

Gladstone Capital Reports Results for the Second Quarter Ended March 31, 2007

-- Net Investment Income was \$5.7 million, or \$0.47 per diluted common share

-- Net Increase in Net Assets was \$4.1 million, or \$0.33 per diluted common share

MCLEAN, Va.--(BUSINESS WIRE)--

Gladstone Capital Corp. (NASDAQ:GLAD) (the "Company") today announced earnings for the second quarter and six months ended March 31, 2007. All per share references are based on fully diluted weighted average common shares outstanding, unless otherwise noted.

Net Investment Income for the second quarter ended March 31, 2007 was \$5,724,357, or \$0.47 per share, as compared to \$5,203,816, or \$0.45 per share, for the second quarter ended March 31, 2006, an increase of 4.4% per share. Net Investment Income for the six months ended March 31, 2007 was \$10,887,283, or \$0.89 per share, as compared to \$9,646,230, or \$0.83 per share, for the six months ended March 31, 2006, an increase of 7.2%.

Net Increase in Net Assets Resulting from Operations for the quarter ended March 31, 2007 was \$4,084,851, or \$0.33 per share, as compared to \$5,590,381, or \$0.48 per share, for the quarter ended March 31, 2006, a decrease of 31.3% per share. Net Increase in Net Assets Resulting from Operations for the six months ended March 31, 2007 was \$8,248,454, or \$0.67 per share, as compared to \$13,823,730, or \$1.20 per share, for the six months ended March 31, 2006, a decrease of 44.2% per share. The primary difference between the current and prior year periods is the result of net unrealized depreciation on the Company's investment portfolio. The Company recorded net unrealized depreciation on its investments of \$1,718,149 and \$2,722,528 for the quarter and six months ended March 31, 2007, respectively, as compared to net unrealized depreciation of \$15,593 for the quarter ended March 31, 2006 and net unrealized appreciation on its investments of \$4,956,829 for the six months ended March 31, 2006.

Total assets were \$291,015,954 at March 31, 2007, as compared to \$225,783,215 at September 30, 2006. Net asset value was \$13.82 per actual common share outstanding at March 31, 2007, as compared to \$14.02 per actual common share outstanding at September 30, 2006.

The annualized weighted average yield on the Company's portfolio for the quarter ended March 31, 2007 was 12.0% as compared to 12.7% for the quarter ended March 31, 2006.

For the second quarter ended March 31, 2007, the Company reported the following activity:

- Funded approximately \$75.3 million of new investments;
- Received principal repayments of approximately \$38.3 million, which included scheduled principal repayments and full repayments;
- Received approximately \$533,000 of success fees in connection with the refinancing of one investment;
- Received approximately \$225,000 of prepayment and other fees; and
- Paid monthly cash dividends of \$0.14 per common share for each of the months of January, February and March.

At March 31, 2007, the Company had investments in debt and equity securities and syndicated loan participations in 51 private companies with an aggregate cost basis of approximately \$281.5 million and a fair value of approximately \$280.2 million.

"We are pleased with our results during the second quarter and six months ended March 31, 2007. We are working diligently to add new investments to our portfolio," said Chip Stelljes, President and Chief Investment Officer. "We expect positive results from the second half of 2007."

Subsequent to March 31, 2007, the Company:

- Formed a Media and Communications group to grow its assets in those sectors;
- Received approximately \$24.3 million of repayments, including schedule amortizations, repayments and syndicate sales;
- Received a success fee of approximately \$195,000 with the repayment of one investment;
- Declared monthly cash dividends of \$0.14 per common share for each of the months of April, May and June 2007; and
- Completed a public offering of 2,000,000 shares of common stock at a price of \$24.25 per share for net proceeds, after underwriting discounts and offering expenses, of approximately \$45.6 million, all of which were used to repay outstanding borrowings on the Company's line of credit.

