



**NEWS RELEASE**

**Contact:**

**Robert M. Thornton, Jr.**  
**Chief Executive Officer**  
**(770) 933-7000**

**SUNLINK HEALTH SYSTEMS, INC. ANNOUNCES FISCAL 2010  
ANNUAL AND FOURTH QUARTER RESULTS**

**ATLANTA, Georgia** (October 12, 2010) – SunLink Health Systems, Inc. (NYSE Amex Equities: SSY) today announced a loss from continuing operations for its fourth fiscal quarter ended June 30, 2010 of \$1,498,000, or a loss of \$0.19 per fully diluted share, compared to earnings from continuing operations of \$850,000, or \$0.11 per fully diluted share, for the quarter ended June 30, 2009. For the fiscal year ended June 30, 2010, SunLink reported a loss from continuing operations of \$930,000, or a loss of \$0.12 per fully diluted share, compared to earnings of \$1,067,000, or \$0.13 per fully diluted share, for the comparable period last year.

SunLink reported a net loss of \$1,516,000, or a loss of \$0.19 per fully diluted share, for the quarter ended June 30, 2010, compared to net earnings of \$891,000, or \$0.11 per fully diluted share, for the comparable quarter a year ago. For the fiscal year ended June 30, 2010, SunLink reported net earnings of \$102,000, or \$0.01 per fully diluted share compared to net earnings of \$912,000, or \$0.11 per share, for the fiscal year ended June 30, 2009.

Consolidated net revenues for the quarters ended June 30, 2010 and 2009 were \$48,982,000 and \$48,928,000, respectively, an increase of 0.1% in the current year's quarter. The Healthcare Facilities segment net revenues in the current quarter of \$40,202,000 increased \$1,546,000, or 4.0%, compared to \$38,656,000 for the comparable quarter a year ago. The fourth quarter's results included \$884,000 from state indigent care programs and positive prior year third-party payor settlements compared to \$771,000 in the quarter ended June 30, 2009. SunLink's Specialty Pharmacy segment net revenues of \$8,780,000 for the quarter ended June 30, 2010 decreased \$1,492,000 from the prior year. Consolidated net revenues for the fiscal year ended June 30, 2010 decreased by 0.1% to \$197,784,000 compared to \$198,055,000 in the comparable period a year ago. The Specialty Pharmacy segment had \$42,962,000 of net revenue for the year ended June 30, 2010 compared to \$46,130,000 last year. The Healthcare Facilities segment net revenues in the fiscal year ended June 30, 2010 of \$154,822,000 compared to \$151,925,000 for the comparable period a year ago.

The company had an operating loss from continuing operations for the quarter ended June 30, 2010 of \$2,055,000, which included a charge of \$1,202,000 for impairment of construction in progress, compared to an operating profit for continuing operations for the quarter ended June 30, 2009 of \$2,354,000, which included \$433,000 impairment of construction in progress. Adjusted EBITDA (a non-GAAP measure of the liquidity of the company) at SunLink's Healthcare Facilities segment in the fourth fiscal quarter decreased to \$2,237,000 from \$4,005,000 in the comparable quarter a year ago. Adjusted EBITDA for SunLink's Specialty Pharmacy segment was a loss of \$12,000 in the fourth fiscal quarter compared to Adjusted EBITDA of \$1,205,000 in the comparable quarter a year ago. The operating loss for

2010 resulted from the \$2,985,000 reduction in Adjusted EBITDA for the company's two operating segments this year as compared to last year and the \$769,000 increase in impairment of construction in progress this year. Operating profit from continuing operations for the fiscal year ended June 30, 2010 was \$1,720,000, or 0.9% of net revenues, compared to \$5,679,000, or 2.9% of net revenues, for the fiscal year ended June 30, 2009.

