



## National Health Investors, Inc.

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### NHI reports 2006 year end results

MURFREESBORO, Tenn. -National Health Investors, Inc., (NYSE:NHI) announced net income for the year ended December 31, 2006 of \$69,228,000 or \$2.50 per common share, basic and \$2.49 per common share diluted, compared to net income of \$54,408,000 or \$1.96 per common share, basic and diluted for 2005. Net income for the year ended December 31, 2006 included income from recoveries of previous writedowns, gains from loan payoffs, gains from asset sales and prepayment penalties totaling \$15,688,000 or 57 cents per basic share and 56 cents per diluted share of common stock, compared to income in 2005 from similar items of \$6,349,000 or 23 cents per basic and diluted share of common stock.

Funds from operations ("FFO") for the year ended December 31, 2006 was \$74,221,000, or \$2.68 per basic and \$2.67 per diluted share of common stock compared to \$63,372,000, or \$2.29 per basic and \$63,453,000, or \$2.28 per diluted share in 2005. Funds from operations for the year ended December 31, 2006 included income from recoveries of previous writedowns, gains from loan payoffs, and prepayment penalties totaling \$9,874,000 or 36 cents per basic and diluted share of common stock, compared to income in 2005 from similar items of \$3,799,000 or 14 cents per basic and diluted share of common stock.

Net income for the fourth quarter ended December 31, 2006 was \$23,449,000 or 85 cents per basic and 84 cents per diluted common share of stock, compared to net income of \$12,259,000 or 44 cents per common share, basic and diluted for the same period in 2005. Net income for the fourth quarter ended December 31, 2006 included income from recoveries of previous writedowns and gains from loan payoffs totaling \$9,579,000 or 35 cents per basic and 34 cents per diluted share of common stock, compared to income in 2005 from similar items of \$471,000 or two cents per basic and diluted share of common stock.

For the fourth quarter ended December 31, 2006, FFO was \$26,193,000 or 95 cents per basic and 94 cents per diluted share of common stock compared to \$15,307,000 or 55 cents per basic and \$15,322,000 or 55 cents per diluted share for the same period in 2005. Funds from operations for the fourth quarter ended December 31, 2006 included income from recoveries of previous writedowns and gains from loan payoffs totaling \$9,579,000 or 35 cents per basic and 34 cents per diluted share of common stock compared to income in 2005 from similar items of \$564,000 or two cents per basic and diluted share of common stock.

National Health Investors, Inc. is a long-term health care real estate investment trust that specializes in the financing of health care real estate by first mortgage and by purchase and leaseback transactions. The common stock of the company trades on the New York Stock Exchange with the symbol NHI. Additional information including NHI's most recent press releases may be obtained on NHI's web site at [www.nhinvestors.com](http://www.nhinvestors.com)

*Statements in this press release that are not historical facts are forward-looking statements. NHI cautions investors that any forward-looking statements made involve risks and uncertainties and are not guarantees of future performance. All forward-looking statements represent NHI's judgment as of the date of this release.*

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**Condensed Statements of Income**

(in thousands, except share and per share amounts)