The financial statements below are without footnotes. We have filed a Form 10-Q today for the second quarter ended March 31, 2007 with the Securities and Exchange Commission (the "SEC"), which can be retrieved from the SEC's website at www.sec.gov or from the Company's web site at www.GladstoneCapital.com. A paper copy can be obtained free of charge by writing to us at 1521 Westbranch Drive, Suite 200, McLean, VA 22102.

The Company will hold a conference call Thursday, May 3, 2007 at 8:30 am EDT to discuss second quarter earnings. Please call (877) 407-8031 to enter the conference. An operator will monitor the call and set a queue for the questions. The conference call replay will be available two hours after the call for approximately 30 days. To hear the replay, please dial (877) 660-6853, access playback account 286 and use conference ID code 239214.

The live audio broadcast of Gladstone Capital's quarterly conference call will be available

online at www.GladstoneCapital.com and www.investorcalendar.com. The event will be archived and available for replay on the Company's website.

For further information contact Investor Relations at 703-287-5835.

This press release may include statements that may constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements with regard to the future performance of the Company. Words such as "should," "believes," "feel," "expects," "projects," "strive," "goals," and "future" or similar expressions are intended to identify forward-looking statements. These forward-looking statements inherently involve certain risks and uncertainties, although they are based on the Company's current plans that are believed to be reasonable as of the date of this press release. Factors that may cause the Company's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements include, among others, those factors listed under the caption "Risk factors" of the Company's Prospectus dated April 16, 2007, as filed with the Securities and Exchange Commission ("SEC") on April 17, 2007 and as listed in the Form 10-Q for the quarter ended March 31, 2007 as filed with the SEC today. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

GLADSTONE CAPITAL CORPORATION
CONSOLIDATED STATEMENTS OF ASSETS & LIABILITIES
(Unaudited)

	March 31, 2007	September 30, 2006
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ASSETS		
Investments at fair value (Cost 3/31/2007: \$281,525,450; 9/30/2006: \$216,202,986)	\$280,242,688	\$217,642,750
Cash and cash equivalents	2,973,135	731,744
Interest receivable - investments in debt securities	2,116,813	1,394,942
Interest receivable - employees	45,359	37,396
Due from custodian	4,828,847	3,587,152
Deferred financing fees	50,466	145,691
Prepaid assets	241,088	226,747
Fees due from Adviser	28,768	-
Due from employees	-	1,803,283
Other assets	488,790	213,510
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TOTAL ASSETS	\$291,015,954	\$225,783,215
	=====	=====
LIABILITIES		
Accounts payable	\$5,005	\$4,072
Interest payable	528,736	247,530
Administration fee due to Administrator	168,766	-
Fees due to Adviser	-	240,363
Borrowings under line of credit	120,300,000	49,993,000
Withholding taxes payable	-	1,803,283
Accrued expenses and deferred liabilities	486,330	721,287
Funds held in escrow	203,222	203,193
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TOTAL LIABILITIES	121,692,059	53,212,728

NET ASSETS	\$169,323,895	\$172,570,487

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ANALYSIS OF NET ASSETS		
Common stock, \$0.001 par value, 50,000,000 shares authorized and 12,249,683 and 12,305,008 shares issued and outstanding, respectively	\$12,250	\$12,305
Capital in excess of par value	179,782,427	181,270,565
Notes receivable - employees	(9,947,366)	(10,248,308)
Net unrealized (depreciation) appreciation on investments	(1,282,764)	1,439,764
Unrealized depreciation on derivative	(279,329)	(253,716)
Realized loss on sale of investments	(775,176)	(861,695)
Realized gain on settlement of derivative	37,807	15,014
Accumulated undistributed net investment income	1,776,046	1,196,558

TOTAL NET ASSETS	\$169,323,895	\$172,570,487
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NET ASSETS PER SHARE	\$13.82	\$14.02
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GLADSTONE CAPITAL CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended	
	March 31,	
	2007	2006

INVESTMENT INCOME		
Interest income - investments	\$8,254,459	\$6,875,264
Interest income - cash and cash equivalents	31,645	4,624
Interest income - notes receivable from employees	132,931	107,033
Prepayment fees and other income	224,743	13,779

