

# PennantPark Investment Corporation Announces Financial Results for the Quarter Ended March 31, 2009

May 6, 2009

NEW YORK, NY--(Marketwire - May 6, 2009) - PennantPark Investment Corporation (the "Company," "we," or "us") (NASDAQ: PNNT) today announces financial results for its second fiscal quarter ended March 31, 2009.

## HIGHLIGHTS

Quarter Ended March 31, 2009

(\$ in millions, except per share amounts)

Investment portfolio	\$ 363.5
Net assets	\$ 252.9
Net asset value per share	\$ 12.00

Credit Facility (cost \$187.7)	\$ 125.3
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Investment portfolio composition and yield:

Senior secured debt, subordinated debt, second lien secured debt and equity (core)	\$ 313.7
Senior secured debt (non-core)	\$ 49.8
Weighted average yield on debt	10.1%
Weighted average yield on core investments	11.6%
Weighted average yield on non-core investments	3.1%

Operating Results:

Net investment income	\$ 5.3
Net investment income per share	\$ 0.25
Distributions declared per share	\$ 0.24

Portfolio Activity:

Purchase of long term investments	\$ 14.5
Sales and repayments of long term investments	\$ 3.3

Number of new portfolio companies invested	1
Number of existing portfolio companies invested	1
Number of portfolio companies at end of period	35

CONFERENCE CALL AT 10:00 A.M. ET ON MAY 7, 2009

The Company will host a conference call at 10:00 a.m. (Eastern Time) on Thursday, May 7, 2009 to discuss the quarterly results. All interested parties are welcome to participate. You can access the conference call by dialing (877) 741-4249 approximately 5-10 minutes prior to the call. International callers should dial (719) 325-4837. All callers should reference PennantPark Investment Corporation. An archived replay of the call will be available through May 21, 2009 by calling (888) 203-1112. International callers please dial (719) 457-0820. For all replays, please reference conference ID #3274739.

## PORTFOLIO AND INVESTMENT ACTIVITY

As of March 31, 2009, our portfolio totaled \$363.5 million and consisted of \$77.2 million of senior secured loans, \$103.5 million of second lien secured debt, \$158.4 million of subordinated debt, \$10.1 million of preferred equity and \$14.3 million of common equity investments. This compares to our portfolio as of September 30, 2008, which totaled \$372.1 million and consisted of \$78.8 million of senior secured loans, \$104.2 million of second lien secured debt, \$166.2 million of subordinated debt, \$9.3 million of preferred equity and \$13.6 million of common equity investments.

Our core assets totaled \$313.7 million and consisted of investments in twenty-one different companies with an average investment size of \$14.9 million per company and a weighted average yield of 11.6% on debt investments as of March 31, 2009. This compares to our core assets as of September 30, 2008, which totaled \$305.5 million and consisted of investments in nineteen different companies with an average investment size of \$16.1 million per company and a weighted average yield of 12.5% on debt investments.

As of March 31, 2009, our non-core senior secured loan portfolio totaled \$49.8 million and consisted of fifteen different companies (including one company also in our core portfolio) with an average investment size of \$3.3 million and a weighted average yield of 3.1% on debt investments. This compares to our non-core assets as of September 30, 2008, which totaled \$66.6 million and consisted of nineteen different companies (including one company also in our core portfolio) with an average investment size of \$3.5 million and a weighted average yield of 5.2% on debt investments.

Our overall portfolio consisted of thirty-five companies with an average investment size of \$10.4 million and a weighted average yield on debt investments of 10.1%. The portfolio was invested 21% in senior secured loans, 28% in second lien secured debt, 44% in subordinated debt, 3% in

preferred equity and 4% in common equity investments as of March 31, 2009. This compares to our overall portfolio as of September 30, 2008, which consisted of thirty-seven companies with an average investment size of \$10.1 million and a weighted average yield on debt investments of 11.1%, and was invested 21% in senior secured loans, 28% in second lien secured debt, 45% in subordinated debt, 2% in preferred equity and 4% in common equity.

For the three months ending March 31, 2009 and 2008, our portfolio had unrealized appreciation of \$27.3 million and unrealized depreciation of \$37.8 million, respectively.

