



NEWS RELEASE

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**SUNLINK HEALTH SYSTEMS, INC. ANNOUNCES FISCAL 2011
FIRST QUARTER RESULTS**

ATLANTA, Georgia (November 15, 2010) – SunLink Health Systems, Inc. (NYSE Amex Equities: SSY) today announced a loss from continuing operations for its fiscal quarter ended September 30, 2010 of \$2,645,000, or a loss of \$0.33 per fully diluted share, compared to earnings from continuing operations of \$549,000, or \$0.07 per fully diluted share, for the quarter ended September 30, 2009. 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 a net loss of \$2,769,000, or a loss of \$0.34 per fully diluted share, for the quarter ended September 30, 2010, compared to net earnings of \$496,000, or \$0.06 per fully diluted share, for the comparable quarter a year ago.

Consolidated net revenues from continuing operations for the quarter ended September 30, 2010 decreased by 8.0% to \$44,204,000 compared to \$48,067,000 in the comparable period a year ago. The Specialty Pharmacy Segment net revenues of \$8,902,000 in the quarter ended September 30, 2010 decreased \$1,124,000, or 11.2%, from the prior year. The Healthcare Facilities Segment net revenues of \$35,302,000 in the quarter ended September 30, 2010, decreased \$2,739,000, or 7.2%, from the comparable quarter of the prior year and included \$851,000 from state indigent care programs and positive prior year third-party payor settlements compared to \$828,000 in the quarter ended September 30, 2009.

The company had an operating loss from continuing operations for the quarter ended September 30, 2010 of \$2,608,000 compared to an operating profit of \$2,048,000 for the quarter ended September 30, 2009. Included in operating profit for the quarter ended September 30, 2009, was a pre-tax gain of \$2,342,000 on the sale of the home health businesses. 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 an Adjusted EBITDA loss of \$42,000 from Adjusted EBITDA of \$1,829,000 in the comparable quarter a year ago. Adjusted EBITDA for SunLink's Specialty Pharmacy Segment decreased to \$183,000 from \$660,000 in the comparable quarter a year ago.

Robert M. Thornton, Jr., SunLink's chief executive officer, stated, "We have implemented initiatives to strengthen our management and operations and to help counter the economic headwinds in our Healthcare Facilities and Specialty Pharmacy Segments. Our initiatives include facility upgrades and technology enhancements at our hospitals, and management changes, including appointing Byron D. Finn as president of our specialty

pharmacy company, SunLink ScriptsRx, LLC. Our goal is to improve our business segments' results in line with our beliefs about their potential. Additionally, our Board of Directors continues to evaluate strategic alternatives, which it believes have the potential to increase shareholder value.”

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.

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, 2010 and other filings with the Securities and Exchange Commission which can be located at 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, 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.

	Three Months Ended	
	September 30,	
	2010	2009
Healthcare Facilities Adjusted EBITDA	\$ (42,000)	\$ 1,829,000
Specialty Pharmacy Adjusted EBITDA	183,000	660,000
Corporate overhead costs	(1,156,000)	(1,121,000)
Taxes and interest expense	38,000	(1,463,000)
Other non-cash expenses and net change in operating assets and liabilities	<u>1,958,000</u>	<u>(409,000)</u>
Net cash provided by (used in) operations	<u>\$ 981,000</u>	<u>\$ (504,000)</u>

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

CONSOLIDATED STATEMENTS OF EARNINGS

	Three Months Ended September 30,			
	2010		2009	
	Amount	% of Net Revenues	Amount	% of Net Revenues
Net Revenues	\$ 44,204	100.0%	\$ 48,067	100.0%
Costs and Expenses:				
Cost of goods sold	5,808	13.1%	6,630	13.8%
Salaries, wages and benefits	19,301	43.7%	19,960	41.5%
Provision for bad debts	6,224	14.1%	6,512	13.5%
Supplies	3,653	8.3%	3,868	8.0%
Purchased services	3,051	6.9%	3,018	6.3%
Other operating expenses	6,343	14.3%	5,891	12.3%
Rents and leases	839	1.9%	820	1.7%
Depreciation and amortization	1,593	3.6%	1,662	3.5%
Gain on sales of Home Health businesses	-	0.0%	(2,342)	-4.9%
Operating Profit	(2,608)	-5.9%	2,048	4.6%
Interest Expense	(848)	-1.9%	(919)	-2.1%
Interest Income	1	0.0%	3	0.0%
Earnings (Loss) from Continuing Operations before Income Taxes	(3,455)	-7.8%	1,132	2.6%
Income Tax Expense (Benefit)	(810)	-1.8%	583	1.3%
Earnings (Loss) from Continuing Operations	(2,645)	-6.0%	549	1.2%
Loss from Discontinued Operations, net of income taxes	(124)	-0.3%	(53)	-0.1%
Net Earnings (Loss)	\$ (2,769)	-6.3%	\$ 496	1.1%
Earnings (Loss) Per Share from Continuing Operations:				
Basic	\$ (0.33)		\$ 0.07	
Diluted	\$ (0.33)		\$ 0.07	
Loss Per Share from Discontinued Operations:				
Basic	\$ (0.02)		\$ (0.01)	
Diluted	\$ (0.02)		\$ (0.01)	
Net Earnings Per Share:				
Basic	\$ (0.34)		\$ 0.06	
Diluted	\$ (0.34)		\$ 0.06	
Weighted Average Common Shares Outstanding:				
Basic	8,081		8,050	
Diluted	8,081		8,070	

HEALTHCARE FACILITIES VOLUME STATISTICS

Admissions	1,620	1,850
Equivalent Admissions	5,869	6,423
Surgeries	837	961
Net revenue per equivalent admissions	\$ 6,015	\$ 5,834

SUMMARY BALANCE SHEETS

	September 30, 2010	June 30, 2010
ASSETS		
Cash and Cash Equivalents	\$ 2,877	\$ 1,704
Accounts Receivable - net	16,420	17,233
Other Current Assets	15,582	15,697
Property Plant and Equipment, net	40,629	41,356
Long-term Assets	22,221	22,500
	<u>\$ 97,729</u>	<u>\$ 98,490</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities	\$ 49,894	\$ 19,106
Long-term Debt and Other Noncurrent Liabilities	7,893	36,692
Shareholders' Equity	39,942	42,692
	<u>\$ 97,729</u>	<u>\$ 98,490</u>