

GABELLI
ASSET MANAGEMENT INC.

Third Quarter Report
September 30, 2002

To Our Shareholders:

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

Financial Results

Revenues were \$47.3 million for the third quarter ended September 30, 2002, down 15.7% from revenues of \$56.1 million generated in the prior year period. Operating income for the quarter was \$22.3 million compared to \$25.3 million in the prior year. Earnings were \$0.38 per share on a diluted basis versus \$0.49 per share in the 2001 quarter. Over the short term our operating results are highly correlated to the overall equity market which affects investment advisory fees which are based on assets under management and investment income from the firm's proprietary investment portfolio.

For the nine months ended September 30, 2002 revenues were \$162.8 million, down 5.1% from revenues of \$171.5 million generated during the first nine months of 2001. Operating income was \$77.3 million for the first nine months of 2002 compared to \$77.0 million in the prior year period. Earnings were \$1.35 per share on a diluted basis for the first nine months of 2002 versus \$1.52 per share in the comparable period of the prior year.

Financial Highlights

Average total assets under management were \$22.8 billion in the third quarter of 2002 down from \$24.8 billion in the second quarter of 2002 and \$24.5 billion in the third quarter of 2001. At September 30, 2002 assets under management were \$20.2 billion versus \$23.2 billion at June 30, 2002 and \$22.3 billion at September 30, 2001. The decline in the equity markets was responsible for virtually the entire decline in managed assets during the third quarter. Against this backdrop and on a relative basis the firm's equity funds' average decline of 15.8% bettered the results posted by the Standard and Poor's 500 and Russell 2000 indices which fell 17.3% and 21.4%, respectively, during the third quarter of 2002. For the quarter we experienced a modest net cash outflow. For the nine months ended September 30, 2002 net cash inflows totaled \$385 million.

Operating income declined 12.0% to \$22.3 million in the third quarter of 2002 compared with \$25.3 million in the 2001 quarter. Operating margin, even after allowing for a higher investment in research and marketing, was 47% in the 2002 quarter versus 45.1% in the prior year period. Other operating expenses were down \$0.6 million or 7%. Operating income rose to \$77.3 million for the nine months ended September 30, 2002 from \$77.0 million for the nine months ended September 30, 2001.

Interest expense increased \$1.3 million to \$3.1 million in the third quarter of 2002. Investment income, after allowing for \$0.5 million in gains resulting from the repurchase of mandatory convertible debt securities, declined \$2.4 million. The impact of the negative swing on other income crimped results by \$0.07 per share.

The estimated effective tax rate for 2002 was 37.6% versus 38.6% in calendar 2001. The decline in minority interest expense reflects the increase in our ownership of Gabelli Securities, Inc. to 92% from 77% during the third quarter of 2001.

Base Building-Prepared for Growth

● We continue to expand the investment vehicles we offer clients through which we seek to provide superior long-term,

risk-adjusted performance in both up and down markets. Our ability to generate returns is evidenced by our performance versus the Standard and Poor's 500 Index during recent periods in both up (1997 – 1999) and down (2000 – September 30, 2002) markets. Our Value products, led by the Gabelli Asset Fund, matched the upside in rising markets while declining significantly less in the recent bear market. Over the long term this adds real value to our clients' portfolios. Our Growth and International Growth products have both outperformed the market on the upside. We invite you to read more about our products and our performance, both on an absolute and relative basis on our website www.gabelli.com.

- Our private partnership products seek to generate absolute returns regardless of the market condition. For the first nine months of 2002 our European and Japanese long/short funds and our arbitrage funds, earned positive returns. The arbitrage funds invest in announced merger arbitrage transactions with a goal of earning double digit returns non-correlated with the stock market.

- We continue to expand our research team of security analysts. When we went public in February 1999 our sell-side broker-dealer, Gabelli & Company, had ten analysts. Today we have twenty-one analysts up from fifteen at the beginning of the year and eighteen at June 30, 2002. While this investment holds down our current earnings, we believe our sell side analysts are positioned to supply the fundamental research not associated with investment banking that will be increasingly demanded. All of us on Wall Street understand the "Gabelli" and Bernstein" model.

- We are building our client service, marketing, research and portfolio management infrastructure in each of our London, Chicago and Palm Beach offices. We expect to further expand our presence in selected locations both in the U.S. and longer term in Asia.

- 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% since being acquired in May 2000.

- On October 15, 2002, we announced the acquisition of Grove Investment Advisors, an investment advisor of a long/short hedge fund specializing in the oil, gas and power sectors managed by J. Iain Smith.

- On November 4, 2002 we announced the acquisition 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 continue to search for opportunities to expand our product base and to add to our team of talented investment professionals.

- We strengthened further our hedge fund capabilities in marketing, client service and in product offering.

- We announced the purchase of Grove Investment Advisors.