Total investment income	8,643,778	7,000,700

EXPENSES		
Interest expense	1,811,019	948,166
Loan servicing	760,623	734,644
Base management fee	450,484	352,379
Incentive fee	1,158,995	-
Administration fee	168,766	-
Professional fees	109,081	110,887
Amortization of deferred financing fees	68,200	32,286
Stockholder related costs	87,288	115,864
Directors fees	56,970	30,212
Insurance expense	62,398	50,590
Stock option compensation	-	34,065
Other expenses	48,975	60,791

Expenses before credit from Adviser	4,782,799	2,469,884

Credit to base management and incentive fees from Adviser	(1,863,378)	(673,000)

Total expenses net of credits to base management and incentive fees	2,919,421	1,796,884

NET INVESTMENT INCOME BEFORE INCOME TAXES	5,724,357	5,203,816
Income tax expense	-	-
NET INVESTMENT INCOME	5,724,357	5,203,816
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:		
Realized gain on sale of investments	84,205	377,500
Realized gain on settlement of derivative	10,239	-
Unrealized (depreciation) appreciation on derivative	(15,801)	24,658
Net unrealized depreciation on investments	(1,718,149)	(15,593)
Net (loss) gain on investments	(1,639,506)	386,565
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$4,084,851	\$5,590,381
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS PER COMMON SHARE:		
Basic	\$0.33	\$0.49
Diluted	\$0.33	\$0.48
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING:		
Basic	12,249,683	11,308,510
Diluted	12,249,683	11,536,360
GLADSTONE CAPITAL CORPORATION CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)		
	Six Months Ended March	
	31,	
	2007	2006
INVESTMENT INCOME		
Interest income - investments	\$16,153,059	\$12,722,371
Interest income - cash and cash equivalents	68,914	13,536
Interest income - notes receivable from employees	271,122	214,126
Prepayment fees and other income	384,401	80,986
Total investment income	16,877,496	13,031,019
EXPENSES		
Interest expense	2,931,276	1,600,244
Loan servicing	1,479,775	1,450,059
Base management fee	848,916	621,080
Incentive fee	2,307,478	-
Administration fee	294,851	-
Professional fees	220,001	233,353
Amortization of deferred financing fees	126,500	58,536
Stockholder related costs	151,016	244,799

Directors fees	111,220	54,212
Insurance expense	125,092	101,367
Stock option compensation	-	77,322
Other expenses	137,460	116,580
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Expenses before credit from Adviser	8,733,585	4,557,552
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Credit to base management and incentive fees from Adviser	(2,743,372)	(1,223,000)
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Total expenses net of credits to base management and incentive fees	5,990,213	3,334,552
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NET INVESTMENT INCOME BEFORE INCOME TAXES	10,887,283	9,696,467
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Income tax expense	-	50,237
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NET INVESTMENT INCOME	10,887,283	9,646,230
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REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:		
Net realized gain (loss) on sale of investments	86,519	(803,095)
Realized gain on settlement of derivative	22,793	-
Unrealized (depreciation) appreciation on derivative	(25,613)	23,766
Net unrealized (depreciation) appreciation on investments	(2,722,528)	4,956,829
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Net (loss) gain on investments	(2,638,829)	4,177,500
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NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$8,248,454	\$13,823,730
	=====	=====
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS PER COMMON SHARE:		
Basic	\$0.67	\$1.22
	=====	=====
Diluted	\$0.67	\$1.20
	=====	=====
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING:		
Basic	12,272,012	11,307,510
Diluted	12,272,012	11,555,479
GLADSTONE CAPITAL CORPORATION FINANCIAL HIGHLIGHTS (Unaudited)		
	Three Months Ended March	
	31,	
	2007	2006
	-----	-----
Per Share Data (1)		
	-----	-----
Net asset value at beginning of period	\$13.88	\$13.74
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Income from investment operations:		

