in the fourth quarter of 2001. Results for 2002 were reduced by the overall decline in the equity markets with the Standard & Poor's 500, Russell 2000 and Morgan Stanley World Index falling 22.10%, 20.48%, and 21.47%, respectively. For the full year 2002, our institutional and high-net-worth equity separate accounts and fixed income accounts had positive net cash flows while the equity mutual funds experienced a modest net cash outflow. Also, our acquisition of Woodland Partners, LLC in November 2002 added approximately \$250 million in assets under management from institutional and high-net-worth clients.

The decline in assets under management led to a 10.8% overall decline in revenues for the fourth quarter of 2002 versus the fourth quarter of 2001. Revenues from institutional and high-net-worth separate accounts rose \$1.5 million or 9.5% overall in the fourth quarter of 2002 versus the 2001 quarter. Mutual fund investment advisory and 12b-1 distribution fees were lower, as average assets under management in open-end equity mutual funds declined 18.1% to \$6.5 billion in the fourth quarter of 2002 from \$8.0 billion in the fourth quarter of 2001.

Commission revenues for our broker dealer, Gabelli and Company Inc., decreased \$1.8 million or 36.7% during the fourth quarter of 2002 versus the 2001 quarter.

Full year 2002 revenues were down 6.4% to \$210.0 million as the increase in revenues from our institutional and high-net-worth business was more than offset by lower mutual fund advisory and distribution fees and lower commission revenues.

Operating income declined 20.9% to \$21.9 million in the fourth quarter of 2002 compared with \$27.7 million in the 2001 quarter, both the result of lower revenues. Operating margins in the 2002 quarter were 46.5% compared to 52.4% in the fourth quarter of 2001, which benefited from a positive adjustment of \$2.9 million.

On a full year basis our operating income was \$99.2 million, down 5.3% from \$104.8 million in the prior year. Operating margins improved in 2002 to 47.2% versus 46.7% in 2001. Other operating expenses as a percentage of revenues declined to 14.5% in 2002 from 15.1% in 2001 through continued efforts to lower our overall cost structure.

Interest expense, mostly reflecting the issuance of 6.95% mandatory convertible securities in February 2002, increased \$0.5 million for the fourth quarter and \$5.8 million for the full year 2002 versus the comparable periods in the prior year. Investment income, generated from more than \$500 million in investments, totaled \$3.5 million for the fourth quarter, exceeding the \$3.2 million realized in the fourth quarter of 2001. For the year, our investments returned \$8.1 million down from the \$14.6 million realized in 2001. The year-to-year decline in investment income largely reflects the lower interest rates available on short-term funds. Expressed another way, the \$12.4 million negative swing in "other income" in 2002 cramped reported results by \$0.23 per share.

The effective tax rate for 2002 was 37.6% versus 38.6% in 2001. Minority interest expense declined on a year-to-year basis, reflecting the increase in our ownership of Gabelli Securities, Inc. to 92% from 77% during the third quarter of 2001.

### **Financial Strength and Flexibility**

We continue to maintain a strong and liquid balance sheet. Cash and investments totaled over \$518 million at December 31, 2002 versus \$419 million at December 31, 2001. Our total debt of \$100 million consists of a ten-year 6% convertible note. In addition we have \$84.5 million of 6.95% mandatory convertible securities (NYSE: GBL.I) which will be exchanged for approximately just over two million Class A common shares in February 2005. Stockholders' equity, which does not include the \$84.5 million in the mandatory convertible securities, was \$321.8 million at December 31, 2002 compared with \$275.3 million at December 31, 2001.

We repurchased 327,329 shares of our Class A Common Stock during the fourth quarter for \$9.3 million, bringing the total shares repurchased in 2002 to 547,526 shares at a total investment of \$17.2 million. Since the inception of our stock repurchase program, we have repurchased 1,120,426 shares at an average cost of \$25.19 per share. In December 2002, our Board of Directors authorized a \$10 million increase in our stock repurchase program. There remains \$14.4 million available under this program at December 31, 2002.