- We became a sub-adviser to a 1940 Act registered long/short fund extending our private partnership investment expertise to this embryonic channel.
- We had positive inflows during the quarter in our private partnerships.
- We have consistently stated that gains in our stock price would fully correspond with increases in operating earnings. This clearly is the case from levels of the market at September 30, 2002 with the Dow Jones Industrial Average at 7592 and the S&P 500 at 815.
- GBL may be viewed as a surrogate to the overall stock market. We have a terrific brand and a strong balance sheet with over \$14 a share in net cash. Equally important, we believe that from levels at September 30, 2002, the overall markets will grow over the balance of this decade in line with the 6% increase that we envision for corporate profits. Gabelli is positioned to have its assets (managed by style) outpace the gains of the overall markets. As an example, GAMCO, from its inception in January 1977 through September 30, 2002, has generated returns of for its clients of 18.5% versus 12.6% for the overall S&P500 Index. We believe from current market levels, our Growth and International Growth will do the same. In addition, acquisitions such as Mathers/Comstock/Grove as well as our affiliations with Westwood Management Corporation and others will augment future growth.

Financial Strength and Flexibility

We continue to maintain a strong and liquid balance sheet. Cash and investments were a record \$522 million at September 30, 2002 versus \$428 million at December 31, 2001 and \$ 429 million at September 30, 2001. Our total debt of \$184.7 million consists of a 6% \$100 million convertible note (convertible at \$53) and \$84.7 million of a mandatory convertible security which will be exchanged for a maximum of 2.15 million shares in February 2005. Stockholders' equity, including the mandatory convertible securities at September 30, 2002 was \$401.3 million versus \$275.3 million at December 31, 2001 and \$257.5 million a year ago.

The company repurchased 67,392 shares during the third quarter for \$2.1 million at an average investment of \$30.89 per share. Since the inception of the stock repurchase program, the total number of shares repurchased is 793,097 at an average investment of \$23.93 per share. We repurchased 110,600 shares of the mandatory convertible securities during the third quarter at a total investment of \$2.1 million bringing the total of exchangeable securities repurchased to 210,100 at an average price \$21.10 per share. We expect to continue repurchasing shares under the company's stock repurchase program.

Outlook

For our firm's first twenty-five years we created significant value by focusing intensely on the research process and by leveraging our brand name, performance and investment expertise through both up and down markets. We have added to our investment team and enhanced our client service to meet the challenges and opportunities which will present themselves over the balance of this decade.

Mario J. Gabelli
Chairman & Chief Executive Officer

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

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

	<u>For the Three Months Ended September 30,</u>			%
	<u>2001</u>	<u>2002</u>	<u>Inc. (dec.)</u>	
Revenues	\$ 56,121	\$ 47,320	(15.7%)	
Expenses	<u>30,799</u>	<u>25,045</u>	(18.7)	
Operating income	25,322	22,275	(12.0)	
Investment income	3,742	1,330	(64.5)	
Interest expense	<u>(1,741)</u>	<u>(3,057)</u>	75.6	
Other income (expense), net	2,001	(1,727)	(186.3)	
Income before management fee, income taxes and minority interest	27,323	20,548	(24.8)	
Management fee	<u>2,732</u>	<u>2,055</u>		
Income before income taxes and minority interest	24,591	18,493		
Income taxes	9,493	6,954		
Minority interest	<u>152</u>	<u>46</u>		
Net income	<u>\$ 14,946</u>	<u>\$ 11,493</u>	(23.1)	
Net income per share:				
Basic	<u>\$ 0.50</u>	<u>\$ 0.38</u>	(24.0)	
Diluted	<u>\$ 0.49</u>	<u>\$ 0.38</u>	(22.4)	
Weighted average shares outstanding:				
Basic	<u>29,748</u>	<u>30,141</u>	1.3	
Diluted	<u>31,142</u>	<u>30,296</u>	(2.7)	

	<u>For the Nine Months Ended September 30,</u>			%
	<u>2001</u>	<u>2002</u>	<u>Inc. (dec.)</u>	
Revenues	\$171,482	\$162,754	(5.1%)	
Expenses	<u>94,451</u>	<u>85,493</u>	(9.5)	
Operating income	77,031	77,261	0.3	
Investment income	11,457	4,567	(60.1)	
Interest expense	<u>(3,628)</u>	<u>(8,971)</u>	147.3	
Other income (expense), net	7,829	(4,404)	(156.3)	
Income before management fee, income taxes and minority interest	84,860	72,857	(14.1)	
Management fee	<u>8,486</u>	<u>7,286</u>		
Income before income taxes and minority interest	76,374	65,571		
Income taxes	29,481	24,655		
Minority interest	<u>1,210</u>	<u>93</u>		
Net income	<u>\$ 45,683</u>	<u>\$ 40,823</u>	(10.6)	
Net income per share:				
Basic	<u>\$ 1.54</u>	<u>\$ 1.36</u>	(11.7)	
Diluted	<u>\$ 1.52</u>	<u>\$ 1.35</u>	(11.2)	
Weighted average shares outstanding:				
Basic	<u>29,595</u>	<u>30,102</u>	1.7	
Diluted	<u>30,310</u>	<u>30,337</u>	0.1	

