



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

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U.S. Physical Therapy Reports Third Quarter Results

Houston, TX, October 27, 2004 – U.S. Physical Therapy, Inc. (NASDAQ: USPH), a national operator of physical and occupational therapy outpatient clinics, today reported results for the third quarter and nine months ended September 30, 2004.

U.S. Physical Therapy's reported net earnings for the third quarter of 2004 were \$1.1 million or \$0.08 per diluted share. These figures are after a pretax charge of \$966,000 in costs and losses associated with the closure of eight clinics announced September 2, 2004. Additionally, included in corporate office cost was \$208,000 incurred during the period for recruiting fees principally related to the Company's recently completed CEO search. Excluding these charges, reported net earnings for the third quarter of 2004 would have been \$1.8 million or approximately \$0.14 per diluted share. Additionally, the hurricanes that hit Florida and affected other Gulf and east coast states during the quarter are believed to have resulted in lost visits at 37 clinics in nine states or roughly 15% of the Company's total clinics. Some clinics were closed for days, were without power or realized significant weather related patient cancellations. Management estimates that 2,200 to 2,600 visits were lost representing approximately \$215,000 to \$255,000 in revenue and at least \$0.01 in lost earnings per diluted share.

Livingston Kosberg, Interim Chief Executive Officer, said "During the third quarter a number of external and internal factors made for a complicated period. With the management issue resolved, the Company can now focus on maximizing the profits of our existing facilities, accelerating the development of new clinics, increasing the Company's physician owned and hospital PT/OT management business and seeking tuck-in physical and occupational therapy acquisitions."

Third Quarter 2004 vs. Third Quarter 2003

- Net revenues rose 10.6% to \$29.7 million, from \$26.9 million, due to an 8.2% increase in patient visits to 305,000 from 282,000 in the prior year quarter, combined with a 3.1% increase from \$93.14 to \$96.06 in net patient revenues per visit.
- Earnings were \$0.08 per diluted share for the third quarter 2004 as compared to \$0.15 for the comparable prior year period. Net income for the quarter decreased from \$1.9 million to \$1.1 million or 44.6% due to the reasons described.
- Clinic operating costs in the third quarter of 2004 increased to 72.9% of net revenues compared to 69.2% a year ago. Average visits per day per clinic were 18.7 in the most recent period and 19.6 in the third quarter last year.
- Corporate office costs as a percentage of net revenues were 14.2% for both the third quarter 2003 and 2004. As described above, third quarter 2004 corporate costs included higher recruiting fees. Accounting and legal costs, a large portion of which related to Sarbanes Oxley compliance, increased \$219,000 in the third quarter of 2004 as compared to the third quarter of 2003.
- Same store visits for all clinics open for one year or more increased approximately 2.7%. The net rate per visit for those clinics increased approximately 3.2% resulting in a same store revenue increase of 5.9% versus the third quarter of 2003.

Nine Months Ended September 2004 vs. Nine Months Ended September 2003

- Net revenues rose 12.3% to \$88.6 million from \$78.9 million due to an 8.4% increase in patient visits to 902,000 and a 3.9% increase in net patient revenues per visit to \$96.31.
- Earnings per share decreased 16.7% to \$0.40 per diluted share from \$0.48 in the prior year period. Net income decreased to \$4.9 million from \$5.9 million or 17.6% due to the reasons described.
- Clinic operating costs were 71.7% of net revenues for 2004 and 69.7% for the prior year period. Average daily visits per clinic for the two periods were 19.1 and 20.3, respectively.
- Corporate office costs were 14.4% of net revenues versus 13.1% one year earlier.
- Same store revenues increased 9.1% for the nine month period on an increase in same store visits of 5.1% and a net rate increase of 4.0%.

Larry McAfee, Chief Financial Officer said, "Cash and cash equivalents grew 13.3% during the quarter to \$24.8 million or approximately 40.0% of total assets as of September 30. During September 2004, the Company purchased 50,000 shares of its outstanding common stock at an average price of \$13.09 per share. The shares were acquired pursuant to the Company's September 24, 2001 stock purchase plan, which had a remaining balance of 17,600 shares available for purchase at September 30. A second share repurchase plan authorized February 26, 2003, also remains under which 250,000 shares may be acquired. Management plans to fully utilize both plans."

Chris Reading, who will become the Company's Chief Executive Officer effective November 1, 2004 noted, "During the third quarter, we opened 8 clinics bringing our year-to-date clinic openings to 24. We are on target to meet our goal of 34 to 38 new clinic openings in 2004."

This press release contains non-GAAP financial measures as defined by Regulation G of the Securities and Exchange Commission. The attached financial summary contains a schedule which reconciles these measures to the most directly comparable GAAP measures. These non-GAAP financial measures may be considered in addition to, not as a substitute for the financial measures prepared in accordance with GAAP (generally accepted accounting principles).

U.S. Physical Therapy's management will host a conference call at 10:30 am Eastern Time, 9:30 am Central Time on Wednesday, October 27 to discuss the Company's third quarter 2004 results. Interested parties may participate in the call by dialing (800) 938-0653 or (973) 321-1100 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.