SunLink Health Systems, Inc. currently operates seven community hospitals, three nursing homes and one home care business in the Southeast and Midwest and its specialty pharmacy business, SunLink ScriptsRx, in Louisiana. Each SunLink hospital is the only hospital in its community. SunLink's operating strategy is to link patients' needs with dedicated physicians and health professionals to deliver quality, efficient medical care and healthcare products and services in each area it serves. For additional information on SunLink Health Systems, Inc., please visit the company's website at [www.sunlinkhealth.com](http://www.sunlinkhealth.com).

This press release contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 including, without limitation, statements regarding the company's business strategy. These forward-looking statements are subject to certain risks, uncertainties and other factors, which could cause actual results, performance and achievements to differ materially from those anticipated. Certain of those risks, uncertainties and other factors are disclosed in more detail in the company's Annual Report on Form 10-K for the year ended June 30, 2009 and other filings with the Securities and Exchange Commission which can be located at [www.sec.gov](http://www.sec.gov).

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### **Adjusted earnings before income taxes, interest, depreciation and amortization**

Earnings before income taxes, interest, depreciation and amortization (“EBITDA”) represent the sum of income before income taxes, interest, depreciation and amortization. We understand that certain industry analysts and investors generally consider EBITDA to be one measure of the liquidity of the company, and it is presented to assist analysts and investors in analyzing the ability of the company to generate cash, service debt and meet capital requirements. We believe increased EBITDA is an indicator of improved ability to service existing debt and to satisfy capital requirements. EBITDA, however, is not a measure of financial performance under accounting principles generally accepted in the United States of America and should not be considered an alternative to net income as a measure of operating performance or to cash liquidity. Because EBITDA is not a measure determined in accordance with accounting principles generally accepted in the United States of America and is thus susceptible to varying calculations, EBITDA, as presented, may not be comparable to other similarly titled measures of other corporations. Net cash provided by (used in) operations for the three and twelve months ended June 30, 2010 and 2009, respectively, is shown below. Healthcare Facilities Adjusted EBITDA and Specialty Pharmacy Adjusted EBITDA is the EBITDA for those facilities without any allocation of corporate overhead and gains on sale of businesses.

	<b>Three Months Ended</b>		<b>Twelve Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Healthcare Facilities Adjusted EBITDA	\$2,237,000	\$4,005,000	\$10,781,000	\$14,631,000
Specialty Pharmacy Adjusted EBITDA	(12,000)	1,205,000	1,218,000	3,394,000
Corporate overhead costs	(1,334,000)	(1,056,000)	(4,616,000)	(5,017,000)
Taxes and interest expense	677,000	(1,517,000)	(2,815,000)	(4,668,000)
Other non-cash expenses and net change in operating assets and liabilities	778,000	1,518,000	(640,000)	(3,910,000)
Net cash provided by operations	<u>\$2,346,000</u>	<u>\$4,155,000</u>	<u>\$ 3,928,000</u>	<u>\$ 4,430,000</u>

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**SUNLINK HEALTH SYSTEMS, INC. ANNOUNCES  
FISCAL 2010 FOURTH QUARTER AND FULL YEAR  
RESULTS**

