

Dear *Shareholder,*

In an uncertain time in the health care industry and an even more difficult time in our economy, NHC is proving that our culture, values, and commitment to our mission keeps us focused on providing quality care to our patients and successful results to you our shareholders.

The theme for our annual report, as well as our management and patient care conferences, is "Advancing Our Culture of Excellence." Since my father, Dr. Carl Adams, founded our company in 1971, we have never settled for just being a good operator of health care centers; instead we are constantly striving to improve to the next level of excellence. That desire is evident in the selection, training, and skills of the more than 12,000 partners who are part of the NHC family.

In the next few pages you will see not only our financial successes in 2008, but also the success of Dr. Adams' inspiration to build on the past, celebrate our achievements, and be excited about the future.

Earnings and Financial Position

Our net income available to common shareholders was \$27,698,000 or \$2.16 per share basic for the year ended Dec. 31, 2008, compared to \$43,618,000 or \$3.47 per share basic for the year ended Dec. 31, 2007. After removing \$20,808,000 of 2007 gains after taxes related to events that did not recur in 2008, NHC's net income available to common shareholders for 2008 increased 21.4% over the year ended Dec. 31, 2007. Annual revenues increased 8.51% from \$598,034,000 to \$648,943,000.

The year 2007 gains related to events that did not recur in 2008 include the recovery of notes receivable, the recognition of previously deferred gains, and the sale of assets.

Our occupancy and census mix continue to be strong at our health care centers. In 2008, our occupancy was 92.5%. Private pay and Medicare revenue accounted for 70% of our total revenue in 2008 compared to 68% in 2007.

Dividends

NHC increased its dividend by 14% in the second quarter of 2008. The current quarterly dividend is \$.24 per common share. We will continue to evaluate dividends for appropriateness.

Future

In 2009 NHC has already completed acquisition of Santee Hospice, LLC in South Carolina. We should complete construction of a 120-bed healthcare center in Bluffton, South Carolina, and we have begun construction of a 45 unit assisted living and dementia care center in Mauldin, South Carolina. We continue to evaluate expansion opportunities in all areas of senior care.

Thank you for your continued trust and investment in NHC. We remain steadfast in our commitment to you our investors, to our partners, and most importantly, to the patients we care for each and every day.

Sincerely,



Robert G. Adams
Chairman/CEO

