

February 5, 2007

 GLADSTONE INVESTMENT

# Gladstone Investment Reports Results for the Third Quarter Ended December 31, 2006

**-- Net Investment Income for the Quarter Was \$2.9 Million or \$0.18 Per Common Share**

**-- Net Increase in Net Assets from Operations for the Quarter Was \$2.7 Million or \$0.16 Per Common Share**

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

Gladstone Investment Corp. (NASDAQ: GAIN) (the "Company") today announced earnings for the third quarter ended December 31, 2006. All per share references are per basic and diluted weighted average common share outstanding, unless otherwise noted.

Net Investment Income for the third quarter ended December 31, 2006 was \$2,898,068 or \$0.18 per share, as compared to \$1,752,570 or \$0.11 per share for the third quarter ended December 31, 2005. Net Investment Income for the nine months ended December 31, 2006 was \$8,363,118 or \$0.51 per share, as compared to \$3,185,276 or \$0.20 per share for the period June 22, 2005 (commencement of operations) to December 31, 2005.

Net Increase in Net Assets Resulting from Operations for the third quarter ended December 31, 2006 was \$2,684,543, or \$0.16 per share, as compared to \$1,614,747 or \$0.10 per share for the same period a year ago. Net Increase in Net Assets Resulting from Operations for the nine months ended December 31, 2006 was \$6,809,635, or \$0.41 per share compared to \$3,111,279 or \$0.19 per share for the period June 22, 2005 (commencement of operations) to December 31, 2005.

Total assets were \$247,473,062 at December 31, 2006 as compared to \$230,323,807 at March 31, 2006. Net asset value was \$13.65 per actual common share outstanding at December 31, 2006 as compared to \$13.88 per actual common share at March 31, 2006.

The annualized weighted average yield on the Company's portfolio for the three months ended December 31, 2006 was 9.41%. The annualized weighted average yield on the Company's portfolio for the three months ended December 31, 2005 was 6.42%. The annualized weighted average yield on the Company's portfolio for the nine months ended December 31, 2006 was 10.03% compared to 6.42% for the period June 22, 2005 (commencement of operations) to December 31, 2005.

During the third quarter ended December 31, 2006, the Company recorded the following activity:

- Invested approximately \$22.9 million in senior subordinated debt, preferred and common equity of Acme Cryogenics, Inc.;

- Invested approximately \$19.6 million in senior and subordinated debt, a revolving credit facility and preferred and common equity of Noble Logistics Services, Inc.;
- Acquired interests in 12 new syndicated loans for approximately \$18.0 million; and
- Acquired interests in 4 existing syndicated loan participations for approximately \$8.0 million.

At December 31, 2006, the Company held 39 non-control/non-affiliate investments, 4 control investments and 1 affiliate investment, totaling an aggregate cost basis of approximately \$242 million and a fair value of approximately \$241 million.

Condensed Schedule of Investments  
December 31, 2006

Investment Type	Cost	Fair Value
-----		
Total Non-control/Non-Affiliate Investments	\$141,804,619	\$140,777,989
Total Control Investments	80,601,004	80,188,063
Total Affiliate Investments	19,550,000	19,550,000
-----		
Total investments	\$241,955,623	\$240,516,052
=====		

"Since the inception of our fund on June 22, 2005, we have invested over \$240 million, resulting in the full commitment of our IPO proceeds at quarter end. With the IPO proceeds invested we will continue to grow the assets by using leverage to build to the portfolio. We look forward to a productive 2007," said Chip Stelljes, President and Chief Investment Officer.

Subsequent to December 31, 2006, the Company:

- Purchased 4 new and 2 existing loan participations of approximately \$6.7 million; and
- Declared monthly cash dividends of \$0.075 per common share for each of the months of January, February and March of 2007.

The Company will hold a conference call Tuesday, February 6, 2007 at 8:30 am EST to discuss third quarter earnings. Please call (877) 407-8031 to enter the conference. An operator will monitor the call and set a queue for the questions.

A replay of the conference call will be available through March 6, 2007. To hear the replay, please dial (877) 660-6853, access playback account 286 and use ID code 229412. The online replay will be available approximately two hours after the call concludes.

The live audio broadcast of Gladstone Investment's quarterly conference call will be available online at [www.GladstoneInvestment.com](http://www.GladstoneInvestment.com) and [www.investorcalendar.com](http://www.investorcalendar.com). The online replay will follow shortly after the call.

Gladstone Investment Corporation is an investment company that seeks to make debt and equity investments in small and mid-sized private businesses in the U.S. in connection with acquisitions, changes in control and recapitalizations. For more information please visit our

website at <http://www.GladstoneInvestment.com>.

