

GABELLI
ASSET MANAGEMENT INC.

Second Quarter Report
June 30, 2003

To Our Shareholders:

Gabelli Asset Management Inc. (NYSE: GBL) reported its results for the second quarter ended June 30, 2003. We are pleased to share with you the highlights.

Financial Highlights

Revenues were \$48 million down 16.5% from the \$57.4 million generated in the second quarter of 2002. Operating income fell 32.7% to \$16.4 million in the 2003 quarter versus \$24.4 million in the 2002 quarter. Net income for the second quarter was \$11.6 million or \$0.38 per diluted share in the 2003 quarter compared to \$13.9 million or \$0.46 per diluted share in the prior year quarter.

For the six months ended June 30, 2003 revenues were \$94.0 million off 18.6% from prior year to date revenues of \$115.4 million. Operating income of \$32.7 million was down 34.2% from \$49.8 million in the first six months of 2002. Net income in the first half of 2003 was \$20.9 million or \$0.69 per diluted share versus \$29.3 million or \$0.97 per diluted share in the first half of 2002.

Financial Results

Our comparative revenues and operating results mostly track assets under management. Average total assets under management were \$21.3 billion in the second quarter of 2003 down 14.0% from average total assets of \$24.8 billion in the 2002 quarter. At June 30, 2003 we had \$22.5 billion in total assets under management, 12.2% ahead of total assets of \$20.1 billion at the beginning of the quarter but 3.0% lower than the \$23.2 billion reported at June 30, 2002. During the quarter, cash inflow to our equity products was \$70 million. This was offset by cash outflows from our fixed income products totaling \$183 million, resulting in a net cash outflow of \$113 million.

Investment advisory and incentive fees, which comprise about 85% of total revenues, were down 15.7% and 17.4% for the quarter and six months, respectively, due to the lower level of managed assets in mutual fund, institutional and high net worth products.

A bright spot for both the quarter and six-month periods has been our alternative products where incentive fees based on performance increased sharply over the prior year periods.

Investment income increased \$4.9 million to \$6.1 million during the second quarter of 2003 and \$4.5 million to \$7.8 million for the first half versus their comparable 2002 periods. Interest expense rose 13.2% during the 2003 quarter to \$3.6 million compared to \$3.2 million in the prior year quarter, due to the issuance in May 2003 of \$100 million of 5.5% senior notes. The effective tax rate in both 2003 and 2002 was 37.6%. The increase in minority interest expense for both the three and six months ended June 30, 2003 versus the prior year periods is largely the result of increased earnings from our alternative investment products at our 92% owned subsidiary, Gabelli Securities, Inc.

Investment and Business Highlights

We continue to position ourselves for future revenue and earnings growth with new product offerings, new marketing channels, enhanced client service and improved operations infrastructure. We are adding equity research analysts, portfolio management and marketing professionals to the organization. Our strong financial resources enable us to pursue strategic additions to our investment business:

● In May, we issued \$100 million of ten year 5.5% senior notes with the proceeds to be used for general corporate purposes.

● We announced an agreement with Cascade Investment LLC, the private investment firm of Microsoft Corporation Chairman Bill Gates, to lower the interest rate from 6% to 5% and conversion price from \$53 per share to \$52 per share, and extend the put option on the \$100 million convertible note issued by Gabelli to Cascade. If this note is converted, Cascade would own approximately 6% of GBL's common stock.

● The Ned Davis Research Asset Allocation Fund was launched on March 31st, joining the Gabelli family of funds as a member of the Gabelli Non-Market Correlated Mutual Fund Group. The Fund is a diversified, registered investment company whose proprietary quantitative asset allocation, stock selection and bond duration methodologies seek to achieve its long-term capital appreciation objective.

● GAMCO hosted its eighteenth annual meeting in May at the Waldorf Astoria. Over six hundred high net worth and institutional clients and guests were present to induct honorees Martin Benante of Curtiss-Wright, Richard Bready of Nortek and John Madigan of Tribune to GAMCO's Management Hall of Fame.

● The Gabelli Blue Chip Value Fund, managed by Barbara G. Marcin, CFA, was ranked the #1 fund in its category for the one year period ended June 30, 2003 among 389 large cap value funds by Lipper Inc.