Net investment income (2)	0.47	0.46
Realized gain on sale of investments (2)	-	0.03
Net unrealized loss on investments (2)	(0.14)	-
	-----	-----
Total from investment operations	0.33	0.49
	-----	-----
Less distributions:		
Distributions from net investment income	(0.42)	(0.41)
	-----	-----
Total distributions	(0.42)	(0.41)
	-----	-----
Repayment of principal on notes receivable	0.02	-
Effect of antidilution (3)	-	0.02
	-----	-----
Net asset value at end of period	\$13.82	\$13.84
	=====	=====
Per share market value at beginning of period	\$23.86	\$21.38
Per share market value at end of period	23.68	21.55
Total return (4) (5)	1.08%	2.78%
Shares outstanding at end of period	12,249,683	11,308,510

Ratios/Supplemental Data

Net assets at end of period	\$169,323,895	\$156,461,511
Average net assets (6)	\$169,055,526	\$154,397,504
Ratio of expenses to average net assets- annualized (7)	11.32%	6.40%
Ratio of net expenses to average net assets-annualized (8)	6.91%	4.66%
Ratio of expenses net of voluntary waiver to average net assets-annualized (9)	8.74%	n/a
Ratio of net investment income to average net assets-annualized	13.54%	13.48%

Six Months Ended March 31,
2007 2006

Per Share Data (1)

Net asset value at beginning of period	\$14.02	\$13.41
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Income from investment operations:		
Net investment income (2)	0.89	0.85
Realized loss on sale of investments (2)	-	(0.07)
Net unrealized (loss) gain on investments (2)	(0.22)	0.44
	-----	-----
Total from investment operations	0.67	1.22
	-----	-----
Less distributions:		
Distributions from net investment income	(0.84)	(0.81)
	-----	-----
Total distributions	(0.84)	(0.81)
	-----	-----
Issuance of common stock under stock option plan	-	0.01
Repayment of principal on notes		

receivable	0.02	-
Stock surrendered to settle withholding tax obligation	(0.06)	-
Effect of antidilution (3)	-	0.01
	-----	-----
Net asset value at end of period	\$13.82	\$13.84
	=====	=====
Per share market value at beginning of period	\$22.01	\$22.55
Per share market value at end of period	23.68	21.55
Total return (4) (5)	11.50%	-0.75%
Shares outstanding at end of period	12,249,683	11,308,510

Ratios/Supplemental Data

Net assets at end of period	\$169,323,895	\$156,461,511
Average net assets (6)	\$169,693,656	\$152,679,547
Ratio of expenses to average net assets-annualized (7)	10.29%	6.04%
Ratio of net expenses to average net assets-annualized (8)	7.06%	4.43%
Ratio of expenses net of voluntary waiver to average net assets-annualized (9)	8.34%	n/a
Ratio of net investment income to average net assets-annualized	12.83%	12.64%

(1) Based on actual shares outstanding at the end of the corresponding period.

(2) Based on weighted average basic per share data.

(3) This represents the antidilutive impact of other components in changes in net assets and the different share amounts used in calculating per share data as a result of calculating certain per share data based upon the weighted average basic shares outstanding during the period and certain per share data based on the shares outstanding as of a period end.

(4) Total return equals the increase of the ending market value over the beginning market value plus monthly dividends divided by the monthly beginning market value, assuming monthly dividend reinvestment.

(5) Amounts were not annualized.

(6) Average net assets are computed using the average of the balance of net assets at the end of each month of the reporting period.

(7) Ratio of expenses to average net assets is computed using expenses before credits from Adviser to the base management and incentive fees and including income tax expense.

(8) Ratio of net expenses to average net assets is computed using total expenses net of credits from Adviser to the base management and incentive fees and including income tax expense.

(9) Ratio of expenses net of voluntary waiver to average net assets is computed using expenses before credits from Adviser and including income tax expense then deducting only the amount of the credit applicable to the waiver for the incentive fee.

Source: Gladstone Capital Corp.