



Press release for December 11, 2003

HEADLINES: Gladstone Capital reports fiscal year end results for September 30, 2003: Net Increase in Stockholders' Equity Resulting from Operations was \$1.09 per diluted common share, a 45% increase from the previous year end.

McLean, VA: Gladstone Capital Corp. (NASDAQ: GLAD) (the "Company") announced today that the Net Increase in Stockholders' Equity Resulting from Operations increased 45% from the previous fiscal year ended September 30, 2002 from \$7,616,601 million or \$0.75 per diluted common share to \$11,073,581 million or \$1.09 per diluted common share for the fiscal year ended September 30, 2003. Total assets were \$214,566,663 million at September 30, 2003 compared to \$172,922,039 million at September 2002, an increase of 24%.

Net Increase in Stockholders' Equity Resulting from Operations for the three months ended September 30, 2003 was \$2,628,513 million or \$0.26 per diluted common share compared to \$2,786,565 million or \$0.27 per diluted common share for the three months ended September 30, 2002. This 6% decrease is due to a number of items. First, there was a valuation adjustment to our portfolio by our evaluation service, Standard and Poor's Loan Evaluations Service; second a little over \$200,000 was paid to the employees as a year-end bonus and third, several of our loans have paid down or paid off early and were not replaced during the quarter. The number of new loans put on the books for the fiscal year ended September 30, 2003 was lower than we had expected due to the cautious approach we had taken in 2003.

With \$109 million in loans outstanding at the year end, we focus on the New Year and the opportunities we see ahead as the economy begins to show more loan opportunities. The recession that lasted for more than three years is finally over. We believe the year ahead will be very strong. The businesses that are requesting financing from us have much more believable financial projections and we are seeing a greater volume approach us. We forecast 2004 as the "turn around" year that we have been awaiting. Our goal as always is to increase our loan portfolio and our dividends to shareholders.

The attached financial statements are without footnotes. We have filed a [Form 10-K](#) for the fiscal year ended September 30, 2003 with the Securities and Exchange Commission (the "SEC") and that form can be retrieved from the SEC website at www.SEC.gov or from the Company's web site at www.GladstoneCapital.com. A paper copy can be obtained by writing to us at 1616 Anderson Road, McLean, VA 22102.

For further information contact Skye Breeden at 703-286-0775.

The company will have a conference call Friday, December 12, 2003 at 10:30 am EST to answer questions. Please call 1-877-679-9055 and use the ID# 347607 and you will be placed on hold until the conference starts. An operator will monitor the call and set a queue for the questions. The conference call will be recorded and available for replay until January 12, 2003 by calling 1-800-615-3210.

CONSOLIDATED BALANCE SHEETS

	September 30, <u>2003</u>	September 30, <u>2002</u>
ASSETS		
Investments at fair value (Cost 9/30/2003: \$109,529,893; 9/30/2002: \$79,718,354)	\$109,307,553	\$79,718,354
Cash and cash equivalents	21,143,972	51,930,529
Cash and cash equivalents pledged as collateral	80,022,249	39,998,799
Interest receivable - investments in debt securities	1,041,943	685,274
Interest receivable - cash and cash equivalents	955	4,389
Interest receivable - officers	108,657	109,874
Due from custodian	1,207,000	
Prepaid assets	1,479,815	357,955
Other assets	<u>254,519</u>	<u>116,865</u>
TOTAL ASSETS	<u><u>\$214,566,663</u></u>	<u><u>\$172,922,039</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Accounts payable	\$23,247	\$ -
Dividends payable	3,327,009	2,115,087
Accrued expenses and deferred liabilities	1,965,025	944,960
Repurchase agreement	78,449,000	39,198,719
Total Liabilities	<u><u>\$83,764,281</u></u>	<u><u>\$42,258,766</u></u>
STOCKHOLDERS' EQUITY		
Common stock, \$0.001 par value, 50,000,000 shares authorized and 10,081,844 and 10,071,844 shares issued and outstanding, respectively	\$10,082	\$10,072

Capital in excess of par value	140,416,674	140,266,684
Notes receivable - officers	(8,985,940)	(8,983,796)
Net unrealized depreciation on investments	(222,340)	-
Undistributed/(overdistributed) net investment income	(416,094)	(629,687)
Total Stockholders' Equity	<u>\$130,802,382</u>	<u>\$130,663,273</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$214,566,663</u>	<u>\$172,922,039</u>

