



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

CONTACT:

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U.S. Physical Therapy Reports First Quarter 2007 Results

Houston, TX, May 3, 2007 – U.S. Physical Therapy, Inc. (NASDAQ: USPH), a national operator of physical and occupational therapy outpatient clinics, today reported results for the first quarter ended March 31, 2007.

U.S. Physical Therapy's net earnings were \$1.8 million or \$0.16 per share in the first quarter of 2007. The Company's earnings were \$1.5 million or \$0.12 per share in the first quarter of 2006.

First Quarter 2007 compared to First Quarter 2006

- Net revenue from continuing operations increased to \$34.6 million from \$33.5 million due to a 6.0% increase in patient visits from 339,000 to 359,000 partially offset by a decrease in average net patient revenue per visit of 1.7% to \$95.47. Effective January 1, 2007, the reimbursement rate by Medicare for outpatient rehabilitation was cut by approximately 6%. Medicare comprised 19% of the Company's charges in this year's first quarter.
- Clinic salaries and related costs as a percentage of net revenue were 52.0% for the recent quarter as well as the year earlier period. Rent, clinic supplies, contract labor and other costs from continuing operations as a percentage of revenue were 21.5% in the first quarter of 2007 as compared to 20.9% in the first quarter of 2006. The provision for doubtful accounts was 1.8% of revenues in the recent quarter versus 1.6% in the comparable period in 2006.
- Corporate office costs were reduced to \$4.4 million in the first quarter of 2007, or 12.6% of net revenue, versus \$4.5 million, or 13.5% of revenue in the first quarter of 2006.
- Net income from continuing operations increased by 8.1% to \$1.8 million from \$1.7 million. Earnings from continuing operations per diluted share increased to \$0.16 from \$0.14.
- Net income, after discontinued operations, increased by 23.2% to \$1.8 million from \$1.5 million. Earnings per diluted share rose to \$0.16 from \$0.12.
- Same store revenues for clinics open or acquired for one year or more decreased by 3.1% as visits declined by less than 1% and the average net rate per visit decreased by 2.2% to \$95.01. The slight visits decline was attributable to Michigan as the rest of the Company's operations achieved an increase in same store visits.

May 3, 2007

Chris Reading, Chief Executive Officer, said "Increased clinical efficiencies, coupled with what appears to be a stabilizing labor market for physical and occupational therapists, has resulted in improved profits. Our focus on new program development, enhanced partner training, and continued expansion of our sales force are helping to capture additional market share. We look forward to building on the progress we have made as we work to expand our partner-focused network of facilities."

The Company ended the quarter with \$14.6 million in cash and investments. Net of \$1.2 million of acquired clinics seller notes, the adjusted net cash balance was approximately \$13.4 million or \$1.16 per outstanding share.

U.S. Physical Therapy's management will host a conference call at 10:30 am Eastern Time, 9:30 am Central Time on Thursday, May 3, 2007 to discuss the Company's first quarter 2007 results. Interested parties may participate in the call by dialing 1-888-335-5539 or 973-582-2857 and enter reservation number 8740130 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 120 days at this website.

Forward-Looking Statements

This press release contains statements that are considered to be forward-looking within the meaning under Section 21E of the Securities Exchange Act of 1934. These statements contain forward-looking information relating to the financial condition, results of operations, plans, objectives, future performance and business of our Company. These statements (often using words such as "believes", "expects", "intends", "plans", "appear", "should" and similar words) involve risks and uncertainties that could cause actual results to differ materially from those we project. Included among such statements are those relating to opening new clinics, availability of personnel and the reimbursement environment. The forward-looking statements are based on our current views and assumptions and 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, business, and regulatory conditions including federal and state regulations;
- availability and cost of qualified physical and occupational therapists;
- personnel productivity;
- changes in Medicare guidelines and reimbursement or failure of our clinics to maintain their Medicare certification status;
- competitive and/or economic conditions in our markets which may require us to close certain clinics and thereby incur closure costs and losses including the possible write-down or write-off of goodwill;
- changes in reimbursement rates or payment methods from third party payors including government agencies and deductibles and co-pays owed by patients;
- maintaining adequate internal controls;
- availability, terms, and use of capital;
- future acquisitions; and
- weather and other seasonal factors.

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Many factors are beyond our control. Given these uncertainties, you should not place undue reliance on our forward-looking statements. Please see periodic reports filed with the Securities and Exchange Commission (the "SEC") for more information on these factors. Our forward-looking statements represent our estimates and assumptions only as of the date of this report. Except as required by law, we are under no obligation to update any forward-looking statement, regardless of the reason the statement is no longer accurate.

