

GABELLI
ASSET MANAGEMENT INC.

Third Quarter Report
September 30, 2001

To Our Shareholders:

Gabelli Asset Management Inc. (NYSE: "GBL") is pleased to report its results for the third quarter and nine months ended September 30, 2001. We are pleased to share with you the following highlights.

Financial Results

Earnings were reported at a record \$0.49 per share on a fully diluted basis in the third quarter of 2001 versus \$0.48 per share in the third quarter of 2000 as net income rose 3% to \$14.9 million in the 2001 quarter versus \$14.5 million in the prior year. Operating income increased 3.5% to \$25.3 million on total revenues of \$56.1 million in the third quarter in comparison to operating income of \$24.5 million on total revenues of \$59.2 million in the third quarter of the prior year. Income from investments was approximately \$2 million versus \$4 million a year ago.

For the first nine months of 2001 diluted earnings were \$1.52 per share, 6% ahead of 2000 earnings for the same period of \$1.43 per share. Net income for the nine months ended September 30, 2001 was \$45.7 million, a 7% increase over net income of \$42.7 million in the first nine months of 2000. Operating income for the first nine months of 2001 was \$77.0 million up 3% from \$74.8 million in the comparable year earlier period. Revenues were \$171.5 million for the first nine months of 2001 compared to revenues of \$174.1 million for the first nine months of 2000.

Operating performance was bolstered by positive cash inflows from clients. Operating margins rose to 45.1% and 44.9% in the third quarter and for the first nine months of 2001 versus 41.3% and 43.0% respectively, in the comparable prior year periods as we benefited from continued efforts to reduce the overall cost structure of the company.

Other income, principally from our proprietary portfolio, was \$2.0 million lower in the third quarter 2001 versus the third quarter of 2000 and \$1.1 million lower in the first nine months of 2001 versus the same period a year ago. The shortfall is traceable to the plunge in the stock market following the September 11th terrorist attack even though three-quarters of the \$400 million in the proprietary investment portfolio was in short-term U.S. Treasuries.

There were 31.1 million shares outstanding on a diluted basis at quarter-end versus 30.0 million on September 30, 2000. The sale of a \$100 million convertible note on August 13th and the exchange offer through which we raised our stake in Gabelli Securities, Inc. to 92% were the principal contributing factors in the nearly 4% increase in diluted shares outstanding in the third quarter 2001. The full effect of these transactions, which will begin in the fourth quarter of 2001, is expected to increase diluted shares outstanding to approximately 32 million.

Average total assets under management were \$24.5 billion during the third-quarter of 2001 versus \$24.1 billion

during the third quarter of 2000. During the quarter our money management activities benefited from positive cash flows totaling \$364 million, more than \$300 million of which flowed into our fixed income products. Our Treasurer's Fund exceeded one billion dollars for the first time. Cash flows into our Alternative Investment products were \$57 million during the quarter while net cash flows into our equity products, impacted by the change in investor sentiment and a modest increase in redemptions after the September 11th attack, were flat.

The increase in average total assets under management during the third quarter of 2001 versus the prior year quarter did not translate into higher comparable revenues. The increase in average assets in our Separate Accounts and Alternative Investment products was offset by a 14.9% decline in average assets in our open-end equity mutual fund accounts and a shift in mix toward lower fee fixed income products. At September 30, 2001, total assets under management were \$22.3 billion versus \$25.6 billion at June 30, 2001 and \$23.8 billion at September 30, 2000. GAMCO's revenues are booked on assets at the beginning of the quarter, therefore, fourth quarter billings will reflect the lower level of assets on September 30th.

