

## NOTES ON NON-GAAP FINANCIAL MEASURES

- A. Operating income before management fee expense is used by management to evaluate its business operations. We believe this measure is useful in illustrating the operating results of GAMCO Investors, Inc. (the “Company”) as management fee expense is based on pre-tax income before management fee expense, which includes non-operating items including investment gains and losses from the Company’s proprietary investment portfolio and interest expense. The reconciliation of operating income before management fee expense to operating income is provided in Table VII.
- B. Operating income before management fee expense per share and other income, net per share are used by management for purposes of evaluating its business operations. We believe this measure is useful in comparing the operating and non-operating results of the Company for the purposes of understanding the composition of net income per fully diluted share. The positive swing of \$0.40 per fully diluted share is derived by making certain necessary adjustments, as shown in the table below, to arrive at a net impact for each period and then calculating the difference. The reconciliation of operating income before management fee expense per share and other income, net per share to net income per fully diluted share, is provided below.

	2nd Quarter		YTD June	
	2013	2012	2013	2012
Operating income before management fee	\$ 36,630	\$ 32,982	\$ 71,337	\$ 64,178
Management fee expense	(3,667)	(3,297)	(7,126)	(6,410)
Tax expense	(11,878)	(10,949)	(23,354)	(21,159)
Noncontrolling interest expense	91	77	177	185
Operating income (after management fee and taxes)	21,176	18,813	41,034	36,794
Per fully diluted share	\$ 0.83	\$ 0.71	\$ 1.59	\$ 1.39
Other income/(expense), net	\$ 11,852	\$ (6,818)	\$ 17,000	\$ 3,892
Management fee (expense)/benefit	(1,179)	682	(1,700)	(389)
Tax (expense)/benefit	(3,846)	2,263	(5,565)	(1,283)
Noncontrolling interest (expense)/benefit	(110)	165	(331)	(73)
Other income/(expense), net (after management fee and taxes)	\$ 6,717	\$ (3,708)	\$ 9,404	\$ 2,147
Per fully diluted share	\$ 0.26	\$ (0.14)	\$ 0.37	\$ 0.08
Net income per fully diluted share	\$ 1.09	\$ 0.57	\$ 1.96	\$ 1.47
Diluted weighted average shares outstanding	25,689	26,426	25,723	26,501

- C. Shareholder-designated charitable contribution program expense, net of management fee and tax benefit, per diluted share:

	YTD 2013
(in thousands, except per share data)	
Shareholder-designated charitable contribution program	\$ 5,000
Management fee and tax benefit	2,156
Net loss	\$ 2,844
Shareholder-designated charitable contribution program charge per share	\$ 0.11
Diluted weighted average shares outstanding	25,723

D. Realized gains from sales of available for sale securities, net of management fee and tax benefit, per diluted share:

	<b>2nd Quarter</b>	<b>YTD</b>
(in thousands, except per share data)	<b>2013</b>	<b>2013</b>
Realized gains from sales of available for sale securities	\$ 9,576	\$ 9,576
Management fee and tax benefit	4,146	4,146
Net gain	<u>\$ 5,430</u>	<u>\$ 5,430</u>
Realized gains from sales of available for sale securities per share	<u>\$ 0.21</u>	<u>\$ 0.21</u>
Diluted weighted average shares outstanding	<u>25,689</u>	<u>25,723</u>

## 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.