

Gladstone Capital Corporation Reports Results for the Fourth Quarter and Fiscal Year Ended September 30, 2007

-- Net Investment Income for the quarter ended September 30, 2007 was \$5.7 million, or \$0.39 per common share

-- Net Investment Income for the fiscal year ended September 30, 2007 was \$22.3 million, or \$1.69 per common share

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

Gladstone Capital Corp. (NASDAQ:GLAD) (the "Company") today announced earnings for the quarter and fiscal year ended September 30, 2007. All share references are based on weighted average common shares outstanding, unless otherwise noted. For the fiscal year ended September 30, 2007, there were no options outstanding to dilute outstanding shares.

Net Investment Income for the quarter ended September 30, 2007 increased 15.3% to \$5,668,407, as compared to \$4,916,268, for the quarter ended September 30, 2006. Net Investment Income for the quarter ended September 30, 2007 was \$0.39 per share and \$0.42 per share for the quarter ended September 30, 2006. Net Investment Income for the fiscal year ended September 30, 2007 increased 15% to \$22,260,556, or \$1.69 per share, as compared to \$19,350,580, or \$1.70 per basic share and \$1.67 per diluted share for the fiscal year ended September 30, 2006.

For the quarter ended September 30, 2007, Net Increase in Net Assets Resulting from Operations was \$738,951, or \$0.05 per share, as compared to \$5,063,429, or \$0.44 per basic share and \$0.43 per diluted share, for the same period one year ago. Net Increase in Net Assets Resulting from Operations for the fiscal year ended September 30, 2007 decreased 46% to \$14,952,004, or \$1.13 per share, as compared to \$24,430,235, or \$2.15 per basic share and \$2.10 per diluted share, for the fiscal year ended September 30, 2006. The primary difference between the current and prior year periods is the result of net unrealized depreciation and appreciation of the Company's investment portfolio. The Company recorded net unrealized depreciation of \$4,888,519 and \$7,354,434 for the quarter and fiscal year ended September 30, 2007, respectively, compared to net unrealized appreciation on its investments of \$198,735 and \$5,968,555 for the quarter and fiscal year ended September 30, 2006, respectively.

Total assets were \$367,729,138 at September 30, 2007, as compared to \$225,783,215 at September 30, 2006. Net asset value was \$220,958,735, or \$14.97 per actual common share outstanding, at September 30, 2007 as compared to \$172,570,487, or \$14.02 per actual common share outstanding, at September 30, 2006.

The annualized weighted average yield on the Company's portfolio was 11.0% and 12.0% for the quarter and fiscal year ended September 30, 2007, respectively, as compared to 13.2% and 12.7% for the quarter and fiscal year ended September 30, 2006, respectively.

For the fiscal year ended September 30, 2007, the Company reported the following activity:

- Returned 11.3% on average equity outstanding for the year;
- Purchased a portfolio of media and communication loans for approximately \$63.3 million;
- Funded approximately \$198.4 million of new investments in addition to the media portfolio;
- Received principal repayments of \$121.8 million, which included scheduled principal repayments;
- Received \$2.2 million of success fees in connection with the full repayment of four investments;
- Received prepayment penalties of approximately \$500,000;
- Converted a non-performing loan of approximately \$900,000 into an equity investment for 100% ownership of the company;
- Issued 2,550,000 shares of common stock for aggregate net proceeds of approximately \$56.8 million, all of which were used to repay outstanding borrowings on the Company's line of credit;
- Paid monthly cash dividends of \$0.14 per common share for each month in fiscal year 2007, for an annual dividend of \$1.68 per share; and
- Net Asset Value increased 6.8% from \$14.02 to \$14.97 per share.

At September 30, 2007, the Company had investments in debt and equity securities and loans to syndicated loan participants in 56 private companies having an aggregate cost basis of approximately \$355.8 million and a fair value of approximately \$349.8 million.

