



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

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FOR IMMEDIATE RELEASE

U.S. Physical Therapy Announces Fourth Quarter and Year 2003 Financial Results

Houston, TX, March 4, 2004 – U.S. Physical Therapy, Inc. (NasdaqNM: USPh), a national operator of physical and occupational therapy outpatient clinics, today reported results for the fourth quarter and year-ended December 31, 2003.

On January 20 the Company announced that, based on preliminary internal unaudited financial information, it expected to report \$0.10 to \$0.12 diluted earnings per share for the fourth quarter and \$0.59 to \$0.61 diluted earnings per share for the year 2003. Final figures released today are consistent with those in the announcement.

Fourth Quarter 2003 vs. Fourth Quarter 2002

- Net revenues rose 8.4 percent to \$26.7 million, from \$24.6 million, due to an 8 percent increase in patient visits to 280,000 from 259,000 combined with a 1 percent increase to \$93.34 in net patient revenues per visit.
- Earnings were \$0.12 per diluted share for the current quarter as compared to \$0.17 for the prior year period. Net income for the quarter was \$1.4 million versus \$2.1 million.
- Clinic operating costs increased to 73.5 percent of net revenues compared to 69.4 percent as average visits per day per clinic decreased to 18.7 from 20.7. A decline in average daily visits for clinics established prior to 2002, plus the start-up of 48 new clinics opened in 2003 (as compared to 40 opened in 2002), were the reasons for the increase in operating cost percentage.
- Corporate office cost as a percentage of net revenue rose to 13.6 percent compared to 12.2 percent. The increase for the recent period was attributable to additional costs associated with salaries, recruitment and relocation costs, severance and increased accounting fees.

- Same store visits for clinics opened longer than one year were down approximately 1 percent. This was offset by a 1 percent increase in the net rate per visit such that same store revenues were comparable for the two periods.

Twelve Months Ended December 2003 vs. Twelve Months Ended December 2002

- Net revenues rose 11.4 percent to \$105.6 million, from \$94.7 million, due to a 10.7 percent increase in patient visits to 1,112,000 and a 1 percent increase in net patient revenues per visit to \$92.84.
- Earnings decreased to \$0.61 per diluted share from \$0.67 in the prior year. Net income was \$7.3 million as compared to \$8.5 million.
- Clinic operating costs were 70.7 percent of net revenues for 2003 and 68.1 percent for the prior year. Average daily visits per clinic for the two periods were 19.9 and 22.1, respectively.
- Corporate office costs for 2003 were 13.2 percent of net revenues versus 12 percent in 2002.
- Same store visits increased 6.7 percent while same store revenue increased 7.6 percent.

Roy Spradlin, U.S. Physical Therapy's Chief Executive Officer, stated, "In response to the market softness in patient visits nationally, we are working with our clinic directors to strengthen existing and develop new physician, workers' compensation and industrial rehabilitation relationships in order to expand our referral base and drive increased patient visits. On a clinic-by-clinic basis we are evaluating our full and part-time employee and contract labor staffing levels to ensure that costs are in line with revenues. Other initiatives include those designed to improve scheduling efficiencies and lower patient cancellation rates. While we are encouraged by the improvement in recent weeks in referrals and patient visits, it is too early to predict if that trend will result in a return to historic clinic volume levels."

Larry McAfee, Chief Financial Officer, noted "U.S. Physical Therapy's cash flow remains strong. Even after internally funding the opening of a record 48 new clinics in 2003, U.S. Physical Therapy's cash and short-term investments balance grew from \$7.6 million at the beginning of the year to \$16.8 million as of year-end. Cash and investments, net of debt, exceed \$14 million. Return on average equity was 19.4% for the year."

U.S. Physical Therapy's management will host a conference call at 9:30 am Eastern Time, 8:30 am Central Time on Thursday, March 4 to discuss the Company's fourth quarter and year 2003 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 also be archived and can be accessed for approximately 90 days after 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;
- payor and reimbursement factors;
- federal and state regulations;
- availability, terms, and use of capital;
- availability of skilled physical and occupational therapists; and
- weather.

Given these uncertainties, you should not place undue reliance on our forward-looking statements. Please see our other periodic reports filed 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 242 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)