|  | Three Months Ended<br>December 31 |                         | Year Ended<br>December 31 |                         |
|--|-----------------------------------|-------------------------|---------------------------|-------------------------|
|  | 2006                              | 2005                    | 2006                      | 2005                    |
| <b>Revenues:</b>                                     |                                   |                         |                           |                         |
| Mortgage interest income                             | \$ 3,735                          | \$ 3,685                | \$ 14,981                 | \$ 18,226               |
| Rental income  | 11,718                            | 10,987                  | 46,281                    | 44,005                  |
| Facility operating revenues                          | 23,512                            | 21,200                  | 89,462                    | 84,693                  |
|  | <u>\$ 38,965</u>                  | <u>\$ 35,872</u>        | <u>\$ 150,724</u>         | <u>\$ 146,924</u>       |
| <b>Expenses:</b>                                     |                                   |                         |                           |                         |
| Interest expense                                     | \$ 2,026                          | \$ 2,056                | \$ 8,131                  | \$ 8,556                |
| Depreciation   | 3,053                             | 3,127                   | 11,845                    | 12,199                  |
| Amortization of loan costs                           | 34                                | 34                      | 135                       | 174                     |
| Legal expense  | 200                               | 203                     | 592                       | 570                     |
| Franchise, excise and other taxes                    | 18                                | 235                     | 204                       | 622                     |
| General and administrative                           | 1,868                             | 1,106                   | 5,344                     | 4,310                   |
| Loan and realty losses (recoveries)                  | (7,934)                           | (565)                   | (7,934)                   | 10,837                  |
| Facility operating expenses                          | 20,581                            | 20,110                  | 82,181                    | 79,452                  |
|  | <u>\$ 19,846</u>                  | <u>\$ 26,306</u>        | <u>\$ 100,498</u>         | <u>\$ 116,720</u>       |
| Income Before Non-Operating Income                   | \$ 19,119                         | \$ 9,566                | \$ 50,226                 | \$ 30,204               |
| Non-operating income (investment interest and other) | 4,327                             | 2,500                   | 12,721                    | 22,331                  |
| Income From Continuing Operations                    | <u>\$ 23,446</u>                  | <u>\$ 12,066</u>        | <u>\$ 62,947</u>          | <u>\$ 52,535</u>        |
| Discontinued Operations                              |                                   |                         |                           |                         |
| Operating income-discontinued operations             | 3                                 | 193                     | 467                       | 1,100                   |
| Net gain on sales of real estate                     | -                                 | -                       | 5,814                     | 773                     |
|  | <u>\$ 3</u>                       | <u>\$ 193</u>           | <u>\$ 6,281</u>           | <u>\$ 1,873</u>         |
| <b>Net income</b>                                    | <u><b>\$ 23,449</b></u>           | <u><b>\$ 12,259</b></u> | <u><b>\$ 69,228</b></u>   | <u><b>\$ 54,408</b></u> |
| Weighted average common shares outstanding:          |                                   |                         |                           |                         |
| Basic  | 27,699,239                        | 27,769,694              | 27,744,868                | 27,699,887              |
| Diluted  | 27,778,612                        | 27,835,147              | 27,778,764                | 27,830,886              |
| Earnings per share:                                  |                                   |                         |                           |                         |
| Basic:   |                                   |                         |                           |                         |
| Income from continuing operations                    | \$ 0.84                           | \$ 0.43                 | \$ 2.27                   | \$ 1.89                 |
| Discontinued operations                              | 0.01                              | 0.01                    | 0.23                      | 0.07                    |
| Net income available to common stockholders          | 0.85                              | 0.44                    | 2.50                      | 1.96                    |
| Diluted:   |                                   |                         |                           |                         |
| Income from continuing operations                    | \$ 0.83                           | \$ 0.43                 | \$ 2.26                   | \$ 1.89                 |
| Discontinued operations                              | 0.01                              | 0.01                    | 0.23                      | 0.07                    |
| Net income available to common stockholders          | 0.84                              | 0.44                    | 2.49                      | 1.96                    |
| Funds from operations                                |                                   |                         |                           |                         |
| Basic  | \$ 26,193                         | \$ 15,307               | \$ 74,221                 | \$ 63,372               |
| Diluted  | \$ 26,193                         | \$ 15,322               | \$ 74,221                 | \$ 63,453               |
| Funds from operations per common share               |                                   |                         |                           |                         |
| Basic  | \$ 0.95                           | \$ 0.55                 | \$ 2.68                   | \$ 2.29                 |
| Diluted  | \$ 0.94                           | \$ 0.55                 | \$ 2.67                   | \$ 2.28                 |
| Dividends declared per common share                  | \$ 0.93                           | \$ 0.45                 | \$ 2.37                   | \$ 1.80                 |

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### Balance Sheet Data

(in thousands)

|                                | December 31 |           |
|--------------------------------|-------------|-----------|
|                                | 2006        | 2005      |
| Real estate properties, net    | \$235,199   | \$263,129 |
| Mortgages receivable, net      | 99,532      | 118,800   |
| Preferred stock investment     | 38,132      | 38,132    |
| Cash and marketable securities | 177,765     | 152,022   |
| Debt                           | 113,492     | 117,252   |
| Convertible debt               | -           | 201       |
| Stockholders' equity           | 431,671     | 424,968   |

### Reconciliation of Funds From Operations <sup>(1)(2)</sup>

The following table reconciles net income to funds from operations available to common stockholders:

