



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

CONTACT:

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

FOR IMMEDIATE RELEASE

U.S. Physical Therapy Announces Third Quarter 2003 Results

Houston, TX, October 30, 2003 – U.S. Physical Therapy, Inc. (NASDAQ NM: USPH), a national operator of physical and occupational therapy outpatient clinics, today reported results for the quarter and nine months ended September 30, 2003.

Third Quarter 2003 compared to Third Quarter 2002

- Net revenues rose 12.8 percent to \$26.9 million, from \$23.8 million, due to a 11.9 percent increase in patient visits to 282,000 from 252,000 in the prior year quarter, combined with a 1.1 percent increase to \$93.14 in net patient revenues per visit.
- Earnings were \$0.15 per diluted share for the current quarter and \$0.16 for the prior year period. Net income for the quarter decreased slightly to \$1.9 million from \$2.0 million.
- Clinic operating costs increased to 69.2 percent of net revenues compared to 68.4 percent as average visits per day per clinic decreased to 19.6 from 21.7. The 40 new clinics opened year-to-date in 2003, as compared to 28 opened in the first nine months of 2002, plus a decline in average daily visits for clinics established prior to 2002 were largely the reasons for the change. Clinic operating costs benefited during the quarter from a reduction in bad debt expense as the Company's average days outstanding for receivables was reduced to 67 days as compared to 72 days as of the end of the third quarter of 2002.
- Corporate office costs as a percentage of net revenues rose to 14.2 percent compared to 12.5 percent in the prior year quarter. The increase for the recent quarter was partially attributable to costs associated with recruitment fees, severance costs, higher legal and accounting fees and an increase in D&O insurance premiums.
- Total same store revenue increased 3.1 percent for clinics open more than one year while total same store visits were up 2.3 percent for the quarter. These increases reflect a strong contribution from clinics opened in 2002.

Nine Months Ended September 2003 compared to Nine Months Ended September 2002

- Net revenues rose 12.5 percent to \$78.9 million, from \$70.1 million, due to a 11.7 percent increase in patient visits to 832,000 and a 1.1 percent increase in net patient revenues per visit to \$92.67.
- Earnings decreased to \$0.48 per diluted share from \$0.50 in the prior year. Net income decreased to \$5.9 million from \$6.4 million.
- Clinic operating costs were 69.7 percent of net revenues for 2003 and 67.7 percent for the prior year. Average daily visits per clinic for the two periods were 20.3 and 22.7, respectively.
- Corporate office costs for the nine months were 13.1 percent of net revenues versus 11.9 percent in 2002.
- Total same store revenue for clinics open more than one year increased 6.1 percent for the period on an increase in visits of 5.1 percent. Clinics opened in 1999 and subsequent years realized an increase in both revenue and visits that more than offset a decline in revenue and visits for older clinics opened prior to 1999.

In September the Company announced that based on lower than previously expected patient visits, and because of certain charges including recruiting fees and severance costs, that earnings for the third quarter of 2003 were expected to be down slightly from the year earlier period. Actual results for the quarter were consistent with that forecast but mitigated by the allowance for doubtful accounts adjustment.

Roy Spradlin, U.S. Physical Therapy's Chief Executive Officer, noted that the Company has taken the following actions to improve future performance:

- recruited a new Chief Financial Officer and a Chief Operating Officer both of whom have significant experience in growing businesses;
- stepped up our marketing efforts, including recently added sales people in Houston, Austin and Kansas City;
- expanded our calling efforts on physicians, workers' compensation and industrial rehabilitation administrators;
- and opened 17 new clinics during the quarter, a Company record."

Larry McAfee, Chief Financial Officer, said "Cash flow from operations continues to be strong. We closed the quarter with a record level of cash and investments. Our balance sheet is solid and our capital structure is among the most conservative in the healthcare industry."