For the three months ended March 31, 2009, we invested \$14.5 million, in one new and one existing portfolio company, with an average yield of 21.5% on debt investments. Sales and repayments of long-term investments totaled \$3.3 million for the same period. This compares to the three months ended March 31, 2008, in which we invested \$31.5 million in two new companies with an average yield of 14.4% on the debt investments. Sales and repayments of long-term investments for the three months ended March 31, 2008 totaled \$0.9 million.

"We are generally pleased with the performance of our portfolio in this challenging market and economic environment," said Arthur Penn, Chairman and Chief Executive Officer. "Our underlying portfolio companies generally have strong interest coverage that is paid to us as interest income which covers our dividend. The new investments we made during the quarter ended March 31st and in this quarter should help us grow income. Additionally, we have ample liquidity to make new investments to continue to grow income."

## RESULTS OF OPERATIONS

Set forth below are the results of operations for the three month periods ended March 31, 2009 and 2008.

### Investment Income

Investment income for the three months ended March 31, 2009 and 2008, was \$10.4 million and \$9.7 million, respectively. Investment income for the three months ended March 31, 2009 was primarily attributed to \$4.3 million from senior secured loan investments, \$3.4 million from second lien secured debt investments, and \$2.5 million from subordinated debt investments. Investment income for the three months ended March 31, 2008 was primarily attributed to \$3.7 million from senior secured loan investments, \$3.9 million from second lien secured debt investments, and \$1.8 million from subordinated debt investments. The remaining investment income for the same periods was primarily attributed to interest income from short-term investments and to net accretion of discount and amortization of premium.

Investment income for the six months ended March 31, 2009 and 2008, was \$22.5 million and \$18.7 million, respectively. Investment income for the six months ended March 31, 2009 was primarily attributed to \$9.3 million from senior secured loan investments, \$7.3 million from second lien secured debt investments, and \$5.0 million from subordinated debt investments. Investment income for the six months ended March 31, 2008 was primarily attributed to \$7.9 million from senior secured loan investments, \$6.8 million from second lien secured debt investments, and \$3.5 million from subordinated debt investments. The remaining investment income for the six months ended March 31, 2009 and 2008 of \$0.9 million and \$0.5 million, respectively, was primarily attributed to interest income from short-term investments and to net accretion of discount and amortization of premium.

### Net Expenses

Net expenses for the three months ended March 31, 2009 and 2008 totaled \$5.2 million and \$5.3 million, respectively. Of these totals \$1.8 million and \$1.5 million were attributable to base management fees, \$1.3 million and \$1.0 million were attributable to performance-based incentive fees, \$1.2 million and \$1.7 million were attributable to credit facility related expenses, and \$0.9 million and \$1.1 million were attributable to general and administrative expenses, respectively.

Net expenses for the six months ended March 31, 2009 and 2008, totaled \$11.5 million and \$9.5 million, respectively. Of these totals \$3.6 million and \$2.9 million were attributable to base management fees, \$2.8 million and \$1.4 million were attributable to performance-based incentive fees, \$3.0 million and \$2.8 million were attributable to credit facility related expenses, and \$2.1 million and \$2.4 million were attributable to general and administrative expenses, respectively.

### Net Investment Income

Net investment income totaled \$5.3 million and \$11.0 million, or \$0.25 and \$0.52 per share, respectively, for the three and six months ended March 31, 2009, and \$4.4 million and \$9.2 million, or \$0.21 and \$0.44 per share, respectively, for the three and six months ended March 31, 2008.

### Net Realized Loss

Sales and repayments of long-term investments for the three and six months ended March 31, 2009 totaled \$3.3 million and \$5.5 million, and realized losses totaled \$5.3 million and \$6.1 million, respectively, due to the sale of senior secured loans. Sales and repayments of long-term investments totaled approximately \$0.9 million and \$5.2 million, and net realized losses totaled approximately \$8,500 and \$219,000, respectively, for the three and six months ended March 31, 2008.

### Net Unrealized Appreciation/Depreciation on Investments, cash equivalents and credit facility

For the three and six months ended March 31, 2009, the Company's investments had a net unrealized appreciation of \$27.3 million and a net unrealized depreciation of \$15.1 million, respectively. For the three and six months ended March 31, 2009, the Company's credit facility experienced a net unrealized depreciation of \$14.9 million and \$20.6 million, respectively. For the three and six months ended March 31, 2008, the Company's investments and cash equivalents had a net increase in unrealized depreciation of \$37.8 million and \$53.8 million, respectively.