Subsequent to September 30, 2007, the Company:

- Funded approximately \$56.2 million in additional new investment to existing and new portfolio companies;
- Declared monthly cash dividends of \$0.14 per common share for each of the months of October, November, and December, 2007; and
- Completed a public offering in October 2007 of 2,500,000 shares of common stock at a public offering price of \$18.70 per share for net proceeds of approximately \$43.7 million, all of which were used to repay outstanding borrowings on the Company's line of credit. In connection with this offering, in November, the underwriter exercised its over-allotment option to purchase an additional 375,000 shares of common stock for additional net proceeds of approximately \$6.6 million.

"Although our fourth quarter was uneventful in terms of production, overall fiscal year 2007 produced double-digit growth, with a 15% increase in Net Investment Income. We are very pleased with our net new production of about \$140 million. Our growth during fiscal year 2007 reflects the dedication and hard work of our entire team," said Chip Stelljes, President and Chief Investment Officer. "We are also very excited about the positive start in production for our 2008 fiscal year and are eager to continue to grow our portfolio in the upcoming year."

The financial statements below are without footnotes. We have filed a Form 10-K today for the fiscal year ended September 30, 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.

Gladstone Capital will host a conference call at 8:30 a.m. EST, December 4, 2007. Please call 877-407-8031 to enter the conference. An operator will monitor the call and set a queue for the questions. The replay number will be available two hours after the call for approximately 30 days. To hear the replay, please dial 877-660-6853 and use Access Code 286 and ID code 262854.

For further information contact Investor Relations at 703-287-5893.

This press release may include statements that may constitute "forward-looking statements," 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 Form 10-K for the Fiscal Year Ended September 30, 2007, as filed with the Securities and Exchange Commission on December 3, 2007. 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)

	September 30, 2007	September 30, 2006
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ASSETS		
Non-Control/Non-Affiliate Investments (Cost 9/30/2007: \$354,835,652; 9/30/2006: \$216,202,986)	\$348,920,982	\$217,642,750
Control investments (Cost 9/30/2007: \$923,548)	923,548	-
	-----	-----
Total investments at fair value (Cost 9/30/07: \$355,759,200; 9/30/06		

\$216,202,986)	349,844,530	217,642,750
Cash and cash equivalents	8,838,658	731,744
U.S. Treasury bill	2,484,464	-
Interest receivable - investments in debt securities	2,425,555	1,394,942
Interest receivable - employees	21,417	37,396
Due from custodian	3,230,385	3,587,152
Deferred financing fees	186,270	145,691
Prepaid assets	337,106	226,747
Due from employees	-	1,803,283
Other assets	360,753	213,510
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TOTAL ASSETS	\$367,729,138	\$225,783,215
	=====	=====

LIABILITIES

Accounts payable	\$ 6,013	\$ 4,072
Interest payable	587,514	247,530
Administration fee due to Administrator	237,510	-
Fees due to Adviser	708,517	240,363
Borrowings under lines of credit	144,440,000	49,993,000
Withholding taxes payable	-	1,803,283
Accrued expenses and deferred liabilities	790,849	721,287
Funds held in escrow	-	203,193
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TOTAL LIABILITIES	146,770,403	53,212,728
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NET ASSETS

\$220,958,735	\$172,570,487
=====	=====

ANALYSIS OF NET ASSETS

Common stock, \$0.001 par value, 50,000,000 shares authorized and 14,762,574 and 12,305,008 shares issued and outstanding, respectively	\$ 14,763	\$ 12,305
Capital in excess of par value	235,906,665	181,572,776
Notes receivable - employees	(9,230,502)	(10,248,308)
Net unrealized (depreciation) appreciation on investments	(5,914,670)	1,439,764
Unrealized depreciation on derivative	(291,686)	(253,716)
Accumulated undistributed net investment income	474,165	47,666
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TOTAL NET ASSETS	\$220,958,735	\$172,570,487
	=====	=====
NET ASSETS PER SHARE	\$ 14.97	\$ 14.02
	=====	=====

