



U.S. *Ph*YSICAL THERAPY, INC.

CONTACT:

U.S. Physical Therapy, Inc.
Roy W. Spradlin, Chairman, President and CEO
J. Michael Mullin, Chief Financial Officer
(713) 297-7000

Investors:
Noonan Russo Presence Euro RSCG
John Capodanno
(212) 845-4258

FOR IMMEDIATE RELEASE

U.S. Physical Therapy Announces Fourth Quarter and Year-End Financial Results

-- Net Income Up 20 Percent on 17 Percent Increase in Revenues for the Year --

*-- Company Also Announces Annual Shareholder's Meeting Date and New
Board-Authorized Share Repurchase Program --*

Houston, TX, February 27, 2003 – U.S. Physical Therapy, Inc. (NasdaqNM: USPH), a national operator of outpatient clinics, today reported results for the fourth quarter and year-ended December 31, 2002.

Fourth Quarter 2002 vs. Fourth Quarter 2001

- Earnings per share rose 13.3 percent to \$0.17 per fully diluted share from \$0.15 in the prior year quarter. Net income for the quarter rose to \$2.06 million from \$1.95 million.
- Net revenues rose 14.2 percent to \$24.6 million, from \$21.6 million, primarily due to a 12.6 percent increase in patient visits to 259,000, combined with a 2 percent increase in patient revenues per visit to \$92.63.
- Clinic operating costs were 69.4 percent of net revenues compared to 67.8 percent as average visits per day per clinic decreased to 20.7 from 23.0 as the company opened 26 clinics in the third and fourth quarters of 2002.
- Corporate office costs as a percentage of net revenues were 12.2 percent compared to 11.5 percent in the prior year quarter due primarily to additional personnel to support the growth in clinics.
- Same store sales related to clinics opened more than one year increased 5.5 percent for the quarter on an increase in same store visits of 3.5 percent.

Twelve Months Ended December 2002 vs. Twelve Months Ended December 2001

- Earnings per share rose 21.8 percent to \$0.67 per fully diluted share from \$0.55 in the prior year. Net income rose to \$8.5 million from \$7.1 million.
- Revenues rose 17 percent to \$94.7 million, from \$80.9 million, due to a 15.4 percent increase in patient visits to 1,004,000 and a 2 percent increase in patient revenues per visit to \$91.93.
- Clinic operating costs were 68.1 percent for 2002 and 67.8 percent for the prior year.
- Corporate office costs were 12 percent of net revenues versus 11.3 percent one year earlier.
- Same store sales increased 14 percent for the year on an increase in same store visits of 11.7 percent.

“At this time last year, we stated one of our goals was to open 35 to 40 new clinics during 2002. We achieved the high end of this goal by opening 40 clinics during 2002 bringing our total clinics at the end of December to 202,” commented Roy Spradlin, the Company’s Chairman, President and Chief Executive Officer. “We have set the bar higher for 2003 and expect to open 40 to 45 new clinics. For the first quarter of 2003, we have gotten off to a good start towards our goal. To date, we have opened five new clinics and have an additional eight to eleven scheduled to open by March 31.”

“During the quarter we again took advantage of the decline in the Company’s stock price and purchased 245,600 shares of the Company’s outstanding common stock at an average price per share of \$10.95. These purchases, combined with previous plan purchases bring total treasury stock purchases to 930,600 at December 31, 2002 pursuant to the Company’s stock purchase plan, which authorized 1,000,000 shares. On February 26, 2003, our Board of Directors authorized a new share repurchase program of up to 250,000 additional shares of the Company’s outstanding common stock. As there is no expiration for this Board authorization, additional shares may be purchased from time to time in the open market or private transactions depending on price, availability and the Company’s cash position.”

Spradlin continued, “The Company continued to meet all of its cash needs from internally generated cash flow in 2002 with net cash provided by operating activities of \$19.5 million. Even after spending \$10.5 million on stock repurchases and \$6.6 million on the purchase of fixed assets and partners’ interest, the Company ended the year with a current ratio of 8.1 and is well positioned financially for strong growth in 2003.”

“The harsh winter weather in the Northeast and the rest of the country can impact our business in two ways. It makes it difficult for patients to reach our clinics due to closings and adverse traveling conditions, but ice and snowy conditions also cause new injuries that require our therapy services. These annual external elements are factored into our guidance. Since our Board has recently adopted a policy of no longer giving quarterly guidance, our annual guidance for 2003 is 17 to 22 percent growth in earnings per share,” stated Spradlin.

U.S. Physical Therapy’s Annual Shareholder Meeting will take place on Tuesday, May 20, 2003, 9:30 am Central Time at the Company’s facilities at 1300 West Sam Houston Parkway, Suite 300, Houston, Texas 77042. Please call 713-297-7085 with any questions.

