



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

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FOR IMMEDIATE RELEASE

U.S. Physical Therapy Announces Record Revenues and Visits for Second Quarter 2003

Houston, TX, July 31, 2003 – U.S. Physical Therapy, Inc. (NasdaqNM: USPH), a national operator of physical and occupational therapy outpatient clinics, today reported results for the second quarter and six-months ended June 30, 2003.

Second Quarter 2003 vs. Second Quarter 2002

- Net revenues rose 12.3 percent to a record \$27.0 million, from \$24.1 million, due to a 11.3 percent increase in patient visits to 285,000 from 256,000 in the prior year quarter, combined with a 1.2 percent increase in net patient revenues per visit to \$92.64.
- Earnings per share were \$0.18 per diluted share for the current and prior year quarter. Net income for the quarter decreased slightly to \$2.21 million from \$2.34 million or 5.3 percent. The Company had 11 million shares outstanding at June 30 2003, a reduction of 500,000 shares from 11.5 million at June 30, 2002 primarily due to the repurchase of approximately 800,000 shares in the second half of 2002.
- Clinic operating costs were 69 percent of net revenues compared to 66.5 percent as average visits per day per clinic decreased to 20.7 from 23.4. The 22 clinics opened in the first half of 2003 compared to 14 opened in the first half of 2002 contributed significantly to the decrease in average daily visits per clinic.
- Corporate office costs as a percentage of net revenues were 12.4 percent compared to 11.9 percent in the prior year quarter due primarily to an increase in D&O insurance premiums. Excluding the increase in D&O insurance, corporate office costs as a percentage of net revenues was 11.9 percent.

- Same store sales increased 0.5 percent for clinics opened more than one year while same store visits were flat for the quarter.

Six Months Ended June 2003 vs. Six Months Ended June 2002

- Net revenues rose 12.3 percent to \$52 million, from \$46.3 million, due to a 11.6 percent increase in patient visits to 550,000 and a 1.1 percent increase in net patient revenues per visit to \$92.43.
- Earnings per share decreased 3 percent to \$0.33 per diluted share from \$0.34 in the prior year. Net income decreased to \$4 million from \$4.4 million or 9.3 percent.
- Clinic operating costs were 70 percent of net revenues for 2003 and 67.3 percent for the prior year.
- Corporate office costs were 12.5 percent of net revenues versus 11.6 percent one year earlier. Excluding the increase in D&O insurance, corporate office costs as a percentage of net revenues was 12.1 percent.
- Same store sales increased 2.7 percent for the year on an increase in same store visits of 1.9 percent.

"In consideration of the current business environment, we are pleased with the results of the second quarter. Visits and revenues for the quarter set new records and the weaker growth in same store sales for the quarter was expected," commented Roy Spradlin, the Company's Chairman, President and Chief Executive Officer. "I am particularly pleased to announce that our strong performance has moved U.S. Physical Therapy up to 15 from 41 on the Fortune Small Business list of 100 Best Small Companies released in July."

Spradlin continued, "At the beginning of the year, we stated our goal was to open more clinics earlier in the year and we are satisfied with the progress we have made towards this goal. In the second quarter, we opened 9 clinics and completed one which is scheduled to begin seeing patients in the third quarter. We are on target to open 40-45 new clinics this year with a strong pipeline for new clinics. We have 26 potential clinics identified to be opened in the second half of the year and another 50 plus opportunities for clinic openings identified beyond 2003. We closed four clinics during the quarter."

"Our corporate office costs as a percentage of revenues increased during the current year over the prior year in large part due to a significant increase in D&O insurance premiums. This trend of increased premiums is prevalent for most public companies. Additionally, with the passage of the Sarbanes-Oxley Act of 2002, we have seen an increase in spending on outside consultants and utilization of internal resources as we become compliant with the new Act."

"The Company continued to meet all of its cash needs from internally generated cash flow in the first half of 2003 with net cash provided by operating activities of \$9.2 million. Our balance sheet continues to be strong with cash increasing to \$12.6 million at June 30 from \$7.6 million at year-end and a current ratio of 5.50.

"We are still comfortable with our previously stated guidance of 10 to 17 percent earnings per share growth for the year," concluded Spradlin