● On April 22nd we hosted a conference on the Role of Dividends in Investment Decisions at the Museum of Television & Radio in New York City. This is the fourth in a series of timely discussions of topics that impact investor strategy.

– In 1997, we started with a debate on “Active vs. Passive Stock Selection” with Professor Roger F. Murray debating Professor Burton G. Malkiel.

– In 1998, following the Long Term Capital Management debacle, we hosted a meeting on “The Role of Hedge Funds as a Way of Generating Absolute Returns”.

– In early 2001, we hosted a symposium extolling the “Virtues of Value Investing”, and helped investors start come to the conclusion that value investing wasn't dead.

–Our most recent symposium focused on “Dividends – Taxable vs. Non-Taxable Issues” and included R. Glenn Hubbard, who played a major role in formulating current tax policy while serving as Chairman of the President's Council of Economic Advisors.

● As part of our commitment to broaden our equity research universe, Gabelli & Company, Inc.:

a) Hosted its 1st Annual Dental Conference on June 3rd in New York. Upcoming events include the: 9th Annual Aircraft Supplier Conference, September 4-5, 2003 in New York; 27th Annual Automotive Aftermarket Symposium, November 3-5, 2003 in Las Vegas; and the 14th Pump Valve and Motor Conference, February 4-5, 2004 in New York.

b) Barry L. Lucas, a Wall Street veteran with 20 years experience, joined Gabelli & Company, Inc., our institutional research company, as a senior broadcasting and publishing sell-side analyst following more than 40 companies.

● Joshua W. Fenton, a ten-year member of the Gabelli equity research team, was appointed Director of Buy-Side Research for GAMCO.

Shareholder Initiatives

We initiated a stock buyback program in March of 1999. Since that time, 1,127,844 Class A shares have been repurchased at an average cost of \$25.23 per share, including 7,417 shares in 2003.

On June 5th, in our continuing commitment to enhance shareholder value, we commenced a self-tender offer to purchase up to 800,000 shares of our outstanding Class A common stock under a modified “Dutch Auction.” However, our tender offer turned out to be a non-starter. We thought we would provide liquidity for any holder of our shares who needed to sell, but the paperwork took longer than expected. With a rising market, particularly for small growth companies, coupled with speculation that Neuberger Berman was to be bought by Lehman, the public share price of all publicly traded money management companies, including our own, rose.

Financial Strength and Flexibility

Our balance sheet strengthened in the first half, with cash and liquid investments totaling over \$646 million at June 30, 2003 versus \$518 million at December 31, 2002. Our debt consists of a \$100 million ten-year convertible note, \$100 million 5.5% senior notes, and \$84.2 million of mandatory convertible securities, which will be exchanged in February 2005 for approximately two million Class A common shares.

Stockholders’ equity, including the mandatory convertible securities as equity, was \$431.4 million at June 30, 2003 compared with \$406.3 million at December 31, 2002 and \$395.0 million at June 30, 2002. We include mandatory convertible securities as equity since this instrument will be exchanged for common shares on February 2005. We repurchased 15,300 shares of these mandatory convertible securities during the first half of 2003, bringing the total shares repurchased since May 2002 to 233,500 at a total investment of \$5.1 million. There remains an additional 466,500 shares to be repurchased under this program.

Outlook

The overall capital markets unfolded in the second quarter, much along the scenario we painted in our first quarter earnings release - “Outlook – Bleak to Bright.”

As we look out over the balance of the year, we echo many of the comments we made both in our first quarter report as well as in our Annual Report (see our website: www.gabelli.com)

– Investors are ‘back to basics’. President Bush, as a precondition for his re-election, will pull out all the stops. Lower oil prices, rising confidence, record fiscal stimulus, and lower interest rates should spark a pick up in the economy, especially in the fourth quarter and first half of 2004. The stock market generally anticipates economic recovery by six months.

– Our stock selection process, on the value side of Gabelli, driven by our proprietary company and industry research, continues to find fundamentally attractive investment opportunities selling at discounts to private market value with catalysts to trigger appreciation.

– We expect global merger, acquisition and restructuring activity to continue to increase.

