

Also, our highly regarded arbitrage partnerships added 20% in the third quarter rising to nearly \$200 million. Operating margins improved to 44.2% in 1999 from 42.3% in the same period a year earlier.

Inc. reported record quarter ended September; you the highlights.

Operating Highlights

Fund performance, a broader array of investment products and expanding channels of distribution continue to be critical factors for fueling growth in the investment management industry.

Our "Five Star" funds at September 30, 1999, the Gabelli Growth fund (our domestic growth product), Gabelli Global Growth fund (Interactive Couch Potato®), Gabelli Global Telecommunications fund and the Gabelli Value fund, represented 60% of our "open end" mutual funds. Overall nine of our fourteen rated open end mutual funds representing over 93% of open end assets were rated four stars or better.

1999 total revenues climbed \$102.3 million recorded in operating income was \$53.0 million in 1999, an increase of 22% income rose 53% to \$31.2 million in the first nine months, and excluding a first net \$1.04 per share, a 22% per share in the first nine months. Including the share, the Company earned \$1.04 per share in the first nine months of 1999.

Results were principally strong growth in assets under management quarter from \$14.7 billion as paced by our open end to \$6.7 billion from \$5.0 billion under management at \$13.9 billion compared to \$13.9 billion at June 30, 1999. The net income of our funds, led by our rated funds, resulted in \$1.04 per share during the quarter.

We announced our plans to introduce multi class shares for our global funds including the Gabelli Global Growth and Gabelli Global Telecommunications funds, the Gabelli Global Convertible Securities fund (ranked first by Lipper, Inc. at September 30, 1999 for the past twelve months in its fund category) and the Gabelli Global Opportunity fund, launched in May 1998 and up nearly 50% this year alone. The introduction of multi-class shares provides us entry into the more than \$1.7 trillion of domestic

assets currently sold through load channels. Introduction of these multi-class products is expected in March 2000.

Relationship centers were added in the greater Boston and Chicago areas as well as Palm Beach, Florida. We continue to evaluate other domestic and international opportunities.

Financial Strengths

Cash and investments at September 30, 1999 were \$185 million. Our outstanding debt of \$50 million will be tax deductible when paid, reducing the net cost of our debt to \$30.9 million. Overall we continue to maintain a strong and liquid balance sheet to capitalize on opportunities.

Share Repurchase Program

The Board of Directors authorized the repurchase of Class A common stock. This program was initiated because we believe our stock was well below intrinsic value. In addition, repurchases reduce the dilutive impact of our stock option plan. At September 30, 1999 we repurchased 182,800 shares at an average price of \$15.67 per share. The total number of shares outstanding at September 30, 1999 was 29,817,200 comprised of 5,817,200 of Class A shares and 24 million of Class B shares.

Gabelli Asset Management began trading on the New York Stock Exchange on February 11, with the sale of six million shares of its Class A Common Stock in its Initial Public Offering at \$17.50. The Offering was led by Merrill Lynch, Salomon Smith Barney and Gabelli & Company.

We want to thank our clients and our professional staff for their support, confidence and encouragement as we build on our foundation to deliver on our growth objectives and enhance shareholder value. Along with third quarter financial statements, we include quarterly data for 1998 on an adjusted historical basis as well as on a "pro forma" basis.

Mario J. Gabelli
Chairman & Chief Executive Officer

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

	For the Three Months Ended September 30,			% Inc. (dec) from Adjusted Historical
	Adjusted Historical 1998 (a)	Pro Forma 1998(b)	1999	
Revenues	\$34,350	\$34,350	\$44,091	28.4%
Expenses	<u>19,823</u>	<u>19,823</u>	<u>24,623</u>	24.2
Operating income	14,527	14,527	19,468	34.0
Other income, net	<u>786</u>	<u>36</u>	<u>936</u>	
Income before management fee, income taxes and minority interest	15,313	14,563	20,404	33.2
Management fee	<u>3,062</u>	<u>1,456</u>	<u>2,040</u>	
Income before income taxes and minority interest	12,251	13,107	18,364	49.9
Income taxes	4,859	5,197	7,297	
Minority interest	<u>404</u>	<u>404</u>	<u>830</u>	
Net income	<u>\$ 6,988</u>	<u>\$ 7,506</u>	<u>\$10,237</u>	
Net income per share: Basic and diluted	<u>\$ 0.29</u>	<u>\$ 0.25</u>	<u>\$ 0.34</u>	17.2%
Weighted average shares outstanding: Basic and diluted	<u>24,000</u>	<u>30,000</u>	<u>29,861</u>	

	For the Nine Months Ended September 30,			% Inc. (dec) from Adjusted Historical
	Adjusted Historical 1998 (a)	Pro Forma (b) 1998	1999	
Revenues	\$102,309	\$102,309	\$126,405	23.6%
Expenses	<u>58,730</u>	<u>58,730</u>	<u>73,361</u>	24.9
Operating income	43,579	43,579	53,044	21.7
Other income (expense), net	<u>832</u>	<u>(1,418)</u>	<u>9,388</u>	
Income before management fee, income taxes and minority interest	44,411	42,161	62,432	40.6
Management fee	<u>8,881</u>	<u>4,215</u>	<u>6,243</u>	
Income before income taxes and minority interest	35,530	37,946	56,189	58.1
Income taxes	14,091	15,044	22,530	
Minority interest	<u>1,043</u>	<u>1,043</u>	<u>2,488</u>	
Net income	<u>\$20,396</u>	<u>\$21,859</u>	<u>\$31,171</u>	52.8
Net income per share: Basic and diluted	<u>\$ 0.85</u>	<u>\$ 0.73</u>	<u>\$ 1.04 (c)</u>	22.4%
Weighted average shares outstanding: Basic and diluted	<u>24,000</u>	<u>30,000</u>	<u>29,936</u>	

(a) Adjusted historical financial information reflects the historical results of operations acquired as part of the Formation Transactions as if GAMI had existed as a separate enterprise during such periods and was treated as a "C" Corporation for federal and state income tax purposes and as if the exchange of shares, as part of the Formation Transactions, had taken place.