GLADSTONE CAPITAL CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

Three Months Ended
September 30,
2007 2006

INVESTMENT INCOME

Interest income - investments	\$ 10,348,191	\$ 7,148,853
Interest income - cash and cash equivalents	77,306	16,667
Interest income - notes receivable from		

employees	122,247	118,338
Prepayment fees and other income	60,000	62,153
	-----	-----
Total investment income	10,607,744	7,346,011
	-----	-----
EXPENSES		
Interest expense	2,532,103	935,922
Loan servicing	1,246,981	763,851
Base Management fee	595,974	328,520
Incentive fee	1,133,681	-
Administration fee	237,510	-
Professional fees	154,360	148,568
Amortization of deferred financing fees	68,598	45,571
Stockholder related costs	26,285	30,539
Directors fees	66,250	34,500
Insurance expense	57,539	54,598
Stock option compensation	-	5,700
Other expenses	108,621	333,059
	-----	-----
Expenses before credit from Adviser	6,227,902	2,680,828
	-----	-----
Credit to base management and incentive fees from Adviser	(1,288,565)	(302,765)
	-----	-----
Total expenses net of credit to base management and incentive fees	4,939,337	2,378,063
	-----	-----
NET INVESTMENT INCOME BEFORE INCOME TAXES	5,668,407	4,967,948
	-----	-----
Income tax expense	-	51,680
	-----	-----
NET INVESTMENT INCOME	5,668,407	4,916,268
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REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:		
Realized loss on sale of investments	(37,004)	-
Realized gain on settlement of derivative	8,160	13,647
Unrealized depreciation on derivative	(12,093)	(65,221)
Net unrealized (depreciation) appreciation on investments	(4,888,519)	198,735
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Net gain (loss) on investments	(4,929,456)	147,161
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS		
	\$ 738,951	\$ 5,063,429
	=====	=====
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS PER COMMON SHARE:		
Basic	\$ 0.05	\$ 0.44
	=====	=====
Diluted	\$ 0.05	\$ 0.43
	=====	=====
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING:		
Basic	14,589,754	11,573,200
Diluted	14,589,754	11,767,902

GLADSTONE CAPITAL CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Year Ended September 30,	
	2007	2006
INVESTMENT INCOME		
Interest income - investments	\$ 35,412,893	\$ 25,646,746
Interest income - cash and cash equivalents	255,489	38,381
Interest income - notes receivable from employees	526,164	441,341
Prepayment fees and other income	491,973	773,378
Total investment income	36,686,519	26,899,846
EXPENSES		
Interest expense	7,225,628	3,238,615
Loan servicing	3,624,390	2,907,875
Base Management fee	2,402,049	1,284,414
Incentive fee	4,607,688	-
Administration fee	719,256	-
Professional fees	522,970	548,326
Amortization of deferred financing fees	267,231	140,143
Stockholder related costs	216,736	303,709
Directors fees	233,720	116,212
Insurance expense	248,877	206,554
Stock option compensation	-	285,318
Other expenses	328,143	484,722
Expenses before credit from Adviser	20,396,688	9,515,888
Credit to base management and incentive fees from Adviser	(5,970,725)	(2,068,539)
Total expenses net of credit to base management and incentive fees	14,425,963	7,447,349
NET INVESTMENT INCOME BEFORE INCOME TAXES	22,260,556	19,452,497
Income tax expense	-	101,917
NET INVESTMENT INCOME	22,260,556	19,350,580
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:		
Net realized gain (loss) on sale of investments	44,494	(903,945)
Realized gain on settlement of derivative	39,358	15,014
Unrealized (depreciation) appreciation on derivative	(37,970)	31
Net unrealized (depreciation) appreciation on investments	(7,354,434)	5,968,555
Net gain (loss) on investments	(7,308,552)	5,079,655

NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ 14,952,004	\$ 24,430,235
	=====	=====

NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS PER COMMON SHARE:		
Basic	\$ 1.13	\$ 2.15
	=====	=====
Diluted	\$ 1.13	\$ 2.10
	=====	=====

WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING:		
Basic	13,173,822	11,381,378
Diluted	13,173,822	11,615,922