Mario J. Gabelli
Chairman & Chief Executive Officer

GABELLI ASSET MANAGEMENT INC.
UNAUDITED CONSOLIDATED CONDENSED
STATEMENTS OF INCOME

(in thousands, except per share data)

	<u>For the Three Months Ended June 30,</u>		
	<u>2002</u>	<u>2003</u>	<u>% Inc. (dec.)</u>
Revenues	\$ 57,402	\$ 47,956	(16.5)%
Expenses	<u>30,533</u>	<u>29,454</u>	(3.5)
Operating income before management fee	26,869	18,502	(31.1)
Investment income	1,144	6,079	431.4
Interest expense	<u>(3,186)</u>	<u>(3,605)</u>	13.2
Other expense, net	<u>(2,042)</u>	<u>2,474</u>	221.2
Income before management fee, income taxes and minority interest	24,827	20,976	(15.5)
Management fee	<u>2,483</u>	<u>2,097</u>	
Income before income taxes and minority interest	22,344	18,879	
Income taxes	8,401	7,099	
Minority interest	2	223	
Net income	<u>\$ 13,941</u>	<u>\$ 11,557</u>	(17.1)
Net income per share:			
Basic	<u>\$ 0.46</u>	<u>\$ 0.38</u>	(17.4)
Diluted	<u>\$ 0.46</u>	<u>\$ 0.38</u>	(17.4)
Weighted average shares outstanding:			
Basic	<u>30,222</u>	<u>30,025</u>	(0.7)
Diluted	<u>32,327 (a)</u>	<u>30,139</u>	(6.8)
Reconciliation of Non-GAAP Financial Measures to GAAP:			
Operating income before management fee	\$ 26,869	\$ 18,502	(31.1)
Deduct: management fee	<u>2,483</u>	<u>2,097</u>	
Operating income	<u>\$ 24,386</u>	<u>\$ 16,405</u>	(32.7)
Operating margin	<u>42.5%</u>	<u>33.8%</u>	

	<u>For the Six Months Ended June 30,</u>		
	<u>2002</u>	<u>2003</u>	<u>% Inc. (dec.)</u>
Revenues	\$115,434	\$ 94,009	(18.6)%
Expenses	<u>60,448</u>	<u>57,498</u>	(4.9)
Operating income before management fee	54,986	36,511	(33.6)
Investment income	3,237	7,769	140.0
Interest expense	<u>(5,914)</u>	<u>(6,616)</u>	11.9
Other expense, net	<u>(2,677)</u>	<u>1,153</u>	143.1
Income before management fee, income taxes and minority interest	52,309	37,664	(28.0)
Management fee	<u>5,231</u>	<u>3,766</u>	
Income before income taxes and minority interest	47,078	33,898	
Income taxes	17,701	12,746	
Minority interest	47	268	
Net income	<u>\$ 29,330</u>	<u>\$ 20,884</u>	(28.8)
Net income per share:			
Basic	<u>\$ 0.97</u>	<u>\$ 0.70</u>	(27.8)
Diluted	<u>\$ 0.97</u>	<u>\$ 0.69</u>	(28.9)
Weighted average shares outstanding:			
Basic	<u>30,083</u>	<u>29,972</u>	(0.4)
Diluted	<u>32,246 (a)</u>	<u>30,082</u>	(6.7)
Reconciliation of Non-GAAP Financial Measures to GAAP:			
Operating income before management fee	\$ 54,986	\$ 36,511	(33.6)
Deduct: management fee	<u>5,231</u>	<u>3,766</u>	
Operating income	<u>\$ 49,755</u>	<u>\$ 32,745</u>	(34.2)
Operating margin	<u>43.1%</u>	<u>34.6%</u>	