U.S. Physical Therapy's management will host a conference call at 10:30 am Eastern Time, 9:30 am Central Time on Thursday, July 31 to discuss second quarter 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 via web-cast, go to the Company's website at www.usph.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; 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 217 outpatient physical and/or occupational therapy clinics in 34 states and manages five physical therapy 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. 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.usph.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 June 30,		Six Months Ended June 30,	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	(unaudited)		(unaudited)	
Net patient revenues	\$ 26,382	\$ 23,449	\$ 50,865	\$ 45,085
Management contract revenues	582	570	1,059	1,158
Other revenues	<u>39</u>	<u>32</u>	<u>85</u>	<u>58</u>
Net revenues	27,003	24,051	52,009	46,301
Clinic operating costs:				
Salaries and related costs	12,092	10,459	23,608	20,461
Rent, clinic supplies and other	6,131	5,022	12,030	9,763
Provision for doubtful accounts	<u>418</u>	<u>511</u>	<u>756</u>	<u>942</u>
	18,641	15,992	36,394	31,166
Corporate office costs	<u>3,344</u>	<u>2,863</u>	<u>6,522</u>	<u>5,368</u>
Operating income	5,018	5,196	9,093	9,767
Interest expense	48	61	94	120
Minority interests in subsidiary limited partnerships	<u>1,404</u>	<u>1,349</u>	<u>2,549</u>	<u>2,508</u>
Income before income taxes	3,566	3,786	6,450	7,139
Provision for income taxes	<u>1,353</u>	<u>1,450</u>	<u>2,450</u>	<u>2,727</u>
Net income	<u>\$ 2,213</u>	<u>\$ 2,336</u>	<u>\$ 4,000</u>	<u>\$ 4,412</u>
Basic earnings per common share (Note 1)	<u>\$.20</u>	<u>\$.21</u>	<u>\$.37</u>	<u>\$.40</u>
Diluted earnings per common share (Note 1)	<u>\$.18</u>	<u>\$.18</u>	<u>\$.33</u>	<u>\$.34</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		Six Months Ended	
	June 30,		June 30,	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	(unaudited)		(unaudited)	
Numerator:				
Net income	\$ <u>2,213</u>	\$ <u>2,336</u>	\$ <u>4,000</u>	\$ <u>4,412</u>
Numerator for basic earnings per share	\$ 2,213	\$ 2,336	\$ 4,000	\$ 4,412
Effect of dilutive securities:				
Interest on convertible subordinated notes payable	<u>31</u>	<u>39</u>	<u>61</u>	<u>78</u>
Numerator for diluted earnings per share --- income available to common stockholders after assumed conversions	<u>\$ 2,244</u>	<u>\$ 2,375</u>	<u>\$ 4,061</u>	<u>\$ 4,490</u>
Denominator:				
Denominator for basic earnings per share --- weighted-average shares	10,956	11,132	10,933	10,894
Effect of dilutive securities:				
Stock options	798	1,307	810	1,471
Convertible subordinated notes payable	<u>700</u>	<u>878</u>	<u>700</u>	<u>889</u>
Dilutive potential common shares	<u>1,498</u>	<u>2,185</u>	<u>1,510</u>	<u>2,360</u>
Denominator for diluted earnings per share --- adjusted weighted-average shares and assumed conversions	<u>12,454</u>	<u>13,317</u>	<u>12,443</u>	<u>13,254</u>
Basic earnings per common share	<u>\$.20</u>	<u>\$.21</u>	<u>\$.37</u>	<u>\$.40</u>
Diluted earnings per common share	<u>\$.18</u>	<u>\$.18</u>	<u>\$.33</u>	<u>\$.34</u>

U.S. PHYSICAL THERAPY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share amounts)

	June 30, 2003	December 31, 2002
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 12,576	\$ 7,610
Patient accounts receivable, less allowance for doubtful accounts of \$4,196 and \$4,327, respectively	13,156	13,235
Accounts receivable - other	563	443
Other current assets	<u>742</u>	<u>1,307</u>
Total current assets	27,037	22,595
Fixed assets:		
Furniture and equipment	19,338	17,796
Leasehold improvements	<u>10,052</u>	<u>9,310</u>
	29,390	27,106
Less accumulated depreciation and amortization	<u>18,173</u>	<u>16,693</u>
	11,217	10,413
Goodwill, net of amortization of \$335	5,590	5,590
Other assets, net of amortization of \$430 and \$505, respectively	<u>2,210</u>	<u>2,435</u>
	<u>\$ 46,054</u>	<u>\$ 41,033</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable - trade	\$ 415	\$ 624
Accrued expenses	2,133	2,188
Estimated third-party payor (Medicare) settlements	33	33
Notes payable	4	4
Convertible subordinated notes payable	<u>2,333</u>	<u>---</u>
Total current liabilities	4,918	2,849
Notes payable – long-term portion	15	17
Other long-term liabilities	217	273
Convertible subordinated notes payable	---	2,333
Minority interests in subsidiary limited partnerships	3,275	3,024
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, 11,990,674 and 11,818,711 shares issued at June 30, 2003 and December 31, 2002, respectively	120	118
Additional paid-in capital	24,423	23,313
Retained earnings	25,608	21,608
Treasury stock at cost, 947,100 and 945,300 shares held at June 30, 2003 and December 31, 2002, respectively	<u>(12,522)</u>	<u>(12,502)</u>
Total shareholders' equity	<u>37,629</u>	<u>32,537</u>
	<u>\$ 46,054</u>	<u>\$ 41,033</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
(In thousands)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	(unaudited)		(unaudited)	
Operating activities				
Net income	\$ 2,213	\$ 2,336	\$ 4,000	\$ 4,412
Depreciation and amortization	881	714	1,722	1,413
Minority interest in earnings	1,404	1,349	2,549	2,508
Provision for doubtful accounts	418	511	756	942
Tax benefit from exercise of options	354	1,699	525	3,723
Other	(1)	87	(35)	154
Changes in working capital	<u>(616)</u>	<u>(487)</u>	<u>(328)</u>	<u>(2,956)</u>
Net cash provided by operating activities	4,653	6,209	9,189	10,196
Investing activities				
Purchase of fixed assets	(1,149)	(1,294)	(2,619)	(2,298)
Purchase of intangibles	--	(314)	--	(773)
Other	<u>--</u>	<u>1</u>	<u>129</u>	<u>1</u>
Net cash used in investing activities	(1,149)	(1,607)	(2,490)	(3,070)
Financing activities				
Distributions to minority investors	(1,446)	(1,512)	(2,298)	(2,557)
Payment of notes payable	(1)	(1)	(2)	(698)
Repurchase of common stock	--	--	(20)	--
Proceeds from exercise of stock options	<u>385</u>	<u>1,090</u>	<u>587</u>	<u>2,454</u>
Net cash used in financing activities	(1,062)	(423)	(1,733)	(801)
 Change in cash and cash equivalents	 <u>\$ 2,442</u>	 <u>\$ 4,179</u>	 <u>\$ 4,966</u>	 <u>\$ 6,325</u>