



**FOR IMMEDIATE RELEASE**

**NEWS RELEASE**

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**SUNLINK HEALTH SYSTEMS, INC. ANNOUNCES FISCAL 2010  
FIRST QUARTER RESULTS**

**ATLANTA, Georgia** (November 13, 2009) – SunLink Health Systems, Inc. (NYSE Amex: SSY) today announced earnings from continuing operations for its fiscal quarter ended September 30, 2009 of \$549,000, or \$0.07 per fully diluted share, compared to a loss from continuing operations of \$603,000, or \$0.08 per fully diluted share, for the quarter ended September 30, 2008. Included in the results for the fiscal quarter ended September 30, 2009 is the pre-tax gain of \$2,342,000 from the September 2009 sale of three home health businesses.

SunLink reported net earnings of \$496,000, or \$0.06 per fully diluted share for the quarter ended September 30, 2009, compared to a net loss of \$664,000, or \$0.08 per fully diluted share for the comparable quarter a year ago.

Consolidated net revenues from continuing operations for the quarters ended September 30, 2009 increased by 2.5% to \$47,825,000 compared to \$46,678,000 in the comparable period a year ago. The Specialty Pharmacy Segment net revenues of \$10,332,000 in the quarter ended September 30, 2009 increased \$721,000, or 7.5% from the prior year. The Healthcare Facilities Segment net revenues of \$37,493,000 in the current quarter increased \$426,000, or 1.1%, from the prior year and included \$337,000 from state indigent care programs and positive prior year third-party payor settlements compared to \$678,000 in the quarter ended September 30, 2008.

The company reported operating profit from continuing operations for the quarter ended September 30, 2009 of \$2,048,000 compared to an operating profit for the quarter ended September 30, 2008 of \$78,000. Included in operating profit in the current year is the pre-tax gain of \$2,342,000 on the sale of the home health businesses. Excluding this gain, the operating profit in the current year decreased \$372,000, primarily due to increased bad debt expense for the Healthcare Facilities Segment. In the quarter ended September 30, 2009 the provision for bad debts as a percentage of net revenue for the Healthcare Facilities Segment increased to 17.1% from 14.4% last year, or approximately \$1,073,000. Adjusted EBITDA at SunLink's Healthcare Facilities Segment (a non-GAAP measure of the liquidity of a company) in the first fiscal quarter decreased to \$1,829,000 from \$2,566,000 in the comparable quarter a year ago. Adjusted EBITDA for SunLink's Specialty Pharmacy Segment increased to \$660,000 from \$622,000 in the comparable quarter a year ago.

Robert M. Thornton, Jr., SunLink's CEO, said, "This quarter's Healthcare Facilities Segment results were negatively impacted by the higher provision for bad debts as well as weak volume. Unemployment has increased in each of our Healthcare Facilities markets over the last year and ranges from 8.2% to 14.0% in our communities. We believe the lost jobs in our

communities have contributed to the reduction in patient volume as well as increased bad debts. Equivalent admissions increased 4.9% in this year's quarter, but not enough to offset the 11.7% decline in inpatient admissions. In our efforts to increase volume across our system we continue to recruit physicians, with a net total of seven recruited this quarter.

“The Specialty Pharmacy Segment was a meaningful contributor this quarter and increased its net revenues 7.5% and its EBITDA contribution 6.1% in the quarter.

“We invested \$872,000 in capital in our facilities this quarter, including equipment upgrades and replacements at six facilities and at Carmichael's. These investments are designed to improve the attractiveness of our facilities to physicians and patients, and, in the case of Carmichael's, to enhance the efficiency of their operations.

“Our achievements of clinical excellence throughout the SunLink system have not gone unrecognized. Recently the company's Gilmer Nursing Home was chosen as one of Consumers' Research of American's Top Nursing Homes and is included in its annual Guide to Top Nursing Homes' for the second consecutive year.”

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 months ended September 30, 2009 and 2008, 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.

	Three Months ended September 30,	
	2009	2008
Healthcare Facilities Adjusted EBITDA	\$1,829,000	\$2,566,000
Specialty Pharmacy Adjusted EBITDA	660,000	622,000
Corporate overhead costs	(1,121,000)	(1,405,000)
Taxes and interest expense	(1,463,000)	(714,000)
Other non-cash expenses and net changes in operating assets and liabilities	(409,000)	(1,999,000)
Net cash used in operations	<u>\$ (504,000)</u>	<u>\$ (930,000)</u>

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