Forward-Looking Statements

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:

- revenue and earnings expectations;
- general economic and business conditions;
- availability of qualified physical and occupational therapists;
- competition;
- federal and state regulations;
- reimbursement rates from third party payors and deductibles and co-pays by patients;
- availability, terms, and use of capital;
- acquisitions; 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 254 outpatient physical and/or occupational therapy clinics in 35 states. The Company's clinics provide preventative and post-operative care for a variety of orthopedic-related disorders and sports-related injuries, treatment for neurologically-related injuries and rehabilitation of injured workers. In addition to owning and operating clinics, the Company manages physical therapy facilities for third parties, including hospitals and physician groups. U.S. Physical Therapy, Inc. has been named for three consecutive years in Forbes Magazine's Best 200 Small Companies List.

More information about U.S. Physical Therapy, Inc. is available at www.usph.com. The information included on that website is not incorporated into this press release.

(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,	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	(unaudited)		(unaudited)	
Net patient revenues	\$ 29,253	\$ 26,224	\$ 86,882	\$ 77,089
Management contract revenues	379	588	1,547	1,647
Other revenues	<u>77</u>	<u>42</u>	<u>163</u>	<u>127</u>
Net revenues	29,709	26,854	88,592	78,863
Clinic operating costs:				
Salaries and related costs	15,140	13,364	44,253	38,657
Rent, clinic supplies and other	6,176	5,258	18,207	15,638
Provision for doubtful accounts	<u>316</u>	<u>(45)</u>	<u>1,027</u>	<u>711</u>
	21,632	18,577	63,487	55,006
Corporate office costs	<u>4,213</u>	<u>3,806</u>	<u>12,752</u>	<u>10,328</u>
Clinic closure costs (A)	(815)	-	(815)	-
Gain (Loss) on sale or disposal of fixed assets	<u>(7)</u>	<u>1</u>	<u>443</u>	<u>36</u>
Operating income	3,042	4,472	11,981	13,565
Other income (expense)				
Interest expense	(5)	(47)	(74)	(141)
Minority interests in subsidiary limited partnerships	<u>(1,328)</u>	<u>(1,370)</u>	<u>(4,055)</u>	<u>(3,919)</u>
	(1,333)	(1,417)	(4,129)	(4,060)
Income before income taxes	1,709	3,055	7,852	9,505
Provision for income taxes	<u>655</u>	<u>1,154</u>	<u>2,987</u>	<u>3,604</u>
Net income	<u>\$ 1,054</u>	<u>\$ 1,901</u>	<u>\$ 4,865</u>	<u>\$ 5,901</u>
Basic earnings per common share (Note 2)	<u>\$ 0.09</u>	<u>\$ 0.17</u>	<u>\$ 0.41</u>	<u>\$ 0.54</u>
Diluted earnings per common share (Note 2)	<u>\$ 0.08</u>	<u>\$ 0.15</u>	<u>\$ 0.40</u>	<u>\$ 0.48</u>

Note 1: Certain prior period amounts have been reclassified for comparison purposes.

(A) Includes an \$182,000 charge associated with the disposal of leasehold costs.

U.S. PHYSICAL THERAPY, INC. AND SUBSIDIARIES
CONSOLIDATED EARNINGS PER SHARE
 (In thousands, except per share data)

Note 2: The following table sets forth the computation of basic and diluted earnings per share:

	<u>Three Months Ended</u> <u>September 30,</u>		<u>Nine months Ended</u> <u>September 30,</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	(unaudited)		(unaudited)	
Numerator:				
Net income	\$ 1,054	\$ 1,901	\$ 4,865	\$ 5,901
Numerator for basic earnings per share	1,054	1,901	4,865	5,901
Effect of dilutive securities:				
Interest on convertible subordinated notes payable	<u> -</u>	<u> 31</u>	<u> 45</u>	<u> 92</u>
Numerator for diluted earnings per share --- income available to common stockholders after assumed conversions	<u>\$ 1,054</u>	<u>\$ 1,932</u>	<u>\$ 4,910</u>	<u>\$ 5,993</u>
Denominator:				
Denominator for basic earnings per share --- weighted-average shares	12,328	11,088	11,772	10,986
Effect of dilutive securities:				
Stock options	202	737	310	784
Convertible subordinated notes payable	<u> -</u>	<u> 700</u>	<u> 338</u>	<u> 700</u>
Dilutive potential common shares	<u> 202</u>	<u> 1,437</u>	<u> 648</u>	<u> 1,484</u>
Denominator for diluted earnings per share --- adjusted weighted-average shares and assumed conversions	<u>12,530</u>	<u>12,525</u>	<u>12,420</u>	<u>12,470</u>
Basic earnings per common share	<u>\$ 0.09</u>	<u>\$ 0.17</u>	<u>\$ 0.41</u>	<u>\$ 0.54</u>
Diluted earnings per common share	<u>\$ 0.08</u>	<u>\$ 0.15</u>	<u>\$ 0.40</u>	<u>\$ 0.48</u>

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

(In thousands, except share and per share amounts)

