

GABELLI
ASSET MANAGEMENT INC.

Second Quarter Report
June 30, 2002

To Our Shareholders:

Gabelli Asset Management Inc. (NYSE: "GBL") reported earnings for its second quarter ended June 30, 2002. We are pleased to share with you the highlights.

Financial Results

Revenues were at an all time quarterly high at \$57.4 million for the second quarter ended June 30, 2002, though 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 \$55.0 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. Market depreciation accounted for the \$2.7 billion drop in assets during the second quarter. Total cash flows into our equity products were \$161 million 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 up 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.

Balance Sheet - Strong and Liquid

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 was \$187.5 million as of June 30, 2002 compared to \$100 million at December 31, 2001. This consists of a \$100 million 6.5% (6% after 8/13/02) note convertible at \$53 per share and \$87.5 million of 6.95% mandatory exchangeable securities which convert in February 2005 into a maximum of 2.2 million shares at \$39.40 per share. Stockholders' equity, including the \$87.5 million of equity for the exchangeable securities, was \$394.5 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 and (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. Subsequent to June 30, 2002, the Board of Directors authorized the repurchase of up to an additional \$8 million under the company's stock repurchase program.

In April 2002, the Board approved a buyback program for the mandatory exchangeable securities (NYSE: "GBL.I") with an initial authorization to repurchase up to 200,000 shares. As of June 30, 2002 we repurchased 99,500 shares of GBL.I at an average cost of \$23.92 per share. The program was completed subsequent to quarter end and the Board has authorized the repurchase of up to an additional 200,000 shares.

Investment, Business and Other Highlights

- Gabelli Japanese Value Partners, an event-driven hedge fund focusing on Japanese equities, was launched in April and was up 0.34% during the quarter versus a decline in the TOPIX of 3.3%.
- 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 is an equity fund which will be marketed internationally.
- Our non-market correlated mutual funds (Comstock, Mathers, Gold, ABC) comprise \$570 million of assets under management:
 - *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.

– *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 returns were 73.94% and 25.46%, respectively.

– *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.

● 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 & Poor's Rating Services, have their dividend rate set 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. Planned additions to our research department will increase the team 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.

Outlook

We are dedicated to adding value to clients who have entrusted us with their assets. We remain 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.

Mario J. Gabelli
Chairman & Chief Executive Officer

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

	<u>For the Three Months Ended June 30.</u>		
	<u>2001</u>	<u>2002</u>	<u>% Inc. (dec.)</u>
Revenues	\$ 57,017	\$ 57,402	0.7%
Expenses	<u>32,102</u>	<u>30,533</u>	(4.9)
Operating income	24,915	26,869	7.8
Investment income	5,648	1,144	(79.7)
Interest expense	<u>(956)</u>	<u>(3,186)</u>	233.3
Other income (expense), net	<u>4,692</u>	<u>(2,042)</u>	(143.5)
Income before management fee, income taxes and minority interest	29,607	24,827	(16.1)
Management fee	<u>2,961</u>	<u>2,483</u>	
Income before income taxes and minority interest	26,646	22,344	
Income taxes	10,285	8,401	
Minority interest	520	2	
Net income	<u>\$ 15,841</u>	<u>\$ 13,941</u>	(12.0)
Net income per share:			
Basic	<u>\$ 0.54</u>	<u>\$ 0.46</u>	(14.8)
Diluted	<u>\$ 0.53</u>	<u>\$ 0.46</u>	(13.2)
Weighted average shares outstanding:			
Basic	<u>29,527</u>	<u>30,222</u>	2.4
Diluted	<u>29,932</u>	<u>32,327</u> ^(a)	8.0

	<u>For the Six Months Ended June 30.</u>		
	<u>2001</u>	<u>2002</u>	<u>% Inc. (dec.)</u>
Revenues	\$115,361	\$115,434	
Expenses	<u>63,652</u>	<u>60,448</u>	(5.0%)
Operating income	51,709	54,986	6.3
Investment income	7,715	3,237	(58.0)
Interest expense	<u>(1,887)</u>	<u>(5,914)</u>	213.4
Other income (expense), net	<u>5,828</u>	<u>(2,677)</u>	(145.9)
Income before management fee, income taxes and minority interest	57,537	52,309	(9.1)
Management fee	<u>5,754</u>	<u>5,231</u>	
Income before income taxes and minority interest	51,783	47,078	
Income taxes	19,988	17,701	
Minority interest	1,058	47	
Net income	<u>\$ 30,737</u>	<u>\$ 29,330</u>	(4.6)
Net income per share:			
Basic	<u>\$ 1.04</u>	<u>\$ 0.97</u>	(6.7)
Diluted	<u>\$ 1.03</u>	<u>\$ 0.97</u>	(5.8)
Weighted average shares outstanding:			
Basic	<u>29,517</u>	<u>30,083</u>	1.9
Diluted	<u>29,887</u>	<u>32,246</u> ^(a)	7.9

(a) Increase due to (i) accounting treatment for the sale of a \$100 million convertible note; (ii) shares issued in the roll up of GSI; (iii) options exercised; and (iv) shares repurchased.

GABELLI ASSET MANAGEMENT INC.
ASSETS UNDER MANAGEMENT

(in millions)

	<u>6/01</u>	<u>9/01</u>	<u>12/01</u>	<u>3/02</u>	<u>6/02</u>	% Increase (decrease)	
						<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)

GABELLI ASSET MANAGEMENT INC.
CONDENSED CONSOLIDATED
BALANCE SHEET

(in thousands)

	December 31, 2001	<u>June 30,</u> 2001 2002	
		<i>(unaudited)</i>	
ASSETS			
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 income tax	18,661	19,580	–
Income tax receivable	–	–	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.

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.

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*For additional information throughout the year,
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