The company also repurchased 8,100 shares of its mandatory convertible securities during the fourth quarter of 2002, bringing the total shares repurchased since May 2002 to 218,200 at a total investment of \$4.8 million. The Board authorized an additional 300,000 shares to be repurchased under the program, bringing the total available to be repurchased to nearly 500,000 shares.

### **Investment, Business and Other Highlights:**

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% for its shareholders since being acquired in May 2000.

- On November 4, 2002, we announced the affiliation of Woodland Partners LLC (Woodland), a Minneapolis-based equity manager overseeing more than one quarter billion dollars for institutional, high-net-worth and mutual fund clients. Joining us from Woodland are managing partners Elizabeth M. Lilly, CFA and Richard W. Jensen, CFA. The acquisition of Woodland extends our franchise and research expertise in the small cap value sector.
- We announced the appointment of Henry Van der Eb, CFA, President of Gabelli Mathers Fund to oversee our non-market correlated mutual funds: Comstock, Mathers, Gold and ABC. The combined assets of these funds nearly doubled in 2002 to \$673 million from \$368 million at December 31, 2001, with \$211 million generated by net new cash flows and \$94 million from market appreciation:
  - Our Gabelli Gold Fund earned a return in excess of 87% during 2002 and won top honors from Lipper, Inc. among all gold funds for its five-year performance. Its average annual return for the three years ended December 31, 2002 was 25.8%.
  - The Comstock Capital Value Fund posted a 36% return in 2002. The Fund, which is positioned to profit in a major U.S. market decline, has received Morningstar Inc.'s coveted 5 Stars rating for its three-year performance.
  - The Gabelli ABC Fund seeks to achieve total returns by focusing on merger and arbitrage related investment strategies and has earned Morningstar Inc.'s prestigious 5 Stars overall rating.
  - The Gabelli Mathers Fund takes a contrarian approach to investing and has outperformed the S&P 500 by a cumulative 34.26% over the last three years ended December 31, 2002.
- Eleven Gabelli Mutual Funds, representing nearly 60% of our total rated fund assets, have earned Morningstar Inc.'s overall ratings of 5 and 4 Stars.
- The Gabelli Convertible and Income Securities Fund Inc., a closed-end diversified management investment company, raised \$22 million in a heavily oversubscribed Rights Offering completed in December 2002.
- We continue to grow our Alternative Investment business according to plan by expanding into various client channels with two new joint ventures
  - Merrill Lynch Hedge Access – a program at the forefront of the retail hedge fund industry
  - GAM Gabelli Long/Short Fund (1940 Act Registered) – further broadening our 15 year relationship with Global Asset Management of London, a division of UBS Warburg

We are pursuing similar growth initiatives into the new year.

- Our team of GAMCO account executives brought in over 200 new institutional and high-net-worth separate accounts during 2002, with assets totaling more than \$600 million.

## **Outlook**

Insurance costs, stock option expense, the addition of over ten analysts to Gabelli & Company, Inc.'s Research Department, additions to our sales and management teams in Alternative Investments, and increased costs to distribute mutual fund products through no transaction fee broker dealer channels, all combine to present a challenge to our operating profits, independent of the influence of the stock market on our overall assets and revenue base.

We are entering 2003 with strong performance in our absolute and relative benchmark investment products and a strengthened professional staff in research, portfolio administration and client service. This positions us to compete successfully in the expansion of the global investment management industry. In addition, the recovery in global merger and acquisition activity should allow our "other" income to show improved results, while our balance sheet provides us with flexibility to opportunistically add to our business.

Investment landscapes like this are not new.