	<u>September 30,</u> <u>2004</u>	<u>December 31,</u> <u>2003</u>
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 24,776	\$ 16,822
Patient accounts receivable, less allowance for doubtful accounts of \$2,790 and \$3,456, respectively.....	16,229	14,135
Accounts receivable -- other.....	467	266
Other current assets.....	<u>1,088</u>	<u>1,802</u>
Total current assets.....	42,560	33,025
Fixed assets:		
Furniture and equipment.....	22,211	20,598
Leasehold improvements.....	<u>11,307</u>	<u>10,760</u>
	33,518	31,358
Less accumulated depreciation and amortization.....	<u>21,514</u>	<u>19,550</u>
	12,004	11,808
Goodwill, net of amortization of \$335.....	6,011	5,685
Other assets, net of amortization of \$432.....	<u>1,734</u>	<u>1,955</u>
	<u>\$ 62,309</u>	<u>\$ 52,473</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable -- trade.....	\$ 648	\$ 498
Accrued expenses.....	4,280	2,549
Notes payable.....	70	39
Convertible subordinated notes payable.....	<u>-</u>	<u>2,333</u>
Total current liabilities.....	4,998	5,419
Notes payable -- long-term portion.....	94	83
Other long-term liabilities.....	<u>530</u>	<u>346</u>
Total liabilities.....	5,622	5,848
Minority interests in subsidiary limited partnerships.....	3,475	3,278
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, 13,463,997 and 12,242,577 shares issued at September 30, 2004 and December 31, 2003, respectively.....	134	122
Additional paid-in capital.....	32,456	26,808
Retained earnings.....	33,801	28,939
Treasury stock at cost, 997,100 shares held at September 30, 2004 and 947,100 shares at December 31, 2003, respectively	<u>(13,179)</u>	<u>(12,522)</u>
Total shareholders' equity.....	<u>53,212</u>	<u>43,347</u>
	<u>\$ 62,309</u>	<u>\$ 52,473</u>

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

	Three Months Ended		Nine months Ended	
	September 30,		September 30,	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	(unaudited)		(unaudited)	
Operating activities				
Net income	\$ 1,054	\$ 1,901	\$ 4,865	\$ 5,901
Depreciation and amortization	999	914	2,873	2,636
(Gain) Loss on sale or disposal of fixed assets	180	(1)	(261)	(36)
Minority interest in earnings	1,328	1,370	4,055	3,919
Provision for doubtful accounts	316	(45)	1,027	711
Tax benefit from exercise of options	1,374	599	1,550	1,124
Deferred income taxes	(136)	(138)	(136)	(453)
Changes in working capital	<u>(535)</u>	<u>(338)</u>	<u>(107)</u>	<u>(351)</u>
Net cash provided by operating activities	4,580	4,262	13,866	13,451
Investing activities				
Purchase of fixed assets	(1,122)	(1,316)	(3,307)	(3,935)
Purchase of intangibles	(79)	(31)	(253)	(31)
Proceeds on sale of fixed assets	<u>17</u>	<u>-</u>	<u>499</u>	<u>129</u>
Net cash used in investing activities	(1,184)	(1,347)	(3,061)	(3,837)
Financing activities				
Payment of notes payable	(36)	(1)	(39)	(3)
Repurchase of common stock	(657)	-	(657)	(20)
Proceeds from exercise of stock options	1,554	549	1,704	1,136
Distributions to minority investors	(1,353)	(1,356)	(3,859)	(3,654)
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash used in financing activities	(492)	(808)	(2,851)	(2,541)
 Change in cash and cash equivalents	 <u>\$ 2,904</u>	 <u>\$ 2,107</u>	 <u>\$ 7,954</u>	 <u>\$ 7,073</u>

U.S. PHYSICAL THERAPY, INC. AND SUBSIDIARIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
 (In thousands, except per share amounts)

	<u>Three Months</u> <u>Ended</u> <u>September 30,</u> <u>2004</u> (unaudited)	<u>Nine months</u> <u>Ended</u> <u>September 30,</u> <u>2004</u> (unaudited)
Net Income	\$ <u>1,054</u>	\$ <u>4,865</u>
Reconciling Items:		
Closed clinic operating losses	(151)	(393)
Clinic closure costs	(815)	(815)
Severance and recruiting fees	(208)	(925)
Gain (loss) on sale of assets	<u>(7)</u>	<u>443</u>
	<u>(1,181)</u>	<u>(1,690)</u>
Tax benefit from reconciling items, net	<u>425</u>	<u>608</u>
Net expense from reconciling items	<u>(756)</u>	<u>(1,082)</u>
Pro forma Net Income	\$ 1,810	\$ 5,947
Diluted shares	<u>12,530</u>	<u>12,420</u>
Diluted earnings per common share as reported	<u>\$ 0.08</u>	<u>\$ 0.40</u>
Net expense per share from reconciling items	<u>\$ 0.06</u>	<u>\$ 0.08</u>
Adjusted earnings per common share	<u>\$ 0.14</u>	<u>\$ 0.48</u>

Note 3: This reconciliation schedule does not include any costs related to the impact from the hurricanes referenced in the text of the accompanying news release.