(b) Pro forma financial information reflects the results of operations as if all of the following were in effect at January 1, 1998: the Formation Transactions; the \$50 million note payable; the reduction in management fee from 20% to 10% and the conversion from a Subchapter S Corporation to a "C" Corporation.

(c) Excludes a nonrecurring charge of \$50 million (\$30.9 million after-tax or \$1.03 per share) related to the note payable and charged in the first quarter of 1999. After giving effect to this charge the Company had a net loss of \$0.01 per share for the nine months ended September 30, 1999.

GABELLI AS: ASSETS U

	9/98	9/99
Institutional & Separate Accounts		
Equities	\$ 6,187	\$ 6,187
Fixed income	<u>533</u>	<u>533</u>
Total Institutional & Separate Accounts	<u>6,720</u>	<u>6,720</u>
Mutual Funds		
Open end	4,577	4,577
Closed end	1,471	1,471
Fixed income	<u>986</u>	<u>986</u>
Total Mutual Funds	<u>7,034</u>	<u>7,034</u>
Partnerships	<u>147</u>	<u>147</u>
Total Assets		
Under Management	<u>\$13,901</u>	<u>\$13,901</u>

GABELLI AS: UNAUDITED CO STATEMENTS C

ASSETS	
Cash and cash equivalents	.....
Investments	.....
Receivables	.....
Deferred tax asset	.....
Other assets	.....
Total assets	.....
LIABILITIES AND STOCKHOLDERS' EQUITY	
Debt (b)	.....
Compensation payable	.....
Accrued expenses and other liabilities	.....
Total liabilities	.....
Minority interest	.....
Stockholders' equity (shares outstanding: 30,000, 29,870 and 29,817 respectively)	.....
Total liabilities and stockholders' equity	.....

(a) Opening balance sheet adjusted for Formation Transactions and initial public offering.

(b) This debt arising from Formation Transactions and will result in a tax benefit to the Company above.

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

1998 Adjusted Historical Results (a)					1999		
1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1998 Total	Pro Forma (b) 1st Quarter	2nd Quarter	3rd Quarter
\$ 31,928	\$ 36,031	\$ 34,350	\$ 35,878	\$138,187	\$ 39,691	\$ 42,623	\$ 44,091
<u>18,430</u>	<u>20,477</u>	<u>19,823</u>	<u>20,242</u>	<u>78,972</u>	<u>22,937</u>	<u>25,801</u>	<u>24,623</u>
13,498	15,554	14,527	15,636	59,215	16,754	16,822	19,468
<u>1,475</u>	<u>(1,429)</u>	<u>786</u>	<u>2,928</u>	<u>3,760</u>	<u>2,097</u>	<u>6,355</u>	<u>936</u>
14,973	14,125	15,313	18,564	62,975	18,851	23,177	20,404
<u>2,995</u>	<u>2,824</u>	<u>3,062</u>	<u>3,713</u>	<u>12,594</u>	<u>1,885</u>	<u>2,318</u>	<u>2,040</u>
11,978	11,301	12,251	14,851	50,381	16,966	20,859	18,364
4,753	4,479	4,859	5,885	19,976	6,973	8,260	7,297
<u>392</u>	<u>247</u>	<u>404</u>	<u>667</u>	<u>1,710</u>	<u>714</u>	<u>944</u>	<u>830</u>
<u>\$ 6,833</u>	<u>\$ 6,575</u>	<u>\$ 6,988</u>	<u>\$ 8,299</u>	<u>\$ 28,695</u>	<u>\$ 9,279</u>	<u>\$ 11,655</u>	<u>\$ 10,237</u>
<u>\$ 0.28</u>	<u>\$ 0.27</u>	<u>\$ 0.29</u>	<u>\$ 0.35</u>	<u>\$ 1.20</u>	<u>\$.31(b)</u>	<u>\$.39</u>	<u>\$.34</u>
<u>24,000</u>	<u>24,000</u>	<u>24,000</u>	<u>24,000</u>	<u>24,000</u>	<u>30,000</u>	<u>29,949</u>	<u>29,861</u>

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lects the results of operations as if all of the following were in effect at January 1, 1999: the 1 note payable; the reduction in management fee from 20% to 10% and the conversion from a oration. Pro forma results exclude a nonrecurring charge related to the note payable (\$30.9 mil- e). After giving effect to this charge the Company had a net loss of \$0.72 per share and \$0.33 x months of 1999, respectively.

Forward Looking Information

This Shareholders' Report contains certain forward looking information, including without limitation, business strategies and growth objectives, intrinsic value and the overall outlook for 1999 (including without limitation certain contemplated transactions). It should be recognized that such information are estimates or forecasts based upon various assumptions including those set forth herein as well as meeting the Company's internal operating performance assumptions, competitive conditions, and the expected performance of the economy and financial markets as they impact the Company's business. There may be other unknown risks, uncertainties or factors that may result in actual results, performance or achievements being materially different. There is no assurance that the forward-looking matters can be accomplished on terms acceptable to the Company or what the terms thereof may be. As a result of the foregoing and other factors, no assurance can be given as to future results and neither the Company nor any other person assumes responsibility for the accuracy or completeness of such information.

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