Investment, Business and Other Highlights

- On August 13th we announced the private placement of a ten-year \$100 million convertible note with Cascade Investment, LLC, the private investment firm of Microsoft Corporation Chairman, Mr. William H. Gates, III. The note, which is convertible into 1.9 million shares of GBL Class A Common Stock at \$53 per share, together with our existing financial resources, provides additional flexibility and liquidity to pursue our strategic growth initiatives, especially in Europe. These initiatives include developing new products, seeding our own fund of hedge funds, joint ventures, affiliations and other options.
- Our ABC Fund, which specializes in mergers and acquisitions, received a "Five Star" rating from Morningstar, the leading provider of mutual fund ratings. Now, seven of our mutual funds have earned this coveted rating: the Asset Fund, Equity Income Fund, Global Telecommunications Fund, Value Fund, our Westwood Equity Fund and Westwood Mighty MitesSM Fund.
- Gabelli professionals traveled to London, England on September 20, 2001 where they met with over one hundred fund of funds prospects at the Gabelli Annual Alternatives Client Meeting held at the Carlton Club.
- We witnessed the consummation of the merger between Chris-Craft Industries, BHC Communications, Inc. and United Television Inc., returning over \$1 billion in cash and News Corp. Ltd. shares to our clients.
- GAMCO (which is the brand for our high net worth business) had 2% more clients at September 30th than June

30th, and 14% more on a year-to-year basis. These clients increased their assets entrusted to us by nearly 1% on a sequential basis.

- As of September 30, 2001, the pipeline of potential new business for our Separate Accounts was robust with \$291 million to be funded, including \$107.5 million in 46 high net-worth relationships. In addition, there were nearly \$3.0 billion of new business presentations in progress
- Our ownership of Gabelli Securities Inc., the entity through which we conduct our Alternative Investments as well as our institutional brokerage business, was increased to 92% on September 30, 2001 from 82% on June 30, 2001 and 78% at September 30, 2000.
- We will consolidate our Rye, New York operations into one facility in December 2001, effectively increasing overall square footage while reducing occupancy costs.

Financial Strengths

We continue to build a strong and liquid balance sheet. Cash and investments, including proceeds from the private placement, were approximately \$422 million at September 30, 2001 versus \$299 million at June 30, 2001 and \$260 million at December 31, 2000.

Share Repurchase Program

On September 17, 2001 the Board of Directors substantially increased our share buyback by authorizing the repurchase of up to \$10 million of the Company's Class A Common Stock under its current stock buyback program. GBL repurchased 12,000 shares at an average cost of \$36.50 per share during September bringing the total shares repurchased to 522,900 at an average cost of \$17.81 per share. GBL currently has \$9.5 million available for future stock repurchases under the existing program.

The Outlook

The pall cast over the U.S. and world financial markets by recent events increased the stock market volatility experienced in recent quarters. However, in these difficult times, our financial strength will help position us for above average gains in 2002, as will the relative performance of our assets under management, the diversification of our investment products and our broad client base. We believe our commitment to providing investors with superior long-term, risk-adjusted performance will continue to benefit us through these periods of increased uncertainty 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 September 30,</u>		
	<u>2000</u>	<u>2001</u>	<u>% Inc. (dec.)</u>
Revenues	\$ 59,164	\$ 56,121	
Expenses	<u>34,709</u>	<u>30,799</u>	(11.3)
Operating income	24,455	25,322	3.5
Other income, net	<u>3,987</u>	<u>2,001</u>	(49.8)
Income before management fee, income taxes and minority interest	28,442	27,323	
Management fee	<u>2,844</u>	<u>2,732</u>	
Income before income taxes and minority interest:	25,598	24,591	(3.9)
Income tax provision	10,137	9,493	
Minority interest	<u>971</u>	<u>152</u>	
Net income	<u>\$ 14,490</u>	<u>\$ 14,946</u>	3.1
Net income per share:			
Basic	<u>\$ 0.49</u>	<u>\$ 0.50</u>	
Diluted	<u>\$ 0.48</u>	<u>\$ 0.49</u>	2.1
Weighted average shares outstanding:			
Basic	<u>29,547</u>	<u>29,748</u>	
Diluted	<u>29,969</u>	<u>31,142</u>	