## **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

The company reported assets under management as follows:

**Table I:**

### Assets Under Management (in millions)

	December 31		% Inc. (Dec.)
	2001	2002	
Mutual Funds:			
Open End	\$8,334	\$6,482	(22.2%)
Closed End	1,831	1,609	(12.1)
Fixed Income	<u>1,790</u>	<u>1,977</u>	10.4
Total Mutual Funds	<u>11,955</u>	<u>10,068</u>	(15.8)
Institutional & Separate Accounts:			
Equities	11,513	9,990	(13.2)
Fixed Income	<u>720</u>	<u>613</u>	(14.9)
Total Institutional & Separate Accounts	<u>12,233</u>	<u>10,603</u>	(13.3)
Alternative Investments	<u>573</u>	<u>578</u>	0.9
Total Assets Under Management	<u>\$24,761</u>	<u>\$21,249</u>	(14.2)

**Table II:**

### Fund Flows – 4<sup>th</sup> Quarter 2002 (in millions)

	September 30, 2002	Net Cash Flows	Market Appreciation / (Depreciation)	December 31, 2002
Mutual Funds:				
Equities	\$7,715	\$ (160)	\$ 536	\$8,091
Fixed Income	<u>1,988</u>	<u>(15)</u>	<u>4</u>	<u>1,977</u>
Total Mutual Funds	<u>9,703</u>	<u>(175)</u>	<u>540</u>	<u>10,068</u>
Institutional and Separate Accounts				
Equities	9,305	(25)	710	9,990
Fixed Income	<u>557</u>	<u>53</u>	<u>3</u>	<u>613</u>
Total Institutional and Separate Accounts	<u>9,862</u>	<u>28</u>	<u>713</u>	<u>10,603</u>
Alternative Investments	<u>625</u>	<u>(52)</u>	<u>5</u>	<u>578</u>
Total Assets Under Management	<u>\$20,190</u>	<u>\$(199)</u>	<u>\$ 1,258</u>	<u>\$21,249</u>

### Assets Under Management (in millions)

	Assets Under Management (in millions)					% Increase/(decrease)	
	12/01	3/02	6/02	9/02	12/02	9/02	12/01
Mutual Funds							
Open end	\$ 8,334	\$ 8,627	\$ 7,353	\$6,200	\$6,482	4.5%	(22.2%)
Closed end	1,831	1,850	1,735	1,515	1,609	6.2	(12.1)
Fixed income	<u>1,790</u>	<u>1,835</u>	<u>1,823</u>	<u>1,988</u>	<u>1,977</u>	(0.6)	10.4
Total Mutual Funds	<u>11,955</u>	<u>12,312</u>	<u>10,911</u>	<u>9,703</u>	<u>10,068</u>	3.8	(15.8)
Institutional & Separate Accounts:							
Equities	11,513	12,326	11,129	9,305	9,990	7.4	(13.2)
Fixed Income	<u>720</u>	<u>673</u>	<u>544</u>	<u>557</u>	<u>613</u>	10.1	(14.9)
Total Institutional & Separate Accounts	<u>12,233</u>	<u>12,999</u>	<u>11,673</u>	<u>9,862</u>	<u>10,603</u>	7.5	(13.3)
Alternative Investments	<u>573</u>	<u>605</u>	<u>611</u>	<u>625</u>	<u>578</u>	(7.5)	0.9
Total Assets Under Management	<u>\$ 24,761</u>	<u>\$ 25,916</u>	<u>\$ 23,195</u>	<u>\$20,190</u>	<u>\$21,249</u>	5.2	(14.2)

