NEWS RELEASE
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SUNLINK HEALTH SYSTEMS, INC. ANNOUNCES FISCAL 2022 SECOND QUARTER RESULTS AND COVID-19 UPDATE

ATLANTA, Georgia (February 14, 2022) – SunLink Health Systems, Inc. (NYSE American: SSY) today announced a loss from continuing operations of $477,000 (or a loss of $0.07 per fully diluted share) for its second fiscal quarter ended December 3, 2021 compared to earnings from continuing operations of $3,146,000 ($0.46 per fully diluted share) for the second fiscal quarter ended December 31, 2020.

Provider Relief Funds ("PRF") of $614,000 (pre-tax) were reported as income in the quarter ended December 31, 2021 compared to $3,417,000 (pre-tax) in the quarter ended December 31, 2020. Our Healthcare and Pharmacy segments have received approximately $6,173,000 in general and targeted PRF distributions during the period April 1, 2020 through December 31, 2021, The PRF funds were received under the Coronavirus Aid Relief and Economic Security ("CARES") Act enacted in March 2020 in response to the COVID-19 pandemic. The PRF distributions have been accounted for as government grants and are recognized as other income.

Net loss for the quarter ended December 31, 2021 was $593,000 (or a loss of $0.09 per fully diluted share) compared to net earnings of $3,074,000 ($0.45 per fully diluted share) for the quarter ended December 31, 2020.

Consolidated net revenues for the quarters ended December 31, 2021 and 2020 were $10,411,000 and $10,150 ,000, respectively, an increase of 2.6% in the current year's quarter compared to the comparable quarter of the prior fiscal year. Net revenues increased in the current fiscal quarter primarily due to an increase in Healthcare Facilities net revenue and increased Pharmacy Segment institutional pharmacy and durable medical equipment revenues.

SunLink reported an operating loss for the quarter ended December 31, 2021 of $1,072,000 compared to an operating loss for the quarter ended December 31, 2020 of $254,000, due primarily to increased costs of salaries, wages and benefits, supplies, purchased services and other operating expenses.

Loss from discontinued operations was $116,000 (or a loss of $0.02 per fully diluted share) for the quarter ended December 31, 2021 compared to a loss from discontinued operations of $72,000 (or a loss of $0.01 per fully diluted share) for the quarter ended December 31, 2020.

For the six months ended December 31, 2021, SunLink reported earnings from continuing operations of $1,529,000 ($0.22 per fully diluted share) compared to earnings from continuing operations of $2,855,000 ($0.41 per fully diluted share) for the six months ended

December 31, 2020. Net earnings for the six months ended December 31, 2021 were $1,346,000 ($0.19 per fully diluted share) compared to net earnings of $2,734,000 ($0.40 per fully diluted share) for the six months ended December 31, 2020.

Consolidated net revenues for the six months ended December 31, 2021 and 2020 were $20,936,000 and $20,572,000, respectively, an increase of 1.8% in the current year's six months compared to the comparable period of the prior fiscal year. The net revenue increased in the current six month period, was due primarily to increased Pharmacy Segment retail pharmacy, institutional pharmacy and durable medical equipment revenues.

Loss from discontinued operations was $183,000 (or a loss of $0.03 per fully diluted share) for the six months ended December 31, 2021 compared to a loss from discontinued operations of $121,000 (or a loss of $0.02 per fully diluted share) for the six months ended December 31, 2020.

COVID-19 Pandemic

COVID-19 was declared a global pandemic by the World Health Organization on March 11, 2020. We have been monitoring the COVID-19 pandemic and its impact on our operations, and we have taken significant steps intended to minimize the risk to our employees and patients. Certain employees have been working remotely, but we believe these remote work arrangements have not materially affected our ability to maintain critical business operations, which are being conducted substantially in accordance with our understanding of applicable government health and safety protocols and guidance issued in response to the COVID-19 pandemic, although such protocols and guidance have changed frequently and at times, been unclear. Nevertheless, as in many healthcare environments, we have experienced COVID-19 illness, including deaths, and some employees have tested positive and were placed on leave or in quarantine. We believe the effect of the COVID-19 pandemic and certain of the public and governmental responses to it have negatively affected our last eight quarters results.