	<u>Three Months Ended</u>		<u>Year Ended</u>	
	<u>December 31,</u>		<u>December 31,</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	(unaudited)			
Net patient revenues	\$ 26,136	\$ 24,026	\$ 103,225	\$ 92,343
Management contract revenues	563	574	2,210	2,284
Other revenues	<u>6</u>	<u>27</u>	<u>133</u>	<u>112</u>
Net revenues	26,705	24,627	105,568	94,739
Clinic operating costs:				
Salaries and related costs	13,749	11,868	52,406	44,856
Rent, clinic supplies and other	5,664	4,860	21,266	18,006
Provision for doubtful accounts	<u>221</u>	<u>354</u>	<u>932</u>	<u>1,669</u>
	19,634	17,082	74,604	64,531
Corporate office costs	<u>3,639</u>	<u>2,996</u>	<u>13,967</u>	<u>11,334</u>
Operating income before non-operating expenses	3,432	4,549	16,997	18,874
Interest expense	48	47	189	214
Minority interests in subsidiary limited partnerships	<u>1,106</u>	<u>1,201</u>	<u>5,025</u>	<u>4,936</u>
Income before income taxes	2,278	3,301	11,783	13,724
Provision for income taxes	<u>848</u>	<u>1,243</u>	<u>4,452</u>	<u>5,236</u>
Net income	<u>\$ 1,430</u>	<u>\$ 2,058</u>	<u>\$ 7,331</u>	<u>\$ 8,488</u>
Basic earnings per common share (Note 1)	<u>\$ 0.13</u>	<u>\$ 0.19</u>	<u>\$ 0.66</u>	<u>\$ 0.77</u>
Diluted earnings per common share (Note 1)	<u>\$ 0.12</u>	<u>\$ 0.17</u>	<u>\$ 0.61</u>	<u>\$ 0.67</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>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	(unaudited)			
Numerator:				
Net income	\$ 1,430	\$ 2,058	\$ 7,331	\$ 8,488
Numerator for basic earnings per share	1,430	2,058	7,331	8,488
Effect of dilutive securities:				
Interest on convertible subordinated notes payable	<u>31</u>	<u>31</u>	<u>123</u>	<u>140</u>
Numerator for diluted earnings per share --- income available to common stockholders after assumed conversions	<u>\$ 1,461</u>	<u>\$ 2,089</u>	<u>\$ 7,454</u>	<u>\$ 8,628</u>
Denominator:				
Denominator for basic earnings per share --- weighted-average shares	11,245	10,930	11,051	10,975
Effect of dilutive securities:				
Stock options	394	903	476	1,226
Convertible subordinated notes payable	<u>700</u>	<u>700</u>	<u>700</u>	<u>734</u>
Dilutive potential common shares	<u>1,094</u>	<u>1,603</u>	<u>1,176</u>	<u>1,960</u>
Denominator for diluted earnings per share --- adjusted weighted-average shares and assumed conversions	<u>12,339</u>	<u>12,533</u>	<u>12,227</u>	<u>12,935</u>
Basic earnings per common share	<u>\$ 0.13</u>	<u>\$ 0.19</u>	<u>\$ 0.66</u>	<u>\$ 0.77</u>
Diluted earnings per common share	<u>\$ 0.12</u>	<u>\$ 0.17</u>	<u>\$ 0.61</u>	<u>\$ 0.67</u>

U.S. PHYSICAL THERAPY, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
 (IN THOUSANDS, EXCEPT SHARE DATA)

	DECEMBER 31,	
	<u>2003</u>	<u>2002</u>
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 16,822	\$ 7,610
Patient accounts receivable, less allowance for doubtful accounts of \$3,456 and \$4,327, respectively.....	14,135	13,235
Accounts receivable -- other.....	266	443
Other current assets.....	<u>1,802</u>	<u>1,307</u>
Total current assets.....	33,025	22,595
Fixed assets:		
Furniture and equipment.....	20,598	17,796
Leasehold improvements.....	<u>10,760</u>	<u>9,310</u>
	31,358	27,106
Less accumulated depreciation and amortization.....	<u>19,550</u>	<u>16,693</u>
	11,808	10,413
Goodwill, net of amortization of \$335.....	5,685	5,590
Other assets, net of amortization of \$432 and \$505, respectively.....	<u>1,955</u>	<u>2,435</u>
	<u>\$ 52,473</u>	<u>\$ 41,033</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable -- trade.....	\$ 498	\$ 624
Accrued expenses.....	2,549	2,188
Estimated third-party payor (Medicare) settlements.....	--	33
Notes payable.....	39	4
Convertible subordinated notes payable.....	<u>2,333</u>	<u>--</u>
Total current liabilities.....	5,419	2,849
Notes payable -- long-term portion.....	83	17
Other long-term liabilities.....	346	273
Convertible subordinated notes payable.....	<u>--</u>	<u>2,333</u>
Total liabilities.....	5,848	5,472
Minority interests in subsidiary limited partnerships.....	3,278	3,024
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, \$.01 par value, 500,000 shares authorized, no shares issued and outstanding.....	--	--
Common stock, \$.01 par value, 20,000,000 shares authorized, 12,242,577 and 11,818,711 shares issued at December 31, 2003 and 2002, respectively.....	122	118
Additional paid-in capital.....	26,808	23,313
Retained earnings.....	28,939	21,608
Treasury stock at cost, 947,100 and 945,300 shares held at December 31, 2003 and 2002, respectively.....	<u>(12,522)</u>	<u>(12,502)</u>
Total shareholders' equity.....	<u>43,347</u>	<u>32,537</u>
	<u>\$ 52,473</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 CONSOLIDATED STATEMENTS OF CASH FLOWS
 (In thousands)

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Operating activities				
Net income	\$ 1,430	\$ 2,058	\$ 7,331	\$ 8,488
Depreciation and amortization	955	810	3,591	2,955
Minority interest in earnings	1,106	1,201	5,025	4,936
Provision for doubtful accounts	221	354	932	1,669
Tax benefit from exercise of options	913	259	2,037	4,228
Deferred income taxes	(149)	(544)	(602)	(319)
Other	50	-	14	-
Changes in working capital	<u>(445)</u>	<u>(112)</u>	<u>(796)</u>	<u>(2,433)</u>
Net cash provided by operating activities	4,081	4,026	17,532	19,524
Investing activities				
Purchase of fixed assets	(1,198)	(1,698)	(5,133)	(5,565)
Purchase of intangibles	-	(9)	(31)	(1,071)
Other	<u>7</u>	<u>1</u>	<u>136</u>	<u>2</u>
Net cash used in investing activities	(1,191)	(1,706)	(5,028)	(6,634)
Financing activities				
Payment of notes payable	(35)	(4)	(38)	(701)
Repurchase of common stock	-	(2,691)	(20)	(10,512)
Proceeds from exercise of stock options	326	335	1,462	3,006
Distributions to minority investors	(1,042)	(1,294)	(4,696)	(5,161)
Other	<u>-</u>	<u>(33)</u>	<u>-</u>	<u>(33)</u>
Net cash used in financing activities	(751)	(3,687)	(3,292)	(13,401)
Change in cash and cash equivalents	<u>\$ 2,139</u>	<u>\$ (1,367)</u>	<u>\$ 9,212</u>	<u>\$ (511)</u>