On March 31, 2009 and September 30, 2008, net unrealized depreciation on investments and cash equivalents totaled \$87.1 million and \$72.0 million, respectively, primarily due to the continued downturn in the leveraged finance credit market. On March 31, 2009 unrealized depreciation on the credit facility was \$62.4 million.

### Net Increase/Decrease in Net Assets from Operations

Net increase in net assets resulting from operations totaled \$42.2 million and \$10.4 million, or \$2.00 per share and \$0.49 per share, respectively, for the three and six months ended March 31, 2009, primarily due to an increase in investment values and a decline in the market value of our credit

facility.

Net decrease in net assets resulting from operations totaled \$33.3 million and \$44.9 million, or \$1.58 and \$2.13 per share, respectively, for the three and six months ended March 31, 2008, primarily due to the overall decline in market values for investments held in our portfolio.

#### LIQUIDITY AND CAPITAL RESOURCES

Our liquidity and capital resources are generated primarily through its senior secured, multi-currency, \$300 million, five-year revolving credit facility maturing in June 2012 as well as from cash flows from operations, investment sales and prepayments, and income earned from investments and cash equivalents. On March 31, 2009, we had \$187.7 million in borrowings outstanding with a fair market value under GAAP of \$125.3 million, and had cash equivalents of \$29.9 million.

During the six months ended March 31, 2009, we generated operating cash flows primarily from interest earned on debt investments, and our primary use of funds for operations during the same period consisted of investments in portfolio companies, payments of fees and other operating expenses we incurred. Our operating activities resulted in net cash inflows of \$4.1 million and \$14.1 million, respectively, for the three and six months ended March 31, 2009, and our financing activities resulted in a net cash outflow of \$25.3 million and \$24.4 million for the same periods, primarily from repayments under our credit facility.

During the six months ended March 31, 2008, we generated operating cash flows primarily from interest earned on debt investments, and our primary use of funds for operations during the same period consisted of investments in portfolio companies, payments of fees and other operating expenses we incurred. Our operating activities resulted in a net cash outflow of \$98.9 million and \$351.9 million, respectively, for the three and six months ended March 31, 2008, and our financing activities resulted in a net cash inflow of \$98.3 million and \$175.2 million for the same periods, primarily from borrowings under our credit facility.

#### DISTRIBUTIONS

Distributions declared to stockholders for the three and six months ended March 31, 2009 totaled \$5.1 million and \$10.1 million or \$0.24 and \$0.48 per share, respectively. Distributions declared to stockholders for the three and six months ended March 31, 2008 totaled \$4.6 million and \$9.3 million or \$0.22 and \$0.44 per share, respectively.

Tax characteristics of all dividends will be reported to stockholders on form 1099-DIV after the end of the calendar year.

### PENNANTPARK INVESTMENT CORPORATION STATEMENTS OF ASSETS AND LIABILITIES

March 31, 2009    September 30,  
(unaudited)    2008

#### Assets

Investments at fair value		
Non-controlled, non-affiliated investments, at fair value (cost -- \$433,594,451 and \$427,481,745, respectively)	\$ 347,599,004	\$ 354,261,950
Non-controlled, affiliated investments, at fair value (cost -- \$17,024,962 and \$16,692,261, respectively)	15,898,202	17,885,870
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Total investments at fair value	363,497,206	372,147,820
Cash equivalents	29,906,268	40,249,201
Interest receivable	6,734,435	6,046,199
Prepaid expenses and other assets	1,110,498	1,367,479
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Total assets	401,248,407	419,810,699
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#### Liabilities

Distributions payable	5,056,505	5,056,505
Payable for investments purchased	9,257,269	--
Unfunded investments	4,665,231	--
Credit facility payable (fair value: \$125,254,911 and \$160,204,000, respectively) (cost: \$187,700,000 and \$202,000,000, respectively)	125,254,911	202,000,000
Interest payable on credit facility	74,128	725,317
Management fee payable	1,747,235	85,896
Performance-based incentive fee payable	1,320,317	123,033
Accrued other expenses	1,019,296	1,091,688