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 "believes," "expects," "anticipates," "estimated," "approximately" "projects" 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 Form 10-K dated March 31, 2006, as filed with the Securities and Exchange Commission on June 14, 2006, in the Company's Pre-effective Amendment No. 1 to Registration Statement on Form N-2 as filed with the Securities and Exchange Commission on December 22, 2006 and the Company's Form 10-Q as filed with the Securities and Exchange Commission 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 INVESTMENT CORPORATION  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(UNAUDITED)

	For the three months ended December 31, 2006	For the three months ended December 31, 2005
	-----	-----
INVESTMENT INCOME		
Interest income		
Non-Control/Non-Affiliate investments	\$ 2,586,171	\$ 790,879
Control investments	1,264,451	-
Affiliate investments	114,668	-
Cash and cash equivalents	332,586	1,530,809
	-----	-----
Total interest income	4,297,876	2,321,688
Other income	1,492	-
	-----	-----
Total investment income	4,299,368	2,321,688
	-----	-----
EXPENSES		
Base management fee	551,235	265,522
Loan servicing fee	508,691	-
Administration fee	124,101	73,424
Directors fees	54,800	51,000
Professional fees	186,537	69,570
Insurance expense	60,696	69,552
Stockholder related costs	28,643	24,363
Interest expense	68,748	-
Amortization of deferred finance costs	91,392	-
Taxes and licenses	41,550	-
Other expenses	60,132	15,687

Expenses before credit from Adviser	1,776,525	569,118
Credit to base management fee for fees collected by Adviser (Refer to Note 3)	(375,225)	-
Total expenses net of credit to management fee	1,401,300	569,118
NET INVESTMENT INCOME	2,898,068	1,752,570

REALIZED AND UNREALIZED LOSS ON INVESTMENTS

Realized (loss) gain on sale of Non-Control/Non-Affiliate investments	(2,283)	38,056
Net unrealized depreciation of investment portfolio	(211,242)	(175,879)
Net loss on investments	(213,525)	(137,823)

NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS (Refer to Note 6)

\$ 2,684,543	\$ 1,614,747
--------------	--------------

NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS PER COMMON SHARE:

Basic and Diluted	\$ 0.16	\$ 0.10
-------------------	---------	---------

SHARES OF COMMON STOCK OUTSTANDING:

Basic and diluted weighted average shares	16,560,100	16,560,100
---	------------	------------

GLADSTONE INVESTMENT CORPORATION  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(UNAUDITED)

	For the nine months ended December 31, 2006	For the period June 22, 2005 (Commencement of Operations) to December 31, 2005
INVESTMENT INCOME		
Interest income		
Non-Control/Non-Affiliate investments	\$ 6,938,026	\$ 984,457
Control investments	3,711,056	-
Affiliate investments	114,668	-
Cash and cash equivalents	1,610,506	3,192,019
Total interest income	12,374,256	4,176,476
Other income	2,478	-

Total investment income	12,376,734	4,176,476
EXPENSES		
Base management fee	2,214,437	357,630
Loan servicing fee	508,691	-
Administration fee	364,351	178,469
Directors fees	154,300	103,000
Professional fees	354,325	135,872
Insurance expense	200,933	112,030
Stockholder related costs	187,509	67,901
Interest expense	68,748	378
Amortization of deferred finance costs	91,392	-
Taxes and licenses	139,994	-
Other expenses	104,161	35,920
Expenses before credit from Gladstone Management	4,388,841	991,200
Credit to management fee for fees collected by Adviser (Refer to Note 3)	(375,225)	-
Total expenses net of credit to management fee	4,013,616	991,200
NET INVESTMENT INCOME	8,363,118	3,185,276
REALIZED AND UNREALIZED LOSS ON INVESTMENTS		
Realized (loss) gain on sale of Non-Control/Non-Affiliate investments	(944)	38,056
Net unrealized depreciation of investment portfolio	(1,552,539)	(112,053)
Net loss on investments	(1,553,483)	(73,997)
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS (Refer to Note 6)	\$ 6,809,635	\$ 3,111,279
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS PER COMMON SHARE:		
Basic and Diluted	\$ 0.41	\$ 0.19
SHARES OF COMMON STOCK OUTSTANDING:		
Basic and diluted weighted average shares	16,560,100	16,560,100

GLADSTONE INVESTMENT CORPORATION  
CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES  
(UNAUDITED)