(in thousands, except share and per share amounts)

|   | Three Months Ended<br>December 31 |            | Year Ended<br>December 31 |            |
|---|-----------------------------------|------------|---------------------------|------------|
|   | 2006                              | 2005       | 2006                      | 2005       |
| Net income  | 23,449                            | 12,259     | 69,228                    | 54,408     |
| Elimination of non-cash items in net income:        |                                   |            |                           |            |
| Real estate depreciation                            | 2,744                             | 2,844      | 10,668                    | 11,049     |
| Real estate depreciation in discontinued operations | -                                 | 114        | 139                       | 469        |
| Loss (gain) on sale of real estate                  | -                                 | 90         | (5,814)                   | (2,554)    |
| Basic funds from operations                         | 26,193                            | 15,307     | 74,221                    | 63,372     |
| Interest on convertible subordinated<br>debentures  | -                                 | 15         | -                         | 81         |
| Diluted funds from operations                       | \$ 26,193                         | \$ 15,322  | \$ 74,221                 | \$ 63,453  |
| Basic funds from operations per share               | \$ 0.95                           | \$ 0.55    | \$ 2.68                   | \$ 2.29    |
| Diluted funds from operations per share             | \$ 0.94                           | \$ 0.55    | \$ 2.67                   | \$ 2.28    |
| Shares for basic funds from operations per share    | 27,699,239                        | 27,769,694 | 27,744,868                | 27,699,887 |
| Shares for diluted funds from operations per share  | 27,778,612                        | 27,835,147 | 27,778,764                | 27,830,886 |

<sup>(1)</sup> Management believes that funds from operations (FFO) is an important supplemental measure of operating performance for a real estate investment trust. Because the historical cost accounting convention used for real estate assets requires straight-line depreciation (except on land), such accounting presentation implies that the value of real estate assets diminishes predictably over time. Since real estate values instead have historically risen and fallen with market conditions, presentations of operating results for a real estate investment trust that uses historical cost accounting for depreciation could be less informative, and should be supplemented with a measure such as FFO. The term FFO was designed by the real estate investment trust industry to address this issue. Our measure may not be comparable to similarly titled measures used by other REITs. Consequently, our funds from operations may not provide a meaningful measure of our performance as compared to that of other REITs. Since other REITs may not use our definition of FFO, caution should be exercised when comparing our Company's FFO to that of other REITs. Funds from operations in and of itself does not represent cash generated from operating activities in accordance with GAAP (funds from operations does not include changes in operating assets and liabilities) and therefore should not be considered an alternative to net earnings as an indication of operating performance, or to net cash flow from operating activities as determined by GAAP in the United States, as a measure of liquidity and is not necessarily indicative of cash available to fund cash needs.

<sup>(2)</sup> Our computations above are intended to comply with the SEC's interpretation that recurring impairments taken on real property may not be added back to net income in the calculation of FFO. The SEC's position is that recurring impairments on real property are not an appropriate adjustment.

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National Health Investors, Inc. Portfolio Summary December 31, 2006

Portfolio Statistics

|                                | Properties | Investment |                |
|--------------------------------|------------|------------|----------------|
|                                |            | Percentage | Investment     |
| Real Estate Properties         | 90         | 72%        | \$ 235,199,000 |
| Mortgages and Notes Receivable | 49         | 28%        | 90,782,000     |
| Total Real Estate Portfolio    | 139        | 100%       | \$ 325,981,000 |

| Real Estate Properties       | Properties | Beds           | Investments    |
|------------------------------|------------|----------------|----------------|
| Long-Term Care Centers       | 66         | 8,555          | \$ 149,537,000 |
| Assisted Living              | 14         | 1,161          | 59,080,000     |
| Medical Office Buildings     | 4          | 124,427 sq.ft. | 9,983,000      |
| Retirement Homes             | 5          | 534            | 9,700,000      |
| Hospitals                    | 1          | 55             | 6,899,000      |
| Total Real Estate Properties | 90         |                | \$ 235,199,000 |

| Mortgages and Notes Receivable       | Properties | Beds  | Investments    |
|--------------------------------------|------------|-------|----------------|
| Long-Term Care Centers               | 31         | 3,377 | \$ 84,716,000  |
| Retirement Homes                     | 1          | 60    | 1,936,000      |
| Developmentally Disabled             | 17         | 108   | 4,130,000      |
| Total Mortgages and Notes Receivable | 49         |       | \$ 90,782,000  |
| Total Real Estate Portfolio          | 139        |       | \$ 325,981,000 |