Amounts in 000's, except per share and volume amounts

**CONSOLIDATED STATEMENTS OF EARNINGS**

	Three Months Ended June 30,				Twelve Months Ended June 30,			
	2010		2009		2010		2009	
	Amount	% of Net Revenues	Amount	% of Net Revenues	Amount	% of Net Revenues	Amount	% of Net Revenues
Net Revenues	\$ 48,982	100.0%	\$48,928	100.0%	\$ 197,784	100.0%	\$ 198,055	100.0%
Costs and Expenses:								
Cost of goods sold	5,495	11.2%	6,467	13.2%	29,539	14.9%	31,766	16.0%
Salaries, wages and benefits	19,610	40.0%	19,121	39.1%	79,782	40.3%	78,813	39.8%
Provision for bad debts	6,811	13.9%	6,075	12.4%	26,193	13.2%	23,334	11.8%
Supplies	3,667	7.5%	3,841	7.9%	15,459	7.8%	14,744	7.4%
Purchased services	3,246	6.6%	2,834	5.8%	12,271	6.2%	11,548	5.8%
Other operating expenses	8,405	17.2%	5,652	11.6%	23,841	12.1%	21,616	10.9%
Rents and leases	857	1.7%	825	1.7%	3,316	1.7%	3,226	1.6%
Impairment of construction in progress	1,202	2.5%	-	0.0%	1,202	0.6%	433	0.2%
Depreciation and amortization	1,744	3.6%	1,759	3.6%	6,803	3.4%	6,896	3.5%
Gain on sales of Home Health businesses	-	0.0%	-	0.0%	(2,342)	-1.2%	-	0.0%
Operating Profit (Loss)	(2,055)	-4.2%	2,354	4.8%	1,720	0.9%	5,679	2.9%
Gain on sales of assets	-	0.0%	-	0.0%	-	0.0%	180	0.1%
Interest Expense	(861)	-1.8%	(947)	-1.9%	(3,471)	-1.8%	(3,765)	-1.9%
Interest Income	2	0.0%	11	0.0%	14	0.0%	50	0.0%
Earnings (Loss) from Continuing Operations before Income Taxes	(2,914)	-5.9%	1,418	2.9%	(1,737)	-0.9%	2,144	1.1%
Income Tax Expense (Benefit)	(1,416)	-2.9%	568	1.2%	(807)	-0.4%	1,077	0.5%
Earnings (Loss) from Continuing Operations	(1,498)	-3.1%	850	1.7%	(930)	-0.5%	1,067	0.5%
Earnings (Loss) from Discontinued Operations, net of income taxes	(18)	0.0%	41	0.1%	1,032	0.5%	(155)	-0.1%
Net Earnings (Loss)	\$ (1,516)	-3.1%	\$ 891	1.8%	\$ 102	0.1%	\$ 912	0.5%
Earnings (Loss) Per Share from Continuing Operations:								
Basic	\$ (0.19)		\$ 0.11		\$ (0.12)		\$ 0.13	
Diluted	\$ (0.19)		\$ 0.11		\$ (0.12)		\$ 0.13	
Earnings (Loss) Per Share from Discontinued Operations:								
Basic	\$ (0.00)		\$ 0.01		\$ 0.13		\$ (0.02)	
Diluted	\$ (0.00)		\$ 0.01		\$ 0.13		\$ (0.02)	
Net Earnings (Loss) Per Share:								
Basic	\$ (0.19)		\$ 0.11		\$ 0.01		\$ 0.11	
Diluted	\$ (0.19)		\$ 0.11		\$ 0.01		\$ 0.11	
Weighted Average Common Shares Outstanding:								
Basic	8,058		8,001		8,052		7,975	
Diluted	8,058		8,020		8,052		8,019	

**HEALTHCARE FACILITIES VOLUME STATISTICS**

Admissions	1,769	1,952	7,486	8,397
Equivalent Admissions	5,927	6,000	24,127	24,548
Surgeries	887	988	3,813	3,805
Net revenue per equivalent admission	\$ 6,783	\$ 6,443	\$ 6,417	\$ 6,189

**SUMMARY BALANCE SHEETS**

	June 30, 2010	June 30, 2009
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,704	\$ 2,364
Accounts Receivable - net	17,233	21,116
Other Current Assets	15,697	13,543
Property Plant and Equipment, net	41,356	46,122
Long-term Assets	22,500	24,238
	<u>\$ 98,490</u>	<u>\$ 107,383</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current Liabilities	\$ 19,106	\$ 25,400
Long-term Debt and Other Noncurrent Liabilities	36,692	39,591
Shareholders' Equity	42,692	42,392
	<u>\$ 98,490</u>	<u>\$ 107,383</u>