	December 31, 2006	March 31, 2006
	-----	-----
ASSETS		
Non-Control/Non-Affiliate investments (Cost 12/31/06: \$141,804,619; 3/31/06: \$97,423,004)	\$140,777,989	\$ 97,585,972
Control investments (Cost 12/31/06: \$80,601,004; 3/31/06: \$55,846,318)	80,188,063	55,796,318
Affiliate investments (Cost 12/31/06: \$19,550,000)	19,550,000	-
	-----	-----
Total investments at fair value (Cost 12/31/06: \$241,955,623; 3/31/06: \$153,269,322)	240,516,052	153,382,290
Cash and cash equivalents	1,890,942	75,672,605
Interest receivable	1,444,705	761,388
Due from custodian	2,798,620	-
Deferred finance costs	459,347	-
Prepaid directors fees	37,900	-
Prepaid insurance	145,382	99,874
Due from Adviser	-	234,551
Other assets	180,114	173,099
	-----	-----
TOTAL ASSETS	\$247,473,062	\$230,323,807
	=====	=====
LIABILITIES		
Administration fee payable to Administrator	\$ 124,101	\$ 110,002
Fees due to Adviser	407,221	-
Borrowings under line of credit	20,000,000	-
Accrued expenses	812,864	367,031
Other liabilities	43,120	5,077
	-----	-----
Total Liabilities	21,387,306	482,110
	-----	-----
NET ASSETS	\$226,085,756	\$229,841,697
	=====	=====
ANALYSIS OF NET ASSETS:		
Common stock, \$0.001 par value, 100,000,000 shares authorized and 16,560,100 shares issued and outstanding	\$ 16,560	\$ 16,560
Capital in excess of par value	230,096,572	230,229,279
Net unrealized (depreciation) appreciation of investment portfolio	(1,439,571)	112,968
Distributions in excess of net investment income	(2,587,805)	(517,110)
	-----	-----
TOTAL NET ASSETS	\$226,085,756	\$229,841,697
	=====	=====
NET ASSETS PER SHARE	\$ 13.65	\$ 13.88
	=====	=====

GLADSTONE INVESTMENT CORPORATION  
FINANCIAL HIGHLIGHTS  
(UNAUDITED)

For the three

For the three

	months ended December 31, 2006	months ended December 31, 2005
Per Share Data (1)		
Balance at beginning of period	\$ 13.71	\$ 13.93
Income from investment operations:		
Net investment income (2)	0.18	0.11
Realized gain on sale of investments (2)	-	-
Net unrealized depreciation of investments (2)	(0.02)	(0.01)
Total from investment operations	0.16	0.10
Distributions	(0.21)	(0.12)
Net asset value at end of period	\$ 13.65	\$ 13.91
Per share market value at beginning of period	\$ 14.46	\$ 15.05
Per share market value at end of period	15.31	13.59
Total return (3)	7.38%	(6.63%)
Shares outstanding at end of period	16,560,100	16,560,100
Ratios/Supplemental Data		
Net assets at end of period	\$ 226,085,756	\$ 230,376,300
Average net assets (4)	\$ 225,338,878	\$ 229,896,936
Ratio of expenses to average net assets (annualized)	3.15%	0.99%
Ratio of net expenses to average net assets (annualized)	2.49%	0.99%
Ratio of net investment income to average net assets (annualized)	5.14%	3.05%

(1) Based on actual shares outstanding.

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

(3) Total return equals the change in the market value of the Company's common stock from the beginning of the period taking into account dividends reinvested in accordance with the terms of our dividend reinvestment plan.

(4) Calculated using the average of the ending monthly net assets for the respective periods.

GLADSTONE INVESTMENT CORPORATION  
FINANCIAL HIGHLIGHTS  
(UNAUDITED)

	For the period June 22, 2005
For the nine months ended December 31, 2006	(Commencement of Operations) to December 31, 2006

Per Share Data (1)

Balance at beginning of period	\$	13.88	\$	-
Net proceeds from initial public offering (2)		-		13.95
Offering costs		-		(0.05)
Income from investment operations:				
Net investment income (3)		0.51		0.20
Realized gain on sale of investments (3)		-		-
Net unrealized depreciation of investments (3)		(0.10)		(0.01)
Total from investment operations		0.41		0.19
Distributions		(0.63)		(0.18)
Net asset value at end of period	\$	13.65	\$	13.91

Per share market value at beginning of period	\$	14.90	\$	15.00
Per share market value at end of period		15.31		13.59
Total return (4)		7.28%		(8.25%)
Shares outstanding at end of period		16,560,100		16,560,100

Ratios/Supplemental Data

Net assets at end of period	\$226,085,756	\$230,376,300
Average net assets (5)	\$226,399,367	\$225,793,817
Ratio of expenses to average net assets (annualized)	2.59%	0.75%
Ratio of net expenses to average net assets (annualized)	2.36%	0.75%
Ratio of net investment income to average net assets (annualized)	4.93%	2.42%

(1) Based on actual shares outstanding.

(2) Net of initial underwriting discount of \$1.05 per share.

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

(4) Total return equals the change in the market value of the Company's common stock from the beginning of the period taking into account dividends reinvested in accordance with the terms of our dividend reinvestment plan.

(5) Calculated using the average of the ending monthly net assets for the respective periods.

Source: Gladstone Investment Corp.