Total liabilities	148,394,892	209,082,439
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Net Assets		
Common stock, par value \$0.001 per share, 100,000,000 shares authorized and 21,068,772 shares issued and outstanding		
	21,069	21,069
Paid-in capital in excess of par	294,586,604	294,586,604
Undistributed (distributions in excess of) net investment income	318,791	(602,660)
Cumulative effect of adoption of fair value option (credit facility)	41,796,000	--
Accumulated net realized loss on investments and cash equivalents	(17,395,831)	(11,250,567)
Net unrealized depreciation on investments	(87,122,207)	(72,026,186)
Net unrealized depreciation on credit facility	20,649,089	--
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Total net assets	\$ 252,853,515	\$ 210,728,260
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Total liabilities and net assets	\$ 401,248,407	\$ 419,810,699
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Net asset value per share	\$ 12.00	\$ 10.00
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PENNANTPARK INVESTMENT CORPORATION  
STATEMENTS OF OPERATIONS  
(Unaudited)

	Three months ended		Six months ended	
	March 31, 2009	March 31, 2008	March 31, 2009	March 31, 2008
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Investment income:				
From non-controlled, non-affiliated investments:				
Interest	\$ 9,987,157	\$ 9,315,802	\$21,583,410	\$ 17,917,677
Other	111,737	35,910	227,494	55,882
From non-controlled, affiliated investments:				
Interest	325,820	362,210	690,319	743,791
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Total investment income	10,424,714	9,713,922	22,501,223	18,717,530
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Expenses:				
Base management fee	1,747,235	1,725,466	3,567,423	3,365,841
Performance-based incentive fee	1,320,317	1,000,725	2,762,299	1,448,107
Interest and other credit facility expenses	1,188,326	1,669,296	3,025,546	2,766,403
Administrative services expenses	356,093	548,631	976,495	1,212,321
Other general and administrative expenses	546,210	536,614	1,134,998	1,164,836
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Expenses before base				

management fee waiver	5,158,181	5,480,732	11,466,761	9,957,508
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Base management fee waiver	--	(215,684)	--	(420,731)
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Net expenses	5,158,181	5,265,048	11,466,761	9,536,777
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Net investment income	5,266,533	4,448,874	11,034,462	9,180,753
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Realized and unrealized gain (loss) on investments, cash equivalents and credit facility:				
Net realized loss on investments and cash equivalents	(5,258,194)	(8,483)	(6,145,264)	(219,374)
Net change in unrealized appreciation/ depreciation on:				
Non-controlled, non-affiliated investments and cash equivalents	27,887,439	(36,143,543)	(12,775,652)	(51,843,132)
Non-controlled, affiliated investments	(627,183)	(1,625,521)	(2,320,369)	(1,983,576)
Credit facility	14,930,395	--	20,649,089	--
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Net change in unrealized appreciation (depreciation)	42,190,651	(37,769,064)	5,553,068	(53,826,708)
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Net realized and unrealized gain (loss) from investments, cash equivalents, and credit facility	36,932,457	(37,777,547)	(592,196)	(54,046,082)
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Net increase (decrease) in net assets resulting from operations	\$42,198,990	\$(33,328,673)	\$10,442,266	\$(44,865,329)
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Gain (loss) per common share	\$ 2.00	\$ (1.58)	\$ 0.49	\$ (2.13)

#### ABOUT PENNANTPARK INVESTMENT CORPORATION

PennantPark Investment Corporation is a business development company which principally invests in U.S. middle-market private companies in the form of mezzanine debt, senior secured loans and equity investments. From time to time, we may also invest in public companies whose securities are thinly traded. PennantPark Investment Corporation is managed by PennantPark Investment Advisers, LLC.

#### FORWARD-LOOKING STATEMENTS

This press release may contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical facts included in this press release are forward-looking statements and are not guarantees of future performance or results and involve a number of risks and uncertainties. Actual results may differ materially from those in the forward-looking statements as a result of a number of factors, including those described from time to time in filings with the Securities and Exchange Commission. The Company undertakes no duty to update any forward-looking statement made herein. All forward-looking statements speak only as of the date of this press release.

We may use words such as "anticipates," "believes," "expects," "intends," "will," "should," "may" and similar expressions to identify forward-looking statements. Such statements are based on currently available operating, financial and competitive information and are subject to various risks and

uncertainties that could cause actual results to differ materially from our historical experience and our present expectations. Undue reliance should not be placed on such forward-looking statements as such statements speak only as of the date on which they are made. We do not undertake to update our forward-looking statements unless required by law.

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