GLADSTONE CAPITAL CORPORATION
FINANCIAL HIGHLIGHTS
(Unaudited)

	Three Months Ended September 30,	
	2007	2006
	-----	-----
Per Share Data (1)		

Net asset value at beginning of period	\$ 15.11	\$ 13.95
	-----	-----
Income from investment operations:		
Net investment income (2)	0.39	0.42
Net unrealized (depreciation) appreciation on investments (2)	(0.34)	0.02
Net unrealized depreciation on derivative (2)	-	(0.01)
	-----	-----
Total from investment operations	0.05	0.43
	-----	-----
Less distributions:		
Distributions to stockholders (2) (3)	(0.42)	(0.42)
	-----	-----
Total distributions	(0.42)	(0.42)
	-----	-----
Issuance of common stock under shelf offering	0.21	-
Issuance of common stock under stock option plan	-	1.10
Offering costs	(0.02)	-
Repayment of principal on notes receivable	0.04	-
Dilutive effect of share issuance	-	(1.04)
	-----	-----
Net asset value at end of period	\$ 14.97	\$ 14.02
	=====	=====
Per share market value at beginning of period	\$ 21.46	\$ 21.39
Per share market value at end of period	19.52	22.01
Total return-not annualized (4)	-7.11%	4.85%
Shares outstanding at end of period	14,762,574	12,305,008

Ratios/Supplemental Data

Net assets at end of period	\$220,958,735	\$172,570,487
Average net assets (5)	\$221,546,022	\$162,057,242
Ratio of expenses to average net assets-annualized (6)	11.24%	6.71%
Ratio of net expenses to average net assets-annualized (7)	8.92%	6.00%
Ratio of net investment income to average net assets-annualized	10.23%	12.13%

Year Ended September 30,
2007 2006

Per Share Data (1)

Net asset value at beginning of period	\$ 14.02	\$ 13.41
Income from investment operations:		
Net investment income (2)	1.69	1.70
Realized gain (loss) on sale of investments (2)	-	(0.08)
Net unrealized (depreciation) appreciation on investments (2)	(0.56)	0.53
Total from investment operations	1.13	2.15
Less distributions:		
Distributions to stockholders (2) (3)	(1.68)	(1.64)
Total distributions	(1.68)	(1.64)
Issuance of common stock under shelf offering	1.55	-
Issuance of common stock under stock option plan	-	1.19
Offering costs	(0.05)	-
Stock compensation expense	-	0.02
Repayment of principal on notes receivable	0.06	0.02
Stock surrendered to settle withholding tax obligation	(0.06)	-
Dilutive effect of share issuance	-	(1.13)
Net asset value at end of period	\$ 14.97	\$ 14.02
Per share market value at beginning of period	\$ 22.01	\$ 22.55
Per share market value at end of period	\$ 19.52	\$ 22.01
Total return (4)	-4.40%	5.21%
Shares outstanding at end of period	14,762,574	12,305,008

Ratios/Supplemental Data

Net assets at end of period	\$220,958,735	\$172,570,487
Average net assets (5)	\$189,731,888	\$155,867,538
Ratio of expenses to average net assets (6)	10.75%	6.16%
Ratio of net expenses to average net assets (7)	7.60%	4.84%

Ratio of net investment income to average net assets	11.73%	12.42%
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- (1) Based on actual shares outstanding at the end of the corresponding period.
- (2) Based on weighted average basic per share data.
- (3) Distributions are determined based on taxable income calculated in accordance with income tax regulations which may differ from amounts determined under accounting principles generally accepted in the United States of America.
- (4) Total return equals the change in the ending 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. Total return does not take into account dividends that may be characterized as a return of capital.
- (5) Average net assets are computed using the average balance of net assets at the end of each reporting month.
- (6) Ratio of expenses to average net assets is computed using expenses before credit from Gladstone Management and including income tax expense.
- (7) Ratio of net expenses to average net assets is computed using total expenses net of credits to management fee and including income tax expense.

Source: Gladstone Capital Corp.