**SCHEDULE OF
INVESTMENTS
AS OF SEPTEMBER
30, 2003
(UNAUDITED)**

COMPANY (1)	INDUSTRY	INVESTMENT	COST	FAIR VALUE
America's Water Heater Rentals, LLC	Water heater rentals and servicing	Senior Term Debt (2)(4)	\$12,000,000	\$12,000,000
ARI Holdings, Inc.	Manufacturing auto parts	Senior Term Debt(2)(3) Senior Term Debt(2)	3,511,667 1,500,000	3,511,667 1,500,000
Coyne International Enterprises Corp.	Industrial services	Senior Term Debt (2)(3)(4)	15,421,740	15,306,077
Finn Corporation	Manufacturing landscape equipment	Senior Subordinated Term Debt (4) Common Stock Warrants for 2%	37,000 10,500,000	431,111 10,421,250
Fugate & Associates, Inc.	Imaging supplies	Senior Term Debt(4) Senior Term Debt(4)	3,412,500 1,833,333	3,412,500 1,833,333
Home Care Supply, Inc.	Medical equipment rental	Senior Term Debt		

		(2)(4)(5)	18,000,000	18,428,400
Inca Metal Products Corp. Kingway Acquisition, Inc.	Material handling and storage products	Senior Term Debt		
		(2)(4)		
Clymer Acquisitions, Inc.			5,775,000	4,995,375
Kozy Shack Enterprises, Inc.	Food production and sales	Senior Term Debt		
		(2)(4)	900,000	909,000
Marcal Paper Mills, Inc.	Manufacturing paper products	Senior Subordinated Term Debt (2)(4) First Mortgage	6,975,000	6,922,687
		Debt (3)	9,163,653	9,163,653
Mistras Holdings, Inc.	Nondestructive testing instruments, systems and services	Senior Term Debt (2)	10,000,000	10,000,000
		Senior Term Debt (2)	5,000,000	5,000,000
Wingstop Restaurants International, Inc.	Restaurant - fast food	Senior Term Debt (4)	3,500,000	3,482,500
		Senior Term Debt (4)	<u>2,000,000</u>	<u>1,990,000</u>
			<u>\$109,529,893</u>	<u>\$109,307,553</u>

(1) We do not "Control," and are not an "Affiliate" of, any of our portfolio companies, each as defined in the Investment Company Act of 1940, as amended (the "1940 Act"). In general, under the 1940 Act, we would "Control" a portfolio company if we owned 25% or more of its voting securities and would be an "Affiliate" of a portfolio company if we owned 5% or more of its voting securities.

(2) Last Out Tranche of senior debt, meaning if the company is liquidated then the holder of the Last Out Tranche is paid after the senior debt.

(3) Has some paid in kind (PIK) interest. Refer to Note 2 "Summary of Significant Accounting Policies" of Form 10-K for the fiscal year ended September 30, 2003.

(4) Fair value was based on valuation prepared and provided by Standard & Poor's Loan Evaluation Services.

(5) Includes a success fee with a fair value of \$473,400.

**SCHEDULE OF
INVESTMENTS
AS OF
SEPTEMBER 30,
2002**

COMPANY (1)	INDUSTRY	INVESTMENT	COST	FAIR VALUE
ARI Holdings, Inc.	Manufacturing auto parts	Junior Subordinated Term Debt (3)	\$8,250,803	\$8,250,803
Coyne International Enterprises Corp.	Industrial services	Senior Term Debt (2)(3)	16,054,268	16,054,268
Finn Corporation	Manufacturing landscape equipment	Senior Subordinated Term Debt Common Stock Warrants for 2%	10,500,000	10,500,000
		Ownership	37,000	37,000
Home Care Supply, Inc.	Medical equipment rental	Senior Term Debt (2)	18,000,000	18,000,000
Inca Metal Products Corp.	Material handling and storage products	Senior Term Debt (2)	6,000,000	6,000,000
Kozy Shack Enterprises, Inc.	Food production and sales	Senior Term Debt (2)	4,300,000	4,300,000
Marcal Paper Mills, Inc.	Manufacturing paper products	Senior Subordinated Term Debt (2) First Mortgage Debt (3)	7,500,000	7,500,000
			<u>9,076,283</u>	<u>9,076,283</u>
			<u>\$79,718,354</u>	<u>\$79,718,354</u>

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CONSOLIDATED STATEMENT OF OPERATIONS

	Fiscal Year Ended	Fiscal Year Ended
	September 30, 2003	September 30, 2002
INVESTMENT INCOME		
Interest income - investments	\$13,248,415	\$6,641,144
Interest income - cash and cash equivalents	466,316	1,576,304
Interest income - notes receivable from officers	437,737	433,391
Managerial assistance fees	885,500	1,673,614
Other income	116,906	131,250
Total Investment Income	<u>\$15,154,874</u>	<u>\$10,455,703</u>
EXPENSES		
Salaries and benefits	\$2,018,004	\$1,367,180
Rent	209,864	125,128
Professional fees	409,826	549,781
Directors fees	73,647	22,000
Insurance	275,511	206,385
Stockholder related costs	143,273	104,167
Financing fees	222,038	-
General and administrative	506,790	464,461
Total Expenses	<u>\$3,858,953</u>	<u>\$2,839,102</u>
NET INVESTMENT INCOME	<u>\$11,295,921</u>	<u>\$7,616,601</u>
Net unrealized appreciation on investments	(222,340)	-
NET INCREASE IN STOCKHOLDERS' EQUITY RESULTING FROM OPERATIONS	<u><u>\$11,073,581</u></u>	<u><u>\$7,616,601</u></u>