	<u>For the Nine Months Ended September 30,</u>		
	<u>2000</u>	<u>2001</u>	<u>% Inc. (dec.)</u>
Revenues	\$174,057	\$171,482	
Expenses	<u>99,295</u>	<u>94,451</u>	(4.9)
Operating income	74,762	77,031	3.0
Other income, net	<u>8,996</u>	<u>7,829</u>	(13.0)
Income before management fee, income taxes and minority interest	83,758	84,860	
Management fee	<u>8,376</u>	<u>8,486</u>	
Income before income taxes and minority interest:	75,382	76,374	1.3
Income tax provision	29,852	29,481	
Minority interest	<u>2,790</u>	<u>1,210</u>	
Net income	<u>\$ 42,740</u>	<u>\$ 45,683</u>	6.9
Net income per share:			
Basic	<u>\$ 1.44</u>	<u>\$ 1.54</u>	
Diluted	<u>\$ 1.43</u>	<u>\$ 1.52</u>	6.3
Weighted average shares outstanding:			
Basic	<u>29,593</u>	<u>29,595</u>	
Diluted	<u>29,857</u>	<u>30,310</u>	

GABELLI ASSET MANAGEMENT INC.
ASSETS UNDER MANAGEMENT
(in millions)

	<u>9/00</u>	<u>12/00</u>	<u>3/01</u>	<u>6/01</u>	<u>9/01</u>	% Increase (decrease) from	
						<u>6/01</u>	<u>9/00</u>
Mutual Funds							
Open-end	\$ 9,685	\$ 8,971	\$ 8,321	\$ 8,963	\$ 7,405	(17.4)	(23.5)
Closed-end	1,860	1,709	1,746	1,971	1,706	(13.4)	(8.3)
Fixed income	<u>1,307</u>	<u>1,433</u>	<u>1,614</u>	<u>1,541</u>	<u>1,830</u>	18.8	40.0
Total Mutual Funds	<u>12,852</u>	<u>12,113</u>	<u>11,681</u>	<u>12,475</u>	<u>10,941</u>	(12.3)	(14.9)
Institutional & Separate Accounts							
Equities	9,788	10,142	10,651	11,860	10,008	(15.6)	2.2
Fixed income	<u>752</u>	<u>859</u>	<u>864</u>	<u>737</u>	<u>780</u>	5.8	3.7
Total Institutional & Separate Accounts	<u>10,540</u>	<u>11,001</u>	<u>11,515</u>	<u>12,597</u>	<u>10,788</u>	(14.4)	2.4
Partnerships	<u>416</u>	<u>437</u>	<u>473</u>	<u>558</u>	<u>615</u>	10.2	47.8
Total Assets Under Management	<u>\$23,808</u>	<u>\$23,551</u>	<u>\$23,669</u>	<u>\$25,630</u>	<u>\$22,344</u>	(12.8)	(6.1)

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

	December 31, <u>2000</u>	<u>September 30,</u>	
		2000	2001
		<i>(unaudited)</i>	
ASSETS			
Cash and cash equivalents	\$146,475	\$103,677	\$307,933
Investments (a)	113,159	162,842	121,244
Receivables	32,490	26,766	27,107
Deferred income taxes, net (b)	19,382	17,599	20,206
Other assets	<u>6,298</u>	<u>6,306</u>	<u>6,085</u>
Total assets	<u>\$317,804</u>	<u>\$317,190</u>	<u>\$482,575</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
Debt (b)	\$ 50,000	\$ 50,000	\$ 50,000
Compensation payable	25,670	36,476	36,719
Accrued expenses and other liabilities	<u>22,086</u>	<u>26,160</u>	<u>30,957</u>
Total liabilities	97,756	112,636	117,676
Convertible note payable (c)	–	–	100,000
Minority interest	17,851	17,476	7,435
Stockholders' equity	<u>202,197</u>	<u>187,078</u>	<u>257,464</u>
Total liabilities and stockholders' equity	<u>\$317,804</u>	<u>\$317,190</u>	<u>\$482,575</u>

- (a) Includes investments in sponsored mutual funds of \$7 million held as available for sale on September 30, 2001.
- (b) This debt, arising from the Company's initial formation, is due January 2, 2002 and will result in a tax benefit to the Company of \$19,830 (included in deferred income taxes, net).
- (c) This is a ten-year \$100 million convertible note with interest payable at 6.5% (6% after 8/13/2002) and convertible into GBLClass A Common Stock at \$53 per share.