U.S. Physical Therapy’s management will host a conference call at 10:30 am Eastern Time, 9:30 am Central Time on Thursday, February 27 to discuss fourth quarter and year-end results. Interested parties

may participate in the call by dialing (888) 694-4676 or (973) 935-8511 approximately 10 minutes before the call is scheduled to begin. To listen to the live call, please go to the Company's website at www.usphysicaltherapy.com at least 15 minutes early to register, download and install any necessary audio software. The conference call will be archived and can be accessed for approximately 90 days at this website.

This press release contains forward-looking statements (often using words such as "believes," "expects," "intends," "plans," "appear," "should" and similar words), which involve numerous risks and uncertainties. Included among such statements are those relating to opening of new clinics, availability of personnel and reimbursement environment. The forward-looking statements are based on the Company's current views and assumptions, and the Company's actual results could differ materially from those anticipated in such forward-looking statements as a result of certain risks, uncertainties, and factors, which include, but are not limited to:

- general economic, business, and regulatory conditions;
- competition;
- federal and state regulations;
- availability, terms, and use of capital;
- availability of skilled physical therapists to become partners of the Company; and
- weather.

Please see the Company's filings with the Securities and Exchange Commission for more information on these factors. Management undertakes no obligation to update any forward-looking statement, whether as the result of actual results, changes in assumptions, new information, future events, or otherwise.

About U.S. Physical Therapy, Inc.

Founded in 1990, U.S. Physical Therapy, Inc. operates 202 outpatient physical and/or occupational therapy clinics in 34 states and manages five PT facilities for third parties. The Company's clinics provide post-operative care for a variety of orthopedic-related disorders and sports-related injuries, treatment for neurologically-related injuries, rehabilitation of injured workers and preventative care. In addition to owning and operating clinics, the Company manages several physical therapy facilities for third parties, including physician groups. Named for three consecutive years in Forbes Magazine's Best 200 Small Companies List, U.S. Physical Therapy is included on the Russell 2000 and Russell 3000 Indexes.

More information is available at www.usphysicaltherapy.com.

The forward-looking statements in this news release relating to management's expectations and beliefs are based on preliminary information and management assumptions. Such forward-looking statements are subject to a wide range of risks and uncertainties that could cause results to differ in material respects, including those relating to revenue and earnings expectations, acquisitions, reimbursement rates and coverage, state and national regulatory compliance, the Company's maintenance of above-average quality of its services and products and competitive pressures. Further information regarding factors that could affect the Company's results is included in the Company's filings with the Securities and Exchange Commission.

(See Attached Tables)

U.S. PHYSICAL THERAPY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Three Months Ended December 31,		Year Ended December 31,	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	(unaudited)			
Net patient revenues	\$ 24,026	\$ 20,919	\$ 92,343	\$ 78,450
Management contract revenues	574	583	2,284	2,311
Other revenues	<u>27</u>	<u>68</u>	<u>112</u>	<u>187</u>
Net revenues	24,627	21,570	94,739	80,948
Clinic operating costs:				
Salaries and related costs	11,111	9,385	42,150	35,351
Rent, clinic supplies and other	5,617	4,743	20,712	17,599
Provision for doubtful accounts	<u>354</u>	<u>495</u>	<u>1,669</u>	<u>1,930</u>
	17,082	14,623	64,531	54,880
Corporate office costs	<u>2,996</u>	<u>2,478</u>	<u>11,334</u>	<u>9,120</u>
Operating income before non-operating expenses	4,549	4,469	18,874	16,948
Interest expense	47	60	214	266
Minority interests in subsidiary limited partnerships	<u>1,201</u>	<u>1,237</u>	<u>4,936</u>	<u>5,179</u>
Income before income taxes	3,301	3,172	13,724	11,503
Provision for income taxes	<u>1,243</u>	<u>1,225</u>	<u>5,236</u>	<u>4,432</u>
Net income	<u>\$ 2,058</u>	<u>\$ 1,947</u>	<u>\$ 8,488</u>	<u>\$ 7,071</u>
Basic earnings per common share (Note 1)	<u>\$.19</u>	<u>\$.19</u>	<u>\$.77</u>	<u>\$.70</u>
Diluted earnings per common share (Note 1)	<u>\$.17</u>	<u>\$.15</u>	<u>\$.67</u>	<u>\$.55</u>

U.S. PHYSICAL THERAPY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

Note 1: The following table sets forth the computation of basic and diluted earnings per share:

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	(unaudited)			
Numerator:				
Net income	\$ <u>2,058</u>	\$ <u>1,947</u>	\$ <u>8,488</u>	\$ <u>7,071</u>
Numerator for basic earnings per share	\$ 2,058	\$ 1,947	\$ 8,488	\$ 7,071
Effect of dilutive securities:				
Interest on convertible subordinated notes payable	<u>31</u>	<u>40</u>	<u>140</u>	<u>165</u>
Numerator for diluted earnings per share --- income available to common stockholders after assumed conversions	\$ <u>2,089</u>	\$ <u>1,987</u>	\$ <u>8,628</u>	\$ <u>7,236</u>
Denominator:				
Denominator for basic earnings per share --- weighted-average shares	10,930	10,443	10,975	10,109
Effect of dilutive securities:				
Stock options	903	1,843	1,226	2,025
Convertible subordinated notes payable	<u>700</u>	<u>900</u>	<u>734</u>	<u>934</u>
Dilutive potential common shares	<u>1,603</u>	<u>2,743</u>	<u>1,960</u>	<u>2,959</u>
Denominator for diluted earnings per share --- adjusted weighted-average shares and assumed conversions	<u>12,533</u>	<u>13,186</u>	<u>12,935</u>	<u>13,068</u>
Basic earnings per common share	\$ <u>.19</u>	\$ <u>.19</u>	\$ <u>.77</u>	\$ <u>.70</u>
Diluted earnings per common share	\$ <u>.17</u>	\$ <u>.15</u>	\$ <u>.67</u>	\$ <u>.55</u>

U.S. PHYSICAL THERAPY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share amounts)

	December 31, 2002	December 31, 2001
	<u>(unaudited)</u>	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 7,610	\$ 8,121
Patient accounts receivable, less allowance for doubtful accounts of \$4,327 and \$3,805, respectively	13,235	12,769
Accounts receivable - other	443	878
Other current assets	<u>1,795</u>	<u>1,168</u>
Total current assets	23,083	22,936
Fixed assets:		
Furniture and equipment	17,796	14,214
Leasehold improvements	<u>9,310</u>	<u>7,389</u>
	27,106	21,603
Less accumulated depreciation and amortization	<u>16,693</u>	<u>13,798</u>
	10,413	7,805
Goodwill, net of amortization of \$335 and \$335, respectively	5,590	4,519
Other assets, net of amortization of \$505 and \$501, respectively	<u>1,947</u>	<u>1,482</u>
	<u>\$ 41,033</u>	<u>\$ 36,742</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable - trade	\$ 624	\$ 539
Accrued expenses	2,188	2,453
Estimated third-party payor (Medicare) settlements	33	113
Notes payable	<u>4</u>	<u>701</u>
Total current liabilities	2,849	3,806
Notes payable – long-term portion	17	21
Other long-term liabilities	273	---
Convertible subordinated notes payable	2,333	3,000
Minority interests in subsidiary limited partnerships	3,024	3,249
Commitments and contingencies	---	---
Shareholders' equity:		
Preferred stock, \$.01 par value, 500,000 shares authorized, -0- shares outstanding	---	---
Common stock, \$.01 par value, 20,000,000 shares authorized, 10,872,291 and 10,688,321 shares issued at December 31, 2002 and 2001, respectively	118	107
Additional paid-in capital	23,313	15,429
Retained earnings	21,608	13,120
Treasury stock at cost, 945,300 and 149,700 shares held at at December 31, 2002 and 2001, respectively	<u>(12,502)</u>	<u>(1,990)</u>
Total shareholders' equity	<u>32,537</u>	<u>26,666</u>
	<u>\$ 41,033</u>	<u>\$ 36,742</u>

Note 2: Certain prior period amounts have been reclassified for comparison purposes.

U.S. PHYSICAL THERAPY, INC. AND SUBSIDIARIES
CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited - In thousands)

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Operating activities				
Net income	\$ 2,058	\$ 1,947	\$ 8,488	\$ 7,071
Depreciation and amortization	810	627	2,955	2,566
Minority interest in earnings	1,201	1,237	4,936	5,179
Provision for doubtful accounts	354	495	1,669	1,930
Tax benefit from exercise of options	259	614	4,228	3,134
Other	95	(666)	531	(348)
Changes in working capital	<u>(751)</u>	<u>(1,221)</u>	<u>(3,283)</u>	<u>(4,360)</u>
Net cash provided by operating activities	4,026	3,033	19,524	15,172
Investing activities				
Purchase of fixed assets	(1,698)	(1,000)	(5,565)	(3,344)
Purchase of intangibles	(9)	(23)	(1,071)	(53)
Other	<u>1</u>	<u>17</u>	<u>2</u>	<u>21</u>
Net cash used in investing activities	(1,706)	(1,006)	(6,634)	(3,376)
Financing activities				
Payment of notes payable	(4)	(632)	(701)	(1,542)
Repurchase common stock	(2,691)	(1,943)	(10,512)	(1,943)
Proceeds from exercise of stock options	335	344	3,006	2,279
Distributions to minority investors	(1,327)	(1,458)	(5,161)	(4,530)
Other	<u>-</u>	<u>(2)</u>	<u>(33)</u>	<u>(10)</u>
Net cash used in financing activities	(3,687)	(3,691)	(13,401)	(5,746)
 Change in cash and cash equivalents	 <u>\$ (1,367)</u>	 <u>\$ (1,664)</u>	 <u>\$ (511)</u>	 <u>\$ 6,050</u>