In late December 2020, we began receiving allotments of COVID-19 vaccine and, when vaccinating patients, providers, employees and staff, have done so in accordance with our understanding of the Federal protocols and guidelines in the states where we operate. Not all such individuals have been vaccinated to date and some individuals have not consented to vaccination. The Company and its subsidiaries are currently developing and implementing plans to vaccinate employees to the extent required by the final rules issued by CMS. The Company believes the vaccine mandates may result in the loss of certain staff, including clinical staff, which may impact the Company's ability to maintain the current levels of service.

In our Healthcare businesses, we have experienced material reductions in demand and net revenues due to the COVID-19 outbreak. Currently, there continues to be reduced demand for certain hospital services, and for extended care, rehabilitation center and nursing home admissions, and clinic visits. The availability and cost of medical supplies have adversely affected our Healthcare businesses, and we continue to monitor supplies and seek additional sources of many supply items. In addition, a reduction in the availability of qualified employees has also occurred, and, despite good faith efforts to do so, we have not yet been able to rehire or fully replace staff which were previously furloughed, laid off or retired.

Since the beginning of the COVID-19 pandemic, our Pharmacy business has experienced reduced sales trends in certain areas, increased costs and reduced staff. Many of our primary physician referral sources have operated at reduced capacity, and until these referral sources resume operations at full capacity, we believe the COVID-19 pandemic will continue to affect the demand for DME products and Retail and Institutional Pharmacy drugs and products. Reductions in employee hours have been made in response to the lower demand. Extended care facilities and rehabilitation centers, nursing homes and other customers of our Institutional Pharmacy services continue to be adversely affected by the COVID-19 pandemic. Our Institutional Pharmacy services have experienced increased costs and operational inefficiencies due to measures taken to protect our employees and by access controls and other restrictions implemented by our institutional customers. The impact of the COVID-19 pandemic has negatively affected our supply processes, especially with respect to access to respiratory equipment and certain personal protective equipment and cleaning products.

During the quarter ended June 30, 2020, our Healthcare and Pharmacy segments received $3,234,000 in PPP loans provided under the CARES Act. These loans were forgivable upon compliance with conditions specified under the PPP loan program and, as of December 31, 2021, all our PPP loans have been forgiven and recognized as other income.

Our Healthcare and Pharmacy segments have received approximately $6,173,000 in general and targeted PRF distributions during the period April 1, 2020 through December 31, 2021. The PRF distributions have been accounted for as government grants, and a total of $5,546,000 has been recognized since April l, 2020 as other income.

PRF distributions are not subject to repayment provided we are able to attest to and comply with the terms and conditions of the funding, including demonstrating that the funds received have been used for designated, allowable healthcare-related expenses and capital expenditures attributable to COVID-19 and for "Lost Revenues" as defined by HHS. We continue to monitor compliance with the terms and conditions of the PRF and the impact of the pandemic on our revenues and expenses. If we are unable to attest to or comply with current or future terms and conditions, and there is no assurance we will be able to do so, our ability to retain some or all of the PRF received may be impacted, and we may have to return the unutilized portion of those funds, if any, in the future

The Taxpayer Certainty and Disaster Tax Relief Act of 2020, enacted December 27, 2020, made a number of changes to employer retention tax credits previously made available under the CARES Act, including modifying and extending the Employee Retention Credit ("ERC") for the six calendar months ending June 30, 2021. As a result of such legislation, the Company qualified for ERC for the first and second calendar quarters of 2021 due to the decrease in its gross receipts and recognized ERC of $3,586,000 as a reduction of salaries, wages and benefits in its fiscal year ended June 30, 2021.

Going forward, the Company is unable to determine the extent to which the COVID-19 pandemic will continue to affect its assets and operations. Our ability to make estimates of the effect of the COVID-19 pandemic on revenues, expenses or changes in accounting judgments that have had or are reasonably likely to have a material effect on our financial statements is currently limited. The nature and extent of the effect of the COVID-19 pandemic on our balance sheet and results of operations will depend on the severity and length of the pandemic; government actions to mitigate the pandemic's effect; regulatory changes in response to the pandemic, especially those that affect our hospital, extended care, rehabilitation center, nursing home, clinics, and our pharmacy operations; existing and potential government assistance that may be provided; and the requirements of PRF receipts, including our ability to retain such PRF received.