**Table IV:**

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

	<b>For the Three Months Ended December 31,</b>			<b>For the Twelve Months Ended December 31,</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.....	\$ 52,932	\$ 47,205	(10.8)%	\$ 224,414	\$ 209,959	(6.4%)
Expenses.....	<u>25,190</u>	<u>25,271</u>	0.3	<u>119,641</u>	<u>110,764</u>	(7.4)
Operating income.....	27,742	21,934	(20.9)	104,773	99,195	(5.3)
Investment income.....	3,191	3,543	11.0	14,648	8,110	(44.6)
Interest expense.....	<u>(2,546)</u>	<u>(3,006)</u>	18.1	<u>(6,174)</u>	<u>(11,977)</u>	94.0
Other income (expense), net.....	<u>645</u>	<u>537</u>	(16.7)	<u>8,474</u>	<u>(3,867)</u>	(145.6)
Income before management fee, income taxes and minority interest.....	28,387	22,471	(20.8)	113,247	95,328	(15.8)
Management fee.....	<u>2,839</u>	<u>2,247</u>		<u>11,325</u>	<u>9,533</u>	
Income before income taxes and minority interest	25,548	20,224		101,922	85,795	
Income taxes.....	9,861	7,604		39,342	32,259	
Minority interest.....	<u>272</u>	<u>131</u>		<u>1,482</u>	<u>224</u>	
Net income.....	<u>\$ 15,415</u>	<u>\$ 12,489</u>	(19.0)	<u>\$ 61,098</u>	<u>\$ 53,312</u>	(12.7)
Net income per share:						
Basic.....	<u>\$ 0.52</u>	<u>\$ 0.42</u>	(19.2)	<u>\$ 2.06</u>	<u>\$ 1.77</u>	(14.1)
Diluted.....	<u>\$ 0.51</u>	<u>\$ 0.41</u>	(19.6)	<u>\$ 2.03</u>	<u>\$ 1.76</u>	(13.3)
Weighted average shares outstanding:						
Basic.....	<u>29,875</u>	<u>30,062</u>	0.6	<u>29,666</u>	<u>30,092</u>	1.4
Diluted.....	<u>32,182</u>	<u>30,204</u>	(6.1)	<u>30,783</u>	<u>30,302</u>	(1.6)

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> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter	Total	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter	Total
Income Statement Data:										
Revenues	\$ 58,344	\$ 57,017	\$ 56,121	\$ 52,932	\$ 224,414	\$ 58,032	\$ 57,402	\$ 47,320	\$ 47,205	\$ 209,959
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>25,271</u>	<u>110,764</u>
Operating income	26,794	24,915	25,322	27,742	104,773	28,117	26,869	22,275	21,934	99,195
Investment income	2,067	5,648	3,742	3,191	14,648	2,093	1,144	1,330	3,543	8,110
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>(3,006)</u>	<u>(11,977)</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>537</u>	<u>(3,867)</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	22,471	95,328
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>2,247</u>	<u>9,533</u>
Income before income taxes and minority interest	25,137	26,646	24,591	25,548	101,922	24,734	22,344	18,493	20,224	85,795
Income taxes	9,703	10,285	9,493	9,861	39,342	9,300	8,401	6,954	7,604	32,259
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>131</u>	<u>224</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>\$ 12,489</u>	<u>\$ 53,312</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>\$ 0.42</u>	<u>\$ 1.77</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>\$ 0.41</u>	<u>\$ 1.76</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>30,062</u>	<u>30,092</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>30,204</u>	<u>30,302</u>

**Table VI**

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

	December 31 <u>2001</u>	December 31, <u>2002</u> (unaudited)
<b>ASSETS</b>		
Cash and cash equivalents.....	\$ 305,447	\$ 311,430
Investments .....	122,131	223,398
Receivables.....	28,241	32,238
Deferred tax asset(a).....	18,661	-
Other assets.....	<u>11,914</u>	<u>15,665</u>
Total assets.....	\$ <u>486,394</u>	\$ <u>582,731</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Note Payable (a).....	\$ 50,000	\$ -
Accrued expenses and other liabilities.....	<u>53,486</u>	<u>68,831</u>
Total liabilities.....	103,486	68,831
Convertible note.....	100,000	100,000
Mandatory convertible securities.....	-	84,545
Minority interest.....	7,611	7,562
Stockholders' equity.....	<u>275,297</u>	<u>321,793</u>
Total liabilities and stockholders' equity.....	\$ <u>486,394</u>	\$ <u>582,731</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.