**NET INCREASE IN STOCKHOLDERS' EQUITY
RESULTING FROM OPERATIONS PER
COMMON SHARE**

Basic	\$1.10	\$0.76
Diluted	\$1.09	\$0.75

**WEIGHTED AVERAGE SHARES OF COMMON
STOCK OUTSTANDING**

Basic	10,072,677	10,064,900
Diluted	10,188,488	10,166,752

CONSOLIDATED STATEMENT OF OPERATIONS

(UNAUDITED)

	Three Months Ended September 30, 2003	Three Months Ended September 30, 2002
INVESTMENT INCOME		
Interest income - investments	\$3,360,506	\$2,905,683
Interest income - cash and cash equivalents	75,739	215,493
Interest income - notes receivable from officers	108,659	109,873
Managerial assistance fees	402,500	386,805
Other income	53,001	83,750
Total Investment Income	<u>\$4,000,405</u>	<u>\$3,701,604</u>
EXPENSES		
Salaries and benefits	\$613,002	\$398,585
Rent	45,820	41,753
Professional fees	107,348	214,977
Directors fees	19,000	8,000
Insurance	58,787	58,919
Stockholder related costs	19,614	25,695
Financing fees	159,683	-
General and administrative	128,711	167,110
Total Expenses	<u>\$1,151,965</u>	<u>\$915,039</u>
NET INVESTMENT INCOME	<u>\$2,848,440</u>	<u>\$2,786,565</u>

Net unrealized depreciation on investments

-

	(219,927)	
NET INCREASE IN STOCKHOLDERS' EQUITY RESULTING FROM OPERATIONS	<u>\$2,628,513</u>	<u>\$2,786,565</u>
NET INCREASE IN STOCKHOLDERS' EQUITY RESULTING FROM OPERATIONS PER COMMON SHARE		
Basic	\$0.26	\$0.28
Diluted	\$0.26	\$0.27
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING		
Basic	10,072,677	10,071,844
Diluted	10,270,403	10,163,954

GLADSTONE CAPITAL CORPORATION

FINANCIAL HIGHLIGHTS (UNAUDITED)

	Three Months Ended September 30, 2003	Three Months Ended September 30, 2002
<u>Per Share Data (1)</u>		
Net asset value at beginning of period	\$13.04	\$12.92
Net investment income	0.28	0.27
Net unrealized (loss)/gain on investments	(0.02)	-
Distributions from net investment income	(0.33)	(0.21)
Effect of anti-dilution	-	(0.01)
Net asset value at end of period	<u>\$12.97</u>	<u>\$12.97</u>
Per share market value at beginning of period	\$20.48	\$18.05
Per share market value at end of period	19.45	16.88
Total return (2)(3)	-3.42%	-5.32%
Shares outstanding at end of period	10,081,844	10,071,844
<u>Ratios/Supplemental Data</u>		
Net assets at end of period		\$130,663,273

	\$130,802,382	
Average net assets	\$132,274,096	\$131,338,959
Ratio of operating expenses to average net assets - annualized	3.48%	2.79%
Ratio of net investment income to average net assets - annualized	8.00%	8.49%

	Fiscal Year Ended September 30, 2003	Fiscal Year Ended September 30, 2002
<u>Per Share Data (1)</u>		
Net asset value at beginning of period	\$12.97	\$13.05
Net investment income	1.12	0.76
Net unrealized loss on investments	(0.02)	-
Issuance of common stock	-	(0.02)
Distributions from net investment income	(1.10)	(0.76)
Offering costs	-	(0.01)
Distributions in excess of net investment income	-	(0.05)
Net asset value at end of period	\$12.97	\$12.97

Per share market value at beginning of period	\$16.88	\$16.14
Per share market value at end of period	19.45	16.88
Total return (3)	21.74%	9.60%
Shares outstanding at end of period	10,081,844	10,071,844

Ratios/Supplemental Data

Net assets at end of period	\$130,802,382	\$130,663,273
Average net assets	\$132,196,505	\$130,984,674
Ratio of operating expenses to average net assets	2.92%	2.17%
Ratio of net investment income to average net assets	8.38%	5.81%

(1) Basic per share data.

(2) Amounts were not annualized for the results of the three month periods ended September 30, 2003 and September 30, 2002.

(3) Total return equals the increase of the ending market value over the beginning market value plus distributions divided by the beginning market

value.

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,” “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 for the Fiscal Year Ended September 30, 2002, as filed with the Securities and Exchange Commission on December 11, 2002. 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.