(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>% Inc./ (Dec.)</u>						
	<u>6/02</u>	<u>9/02</u>	<u>12/02</u>	<u>3/03</u>	<u>6/03</u>	<u>3/03</u>	<u>6/02</u>
Mutual Funds							
Open-end	\$ 7,353	\$ 6,200	\$ 6,482	\$ 6,213	\$ 7,118	14.6%	(3.2%)
Closed-end	1,735	1,515	1,609	1,545	1,646	6.5	(5.1)
Fixed income	<u>1,823</u>	<u>1,988</u>	<u>1,977</u>	<u>1,916</u>	<u>1,880</u>	(1.9)	3.1
Total Mutual Funds	<u>10,911</u>	<u>9,703</u>	<u>10,068</u>	<u>9,674</u>	<u>10,644</u>	10.0	(2.4)
Institutional & Separate Accounts							
Equities	11,129	9,305	9,990	9,247	10,820	17.0	(2.8)
Fixed income	<u>544</u>	<u>557</u>	<u>613</u>	<u>547</u>	<u>404</u>	(26.1)	(25.7)
Total Institutional & Separate Accounts	<u>11,673</u>	<u>9,862</u>	<u>10,603</u>	<u>9,794</u>	<u>11,224</u>	14.6	(3.8)
Alternative Investments	<u>611</u>	<u>625</u>	<u>578</u>	<u>585</u>	<u>625</u>	6.8	2.3
Total Assets Under Management	<u>\$ 23,195</u>	<u>\$20,190</u>	<u>\$21,249</u>	<u>\$20,053</u>	<u>\$22,493</u>	12.2	(3.0)

GABELLI ASSET MANAGEMENT INC.
CONDENSED CONSOLIDATED BALANCE SHEET
(in thousands)

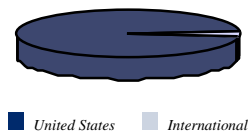
	December 31,	<u>June 30,</u>	
	2002	2002	2003
ASSETS		<i>(unaudited)</i>	
Cash and cash equivalents	\$311,430	\$395,928	\$404,849
Investments	223,398	113,896	247,105
Receivables	32,238	27,924	27,498
Income tax receivable	-	3,252	-
Other assets	<u>15,665</u>	<u>15,641</u>	<u>16,048</u>
Total assets	<u>\$582,731</u>	<u>\$556,641</u>	<u>\$695,500</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
Compensation payable	\$ 18,459	\$ 29,026	\$ 21,403
Income tax payable	9,196	335	7,053
Accrued expenses and other liabilities	<u>41,176</u>	<u>24,921</u>	<u>27,834</u>
Total liabilities	68,831	54,282	56,290
5.5% Senior notes	-	-	100,000
6% Convertible note	100,000	100,000	100,000
Mandatory convertible securities	84,545	87,513	84,163
Minority interest	7,562	7,385	7,830
Stockholders' equity	<u>321,793</u>	<u>307,461</u>	<u>347,217</u>
Total liabilities and stockholders' equity	<u>\$582,731</u>	<u>\$556,641</u>	<u>\$695,500</u>