| Summary of Facilities by Type | Properties | Percentage of |                |
|-------------------------------|------------|---------------|----------------|
|                               |            | Total Dollars | Total Dollars  |
| Long-Term Care Centers        | 97         | 71.86%        | \$ 234,253,000 |
| Assisted Living               | 14         | 18.12%        | 59,080,000     |
| Medical Office Buildings      | 4          | 3.06%         | 9,983,000      |
| Retirement Homes              | 6          | 3.57%         | 11,636,000     |
| Hospitals                     | 1          | 2.12%         | 6,899,000      |
| Developmentally Disabled      | 17         | 1.27%         | 4,130,000      |
| Total Real Estate Portfolio   | 139        | 100.00%       | \$ 325,981,000 |

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| Portfolio by Operator Type         | Percentage of |                |                       |
|------------------------------------|---------------|----------------|-----------------------|
|                                    | Properties    | Total Dollars  | Total Dollars         |
| Public                             | 62            | 26.68%         | \$ 86,981,000         |
| Regional                           | 65            | 61.82%         | 201,521,000           |
| Small Operator                     | 12            | 11.50%         | 37,479,000            |
| <b>Total Real Estate Portfolio</b> | <b>139</b>    | <b>100.00%</b> | <b>\$ 325,981,000</b> |

**National Health Investors, Inc. Summary of Facilities by State December 31, 2006**

|                | LTC       | Acute<br>Care | MOB      | Dev.<br>Disab. | Asst.<br>Living | Retire-<br>Ment | Total      | Investment<br>Amount  | Percent            |
|----------------|-----------|---------------|----------|----------------|-----------------|-----------------|------------|-----------------------|--------------------|
|                |           |               |          |                |                 |                 |            |                       | Total<br>Portfolio |
| Florida        | 12        |               | 1        | 14             | 4               |                 | 31         | \$ 78,285,000         | 24.02%             |
| Texas          | 19        |               | 2        |                |                 | 1               | 22         | 73,832,000            | 22.65%             |
| Tennessee      | 20        |               |          | 3              | 3               | 2               | 28         | 29,190,000            | 8.95%              |
| Virginia       | 8         |               |          |                |                 |                 | 8          | 19,879,000            | 6.10%              |
| Missouri       | 8         |               |          |                |                 | 1               | 9          | 18,720,000            | 5.74%              |
| Arizona        | 1         |               |          |                | 4               |                 | 5          | 17,953,000            | 5.51%              |
| New Hampshire  | 3         |               |          |                |                 | 1               | 4          | 13,932,000            | 4.27%              |
| New Jersey     | 0         |               |          |                | 1               |                 | 1          | 12,919,000            | 3.96%              |
| Kansas         | 7         |               |          |                |                 |                 | 7          | 11,144,000            | 3.42%              |
| Massachusetts  | 4         |               |          |                |                 |                 | 4          | 10,252,000            | 3.14%              |
| Georgia        | 6         |               |          |                |                 |                 | 6          | 9,999,000             | 3.07%              |
| Kentucky       | 2         | 1             |          |                |                 |                 | 3          | 7,925,000             | 2.43%              |
| South Carolina | 3         |               |          |                | 1               |                 | 4          | 7,329,000             | 2.25%              |
| Idaho          | 1         |               |          |                |                 | 1               | 2          | 5,183,000             | 1.59%              |
| Pennsylvania   | 0         |               |          |                | 1               |                 | 1          | 4,267,000             | 1.31%              |
| Alabama        | 2         |               |          |                |                 |                 | 2          | 2,063,000             | 0.63%              |
| Wisconsin      | 1         |               |          |                |                 |                 | 1          | 1,636,000             | 0.50%              |
| Illinois       | 0         |               | 1        |                |                 |                 | 1          | 1,473,000             | 0.45%              |
|                | <b>97</b> | <b>1</b>      | <b>4</b> | <b>17</b>      | <b>14</b>       | <b>6</b>        | <b>139</b> | <b>\$ 325,981,000</b> | <b>100.00%</b>     |