U.S. Physical Therapy's management will host a conference call at 10:30 am Eastern Time, 9:30 am Central Time on Thursday, October 30 to discuss third quarter results. Interested parties may participate in the call by dialing (800) 473-6123 or (973) 582-2706 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 235 outpatient physical and occupational therapy clinics in 35 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		Nine Months Ended	
	September 30,		September 30,	
	2003	2002	2003	2002
	(unaudited)		(unaudited)	
Net patient revenues	\$ 26,224	\$ 23,232	\$ 77,089	\$ 68,317
Management contract revenues	588	552	1,647	1,710
Other revenues	<u>42</u>	<u>27</u>	<u>127</u>	<u>85</u>
Net revenues	26,854	23,811	78,863	70,112
Clinic operating costs:				
Salaries and related costs	12,551	10,578	36,159	31,039
Rent, clinic supplies and other	6,070	5,332	18,100	15,095
Provision for doubtful accounts	<u>(45)</u>	<u>373</u>	<u>711</u>	<u>1,315</u>
	18,576	16,283	54,970	47,449
Corporate office costs	<u>3,806</u>	<u>2,970</u>	<u>10,328</u>	<u>8,338</u>
Operating income	4,472	4,558	13,565	14,325
Interest expense	47	47	141	167
Minority interests in subsidiary limited partnerships	<u>1,370</u>	<u>1,227</u>	<u>3,919</u>	<u>3,735</u>
Income before income taxes	3,055	3,284	9,505	10,423
Provision for income taxes	<u>1,154</u>	<u>1,266</u>	<u>3,604</u>	<u>3,993</u>
Net income	<u>\$ 1,901</u>	<u>\$ 2,018</u>	<u>\$ 5,901</u>	<u>\$ 6,430</u>
Basic earnings per common share (Note 1)	<u>\$.17</u>	<u>\$.18</u>	<u>\$.54</u>	<u>\$.58</u>
Diluted earnings per common share (Note 1)	<u>\$.15</u>	<u>\$.16</u>	<u>\$.48</u>	<u>\$.50</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 September 30,		Nine Months Ended September 30,	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	(unaudited)		(unaudited)	
Numerator:				
Net income	\$ <u>1,901</u>	\$ <u>2,018</u>	\$ <u>5,901</u>	\$ <u>6,430</u>
Numerator for basic earnings per share	\$ 1,901	\$ 2,018	\$ 5,901	\$ 6,430
Effect of dilutive securities:				
Interest on convertible subordinated notes payable	<u>31</u>	<u>31</u>	<u>92</u>	<u>108</u>
Numerator for diluted earnings per share --- income available to common stockholders after assumed conversions	\$ <u>1,932</u>	\$ <u>2,049</u>	\$ <u>5,993</u>	\$ <u>6,538</u>
Denominator:				
Denominator for basic earnings per share --- weighted-average shares	11,088	11,178	10,986	10,990
Effect of dilutive securities:				
Stock options	737	1,002	784	1,308
Convertible subordinated notes payable	<u>700</u>	<u>700</u>	<u>700</u>	<u>748</u>
Dilutive potential common shares	<u>1,437</u>	<u>1,702</u>	<u>1,484</u>	<u>2,056</u>
Denominator for diluted earnings per share --- adjusted weighted-average shares and assumed conversions	<u>12,525</u>	<u>12,880</u>	<u>12,470</u>	<u>13,046</u>
Basic earnings per common share	\$ <u>.17</u>	\$ <u>.18</u>	\$ <u>.54</u>	\$ <u>.58</u>
Diluted earnings per common share	\$ <u>.15</u>	\$ <u>.16</u>	\$ <u>.48</u>	\$ <u>.50</u>

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

(in thousands, except share and per share amounts)

	September 30, 2003	December 31, 2002
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 14,683	\$ 7,610
Patient accounts receivable, less allowance for doubtful accounts of \$3,679 and \$4,327, respectively	14,179	13,235
Accounts receivable - other	498	443
Other current assets	631	1,307
Total current assets	29,991	22,595
Fixed assets:		
Furniture and equipment	20,182	17,796
Leasehold improvements	10,155	9,310
	30,337	27,106
Less accumulated depreciation and amortization	18,717	16,693
	11,620	10,413
Goodwill, net of amortization of \$335	5,685	5,590
Other assets, net of amortization of \$431 and \$505, respectively	1,978	2,435
	<u>\$ 49,274</u>	<u>\$ 41,033</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable - trade	\$ 512	\$ 624
Accrued expenses	2,079	2,188
Estimated third-party payor (Medicare) settlements	---	33
Notes payable	38	4
Convertible subordinated notes payable	2,333	---
Total current liabilities	4,962	2,849
Notes payable – long-term portion	84	17
Other long-term liabilities	301	273
Convertible subordinated notes payable	---	2,333
Minority interests in subsidiary limited partnerships	3,249	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, 12,152,283 and 11,818,711 shares issued at September 30, 2003 and December 31, 2002, respectively	122	118
Additional paid-in capital	25,569	23,313
Retained earnings	27,509	21,608
Treasury stock at cost, 947,100 and 945,300 shares held at September 30, 2003 and December 31, 2002, respectively	(12,522)	(12,502)
Total shareholders' equity	<u>40,678</u>	<u>32,537</u>
	<u>\$ 49,274</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 September 30,		Nine Months Ended September 30,	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	(unaudited)		(unaudited)	
Operating activities				
Net income	\$ 1,901	\$ 2,018	\$ 5,901	\$ 6,430
Depreciation and amortization	914	732	2,636	2,145
Minority interest in earnings	1,370	1,227	3,919	3,735
Provision for doubtful accounts	(45)	373	711	1,315
Tax benefit from exercise of options	599	246	1,124	3,969
Deferred income taxes	(138)	71	(453)	225
Other	(1)	--	(36)	--
Changes in working capital	<u>(338)</u>	<u>635</u>	<u>(351)</u>	<u>(2,321)</u>
Net cash provided by operating activities	4,262	5,302	13,451	15,498
Investing activities				
Purchase of fixed assets	(1,316)	(1,569)	(3,935)	(3,867)
Purchase of intangibles	(31)	(289)	(31)	(1,062)
Other	<u>--</u>	<u>--</u>	<u>129</u>	<u>1</u>
Net cash used in investing activities	(1,347)	(1,858)	(3,837)	(4,928)
Financing activities				
Distributions to minority investors	(1,356)	(1,310)	(3,654)	(3,867)
Payment of notes payable	(1)	--	(3)	(697)
Repurchase of common stock	--	(7,821)	(20)	(7,821)
Proceeds from exercise of stock options	<u>549</u>	<u>218</u>	<u>1,136</u>	<u>2,671</u>
Net cash used in financing activities	(808)	(8,913)	(2,541)	(9,714)
 Change in cash and cash equivalents	 <u>\$ 2,107</u>	 <u>\$ (5,469)</u>	 <u>\$ 7,073</u>	 <u>\$ 856</u>
Non-cash supplemental disclosure information:				
Purchase of intangibles / minority interest	\$ 104	\$ --	\$ 104	\$ --