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

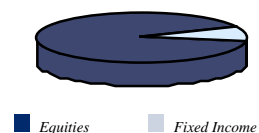
Asset Profile at 6/30/03

	2002					2003		
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total	1st Quarter	2nd Quarter	Total
Income Statement Data:								
Revenues	\$ 58,032	\$ 57,402	\$ 47,320	\$ 47,205	\$ 209,959	\$ 46,053	\$ 47,956	\$ 94,009
Expenses	<u>29,915</u>	<u>30,533</u>	<u>25,045</u>	<u>25,271</u>	<u>110,764</u>	<u>28,044</u>	<u>29,454</u>	<u>57,498</u>
Operating income before management fee	28,117	26,869	22,275	21,934	99,195	18,009	18,502	36,511
Investment income	2,093	1,144	1,330	3,543	8,110	1,690	6,079	7,769
Interest expense	<u>(2,728)</u>	<u>(3,186)</u>	<u>(3,057)</u>	<u>(3,006)</u>	<u>(11,977)</u>	<u>(3,011)</u>	<u>(3,605)</u>	<u>(6,616)</u>
Other income (expense), net	(635)	(2,042)	(1,727)	537	(3,867)	(1,321)	2,474	1,153
Income before management fee, income taxes and minority interest	27,482	24,827	20,548	22,471	95,328	16,688	20,976	37,664
Management fee	<u>2,748</u>	<u>2,483</u>	<u>2,055</u>	<u>2,247</u>	<u>9,533</u>	<u>1,669</u>	<u>2,097</u>	<u>3,766</u>
Income before income taxes and minority interest	24,734	22,344	18,493	20,224	85,795	15,019	18,879	33,898
Income taxes	9,300	8,401	6,954	7,604	32,259	5,647	7,099	12,746
Minority interest	<u>45</u>	<u>2</u>	<u>46</u>	<u>131</u>	<u>224</u>	<u>45</u>	<u>223</u>	<u>228</u>
Net Income	<u>\$ 15,389</u>	<u>\$ 13,941</u>	<u>\$ 11,493</u>	<u>\$ 12,489</u>	<u>\$ 53,312</u>	<u>\$ 9,327</u>	<u>\$ 11,557</u>	<u>\$ 20,884</u>
Net income per share:								
Basic	<u>\$ 0.51</u>	<u>\$ 0.46</u>	<u>\$ 0.38</u>	<u>\$ 0.42</u>	<u>\$ 1.77</u>	<u>\$ 0.31</u>	<u>\$ 0.38</u>	<u>\$ 0.70</u>
Diluted	<u>\$ 0.51</u>	<u>\$ 0.46</u>	<u>\$ 0.38</u>	<u>\$ 0.41</u>	<u>\$ 1.76</u>	<u>\$ 0.31</u>	<u>\$ 0.38</u>	<u>\$ 0.69</u>
Weighted average shares outstanding:								
Basic	<u>29,941</u>	<u>30,222</u>	<u>30,141</u>	<u>30,062</u>	<u>30,092</u>	<u>29,918</u>	<u>30,025</u>	<u>29,972</u>
Diluted	<u>32,164</u>	<u>32,327</u>	<u>30,296</u>	<u>30,204</u>	<u>30,302</u>	<u>30,031</u>	<u>30,139</u>	<u>30,082</u>
Reconciliation of Non-GAAP								
Financial Measures to GAAP:								
Operating income before management fee	\$ 28,117	\$ 26,869	\$ 22,275	\$ 21,934	\$ 99,195	\$ 18,009	\$ 18,502	\$ 36,511
Deduct: management fee	<u>2,748</u>	<u>2,483</u>	<u>2,055</u>	<u>2,247</u>	<u>9,533</u>	<u>1,669</u>	<u>2,097</u>	<u>3,766</u>
Operating income	<u>\$ 25,369</u>	<u>\$ 24,386</u>	<u>\$ 20,220</u>	<u>\$ 19,687</u>	<u>\$ 89,662</u>	<u>\$ 16,340</u>	<u>\$ 16,405</u>	<u>\$ 32,745</u>
Operating margin	<u>43.7%</u>	<u>42.5%</u>	<u>42.7%</u>	<u>41.7%</u>	<u>42.7%</u>	<u>35.5%</u>	<u>33.8%</u>	<u>34.6%</u>

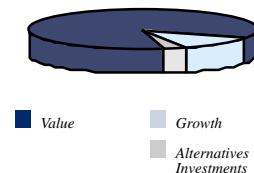
Geographic Mix



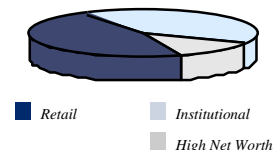
Asset Class



Equities by Style



Equities by Client Type



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.

NOTES ON NON-GAAP FINANCIAL MEASURES

A. Cash and investments as adjusted have been computed as follows: (in millions)

	<u>12/31/02</u>	<u>6/31/02</u>	<u>6/30/03</u>
Cash and cash equivalents	\$ 311.4	\$395.9	\$404.8
Investments	<u>223.4</u>	<u>113.9</u>	<u>247.1</u>
Total cash and investments	534.8	509.8	651.9
Amounts payable to brokers	<u>(17.2)</u>	<u>(5.3)</u>	<u>(6.2)</u>
Adjusted cash and investments	<u>\$517.6</u>	<u>\$504.5</u>	<u>\$645.7</u>

Amounts payable to broker reflects cash payable for securities purchased and recorded in a trade date basis for which settlement occurs subsequent to quarter end. We believe cash and investments as adjusted is a more useful measure of the company's liquidity for analytical purposes.

B. Stockholders' equity including the mandatory convertible securities were computed as follows: (in millions)

	<u>12/31/02</u>	<u>6/31/02</u>	<u>6/30/03</u>
Stockholders' equity	\$321.8	\$307.5	\$347.2
Mandatory convertible securities	<u>84.5</u>	<u>87.5</u>	<u>84.2</u>
Stockholders' equity including mandatory convertible securities	<u>\$406.3</u>	<u>\$395.0</u>	<u>\$431.4</u>

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*For additional information throughout the year,
visit our website at www.gabelli.com*