SunLink Health Systems, Inc. is the parent company of subsidiaries that own and operate healthcare properties and businesses in the Southeast. Each of the Company's businesses is operated locally with a strategy of linking patients' needs with healthcare professionals. For additional information on SunLink Health Systems, Inc., please visit the Company's website.

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, 2021 and other filings with the Securities and Exchange Commission which can be located at www.sec.gov.

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SUNLINK HEALTH SYSTEMS, INC. ANNOUNCES
FISCAL 2022 SECOND QUARTER AND COVID-19 UPDATE
Amounts in 000's, except per share

CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

	Three Months Ended December 31, 2021 Amount	2021 % of Net Revenues	2020 Amount	2020 % of Net Revenues	Six Months Ended December 31, 2021 Amount	2021 % of Net Revenues	2020 Amount	2020 % of Net Revenues
Net Revenues	$ 10,411	100.0%	$ 10,150	100.0%	$ 20,936	100.0%	$ 20,572	100.0%
Costs and Expenses:								
Cost of goods sold	4,016	38.6%	3,918	38.6%	8,089	38.6%	7,988	38.8%
Salaries, wages and benefits	4,789	46.0%	4,226	41.6%	9,487	45.3%	8,611	41.9%
Supplies	308	3.0%	280	2.8%	608	2.9%	504	2.4%
Purchased services	783	7.5%	629	6.2%	1,645	7.9%	1,276	6.2%
Other operating expenses	1,101	10.6%	913	9.0%	2,183	10.4%	1,862	9.1%
Rents and leases	120	1.2%	120	1.2%	290	1.4%	290	1.4%
Depreciation and amortization	366	3.5%	318	3.1%	699	3.3%	618	3.0%
Operating loss	(1,072)	-10.3%	(254)	-2.5%	(2,065)	-9.9%	(577)	-2.8%
Forgiveness of PPP loans and accrued interest	0	0.0%	0	0.0%	3,010	14.4%	0	0.0%
Interest Expense - net	(3)	0.0%	(7)	-0.1%	(17)	-0.1%	(14)	-0.1%
Federal pandemic stimulus- provider relief funds	614	5.9%	3,417	33.7%	614	2.9%	3,448	16.8%
Gain on sale of assets	7	0.1%	5	0.0%	12	0.1%	13	0.1%
Earnings (Loss) from Continuing Operations before Income Taxes	(454)	-4.4%	3,161	31.1%	1,554	7.4%	2,870	14.0%
Income Tax expense	23	0.2%	15	0.1%	25	0.1%	15	0.1%
Earnings (Loss) from Continuing Operations	(477)	-4.6%	3,146	31.0%	1,529	7.3%	2,855	13.9%
Loss from Discontinued Operations, net of tax	(116)	-1.1%	(72)	-0.7%	(183)	-0.9%	(121)	-0.6%
Net Earnings (Loss)	$ (593)	-5.7%	$ 3,074	30.3%	$ 1,346	6.4%	$ 2,734	13.3%
Earnings (Loss) Per Share from Continuing Operations:								
Basic	$ (0.07)		$ 0.46		$ 0.22		$ 0.41	
Diluted	$ (0.07)		$ 0.46		$ 0.22		$ 0.41	
Earnings (Loss) Per Share from Discontinued Operations:								
Basic	$ (0.02)		$ (0.01)		$ (0.03)		$ (0.02)	
Diluted	$ (0.02)		$ (0.01)		$ (0.03)		$ (0.02)	
Net Earnings (Loss) Per Share:								
Basic	$ (0.09)		$ 0.45		$ 0.19		$ 0.40	
Diluted	$ (0.09)		$ 0.45		$ 0.19		$ 0.40	
Weighted Average Common Shares Outstanding:								
Basic	6,947		6,899		6,935		6,899	
Diluted	6,947		6,905		7,099		6,904	

SUMMARY BALANCE SHEETS

	December 31, 2021	June 30, 2021
ASSETS		
Cash and Cash Equivalents	$ 8,315	$ 9,962
Accounts Receivable - net	4,359	4,189
Other Current Assets	7,408	7,790
Property Plant and Equipment, net	7,382	6,554
Long-term Assets	2,719	3,069
	$ 30,183	$ 31,564
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities	$ 6,870	$ 9,665
Long-term Debt and Other Noncurrent Liabilities	1,106	1,089
Shareholders' Equity	22,207	20,810
	$ 30,183	$ 31,564