	9/01	12/01	3/02	6/02	9/02	% Increase (decrease)	
						6/02	9/01
Mutual Funds							
Open-end	\$ 7,405	\$ 8,334	\$ 8,627	\$ 7,353	\$ 6,200	(15.7%)	(16.3%)
Closed-end	1,706	1,831	1,850	1,735	1,515	(12.7)	(11.2)
Fixed income	<u>1,830</u>	<u>1,790</u>	<u>1,835</u>	<u>1,823</u>	<u>1,988</u>	9.1	8.6
Total Mutual Funds	<u>10,941</u>	<u>11,955</u>	<u>12,312</u>	<u>10,911</u>	<u>9,703</u>	(11.1)	(11.3)
Institutional & Separate Accounts							
Equities	10,008	11,513	12,326	11,129	9,305	(16.4)	(7.0)
Fixed income	<u>780</u>	<u>720</u>	<u>673</u>	<u>544</u>	<u>557</u>	2.4	(28.6)
Total Institutional & Separate Accounts	<u>10,788</u>	<u>12,233</u>	<u>12,999</u>	<u>11,673</u>	<u>9,862</u>	(15.5)	(8.6)
Alternative Investments	615	573	605	611	625	2.1	1.6
Total Assets Under Management	<u>\$22,344</u>	<u>\$ 24,761</u>	<u>\$ 25,916</u>	<u>\$ 23,195</u>	<u>\$ 20,190</u>	(13.0)	(9.6)

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

	December 31,		September 30,	
	2001	2001	2002	2002
ASSETS				
Cash and cash equivalents	\$305,447	\$307,933	\$316,351	
Investments	122,131	121,244	205,603	
Receivables	28,241	27,107	26,151	
Deferred tax asset ^(a)	18,661	20,206	939	
Other assets	<u>11,914</u>	<u>6,085</u>	<u>14,939</u>	
Total assets	<u>\$486,394</u>	<u>\$482,575</u>	<u>\$563,983</u>	
LIABILITIES AND STOCKHOLDERS' EQUITY				
Note payable ^(a)	\$ 50,000	\$ 50,000	\$ -	
Accrued expenses and other liabilities	<u>53,486</u>	<u>67,676</u>	<u>55,256</u>	
Total liabilities	103,486	117,676	55,256	
Convertible note	100,000	100,000	100,000	
Mandatory convertible securities	-	-	84,748	
Minority interest	7,611	7,435	7,432	
Stockholders' equity	<u>275,297</u>	<u>257,464</u>	<u>316,547</u>	
Total liabilities and stockholders' equity	<u>\$486,394</u>	<u>\$482,575</u>	<u>\$563,983</u>	

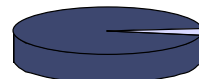
(a) This debt, arising from the Formation Transactions, was paid on January 2, 2002, resulting in a tax benefit to the company of \$19,830. This tax benefit was realized in 2002.

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

Asset Profile at 9/30/02

	2001					2002			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total	1st Quarter	2nd Quarter	3rd Quarter	Total
Income Statement Data:									
Revenues	\$ 58,344	\$ 57,017	\$ 56,121	\$ 52,932	\$ 224,414	\$ 58,032	\$ 57,402	\$ 47,320	\$ 162,754
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>85,493</u>
Operating income	26,794	24,915	25,322	27,742	104,773	28,117	26,869	22,275	77,261
Investment income	2,067	5,648	3,742	3,191	14,648	2,093	1,144	1,330	4,567
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>(8,971)</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>(4,404)</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	72,857
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>7,286</u>
Income before income taxes and minority interest	25,137	26,646	24,591	25,548	101,922	24,734	22,344	18,493	65,571
Income taxes	9,703	10,285	9,493	9,861	39,342	9,300	8,401	6,954	24,655
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>93</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>\$ 40,823</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>\$ 1.36</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>\$ 1.35</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>30,102</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>30,337</u>

Geographic Mix



■ United States ■ International

Asset Class



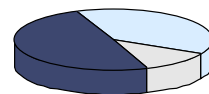
■ Equities ■ Fixed Income

Equities by Style



■ Value ■ Growth
 ■ Alternatives Investments

Equities by Client Type



■ Retail ■ Institutional
 ■ High Net Worth

Special Note Regarding Forward-Looking Information

Our disclosure and analysis in this report 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.

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*