Forward-Looking Information

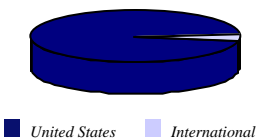
This Shareholders' Report contains certain forward looking information, including without limitation, business strategies and growth objectives, intrinsic value and the overall outlook for 2001 (including without limitation certain contemplated transactions). It should be recognized that such information 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.

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

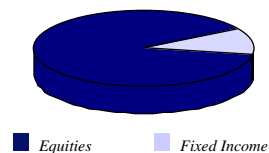
Asset Profile at 9/30/01

	2000					2001			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total	1st Quarter	2nd Quarter	3rd Quarter	Total
Income Statement Data:									
Revenues	\$ 57,773	\$ 57,120	\$ 59,164	\$ 59,861	\$233,918	\$ 58,344	\$ 57,017	\$ 56,121	\$171,482
Expenses	32,391	32,195	34,709	34,413	133,708	31,550	32,102	30,799	94,451
Operating income	25,382	24,925	24,455	25,448	100,210	26,794	24,915	25,322	77,031
Other income, net	2,111	2,898	3,987	3,751	12,747	1,136	4,692	2,001	7,829
Income before management fee, income taxes and minority interest	27,493	27,823	28,442	29,199	112,957	27,930	29,607	27,323	84,860
Management fee	2,749	2,783	2,844	2,920	11,296	2,793	2,961	2,732	8,486
Income before income taxes and minority interest	24,744	25,040	25,598	26,279	101,661	25,137	26,646	24,591	76,374
Income taxes	9,799	9,916	10,137	10,405	40,257	9,703	10,285	9,493	29,481
Minority interest	949	870	971	619	3,409	538	520	152	1,210
Net Income	<u>\$ 13,996</u>	<u>\$ 14,254</u>	<u>\$ 14,490</u>	<u>\$ 15,255</u>	<u>\$ 57,995</u>	<u>\$ 14,896</u>	<u>\$ 15,841</u>	<u>\$ 14,946</u>	<u>\$ 45,683</u>
Net income pershare:									
Basic	<u>\$ 0.47</u>	<u>\$ 0.48</u>	<u>\$ 0.49</u>	<u>\$ 0.52</u>	<u>\$ 1.96</u>	<u>\$ 0.50</u>	<u>\$ 0.54</u>	<u>\$ 0.50</u>	<u>\$ 1.54</u>
Diluted	<u>\$ 0.47</u>	<u>\$ 0.48</u>	<u>\$ 0.48</u>	<u>\$ 0.51</u>	<u>\$ 1.94</u>	<u>\$ 0.50</u>	<u>\$ 0.53</u>	<u>\$ 0.49</u>	<u>\$ 1.52</u>
Weighted average shares outstanding:									
Basic	<u>29,643</u>	<u>29,589</u>	<u>29,547</u>	<u>29,522</u>	<u>29,575</u>	<u>29,507</u>	<u>29,527</u>	<u>29,748</u>	<u>29,595</u>
Diluted	<u>29,643</u>	<u>29,877</u>	<u>29,969</u>	<u>30,043</u>	<u>29,914</u>	<u>29,839</u>	<u>29,932</u>	<u>31,142</u>	<u>30,310</u>

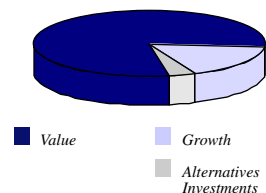
Geographic Mix



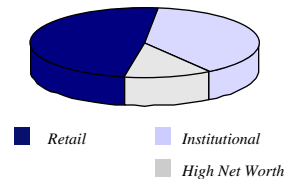
Asset Class



Equities by Style



Equities by Client Type



Gabelli Asset Management Inc.
One Corporate Center, Rye, New York 10580
914-921-5146 • Fax: 914-921-5392

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