About U.S. Physical Therapy, Inc.

Founded in 1990, U.S. Physical Therapy, Inc. operates 293 outpatient physical and/or occupational therapy clinics in 41 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.

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 NET INCOME
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(unaudited)

	<u>Three Months Ended March 31,</u>	
	<u>2007</u>	<u>2006</u>
	(In thousands, except per share data)	
Net patient revenues.....	\$ 34,276	\$ 32,908
Management contract revenues.....	318	569
Other revenues.....	26	26
Net revenues.....	<u>34,620</u>	<u>33,503</u>
Clinic operating costs:		
Salaries and related costs.....	17,916	17,287
Rent, clinic supplies, contract labor and other.....	7,429	7,013
Provision for doubtful accounts.....	631	532
	<u>25,976</u>	<u>24,832</u>
Corporate office costs.....	<u>4,357</u>	<u>4,515</u>
Operating income from continuing operations.....	4,287	4,156
Interest and investment income, net.....	41	82
Loss in unconsolidated joint venture.....	-	(21)
Minority interests in subsidiary limited partnerships.....	(1,315)	(1,469)
Income before income taxes from continuing operations.....	3,013	2,748
Provision for income taxes.....	1,169	1,042
Net income from continuing operations.....	<u>1,844</u>	<u>1,706</u>
Discontinued operations:		
(Loss) income from discontinued operations.....	(24)	(338)
Tax benefit (expense) from discontinued operations.....	9	116
	<u>(15)</u>	<u>(222)</u>
Net income.....	<u>\$ 1,829</u>	<u>\$ 1,484</u>
Earnings per share:		
Basic - income from continuing operations.....	\$ 0.16	\$ 0.14
Basic - (loss) income from discontinued operations.....	(0.00)	(0.01)
Total basic earnings per common share.....	<u>\$ 0.16</u>	<u>\$ 0.13</u>
Diluted - income from continuing operations.....	\$ 0.16	\$ 0.14
Diluted - (loss) income from discontinued operations...	(0.00)	(0.02)
Total diluted earnings per common share.....	<u>\$ 0.16</u>	<u>\$ 0.12</u>
Shares used in computation:		
Basic earnings per common share.....	<u>11,501</u>	<u>11,824</u>
Diluted earnings per common share.....	<u>11,589</u>	<u>12,036</u>

U. S. PHYSICAL THERAPY, INC. AND SUBSIDIARIES
CONSOLIDATED EARNINGS PER SHARE
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(unaudited)

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

	Three Months Ended	
	March 31,	
	2007	2006
Numerator:		
Net income from continuing operations.....	\$ 1,844	\$ 1,706
Net loss from discontinued operations.....	(15)	(222)
Net income.....	\$ 1,829	\$ 1,484
Denominator:		
Denominator for basic earnings per share - weighted-average shares.....	11,501	11,824
Effect of dilutive securities:		
Stock options.....	88	212
Denominator for diluted earnings per share - adjusted weighted-average shares and assumed conversions.....	11,589	12,036
Earnings per share:		
Basic - income from continuing operations.....	\$ 0.16	\$ 0.14
Basic - loss from discontinued operations.....	-	(0.01)
Total basic earnings per share.....	\$ 0.16	\$ 0.13
Diluted - income from continuing operations.....	\$ 0.16	\$ 0.14
Diluted - loss from discontinued operations.....	-	(0.02)
Total diluted earnings per share.....	\$ 0.16	\$ 0.12

U. S. PHYSICAL THERAPY, INC. AND SUBSIDIARIES

**CONSOLIDATED BALANCE SHEETS
 (IN THOUSANDS, EXCEPT SHARE DATA)**

	<u>March 31,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 13,093	\$ 10,952
Marketable securities - available for sale.....	1,460	500
Patient accounts receivable, less allowance for doubtful accounts of \$1,669 and \$1,567, respectively.....	21,873	21,503
Accounts receivable - other.....	602	775
Other current assets.....	2,067	2,251
Total current assets.....	<u>39,095</u>	<u>35,981</u>
Fixed assets:		
Furniture and equipment.....	24,098	23,718
Leasehold improvements.....	15,554	15,226
	<u>39,652</u>	<u>38,944</u>
Less accumulated depreciation and amortization.....	26,618	25,573
	<u>13,034</u>	<u>13,371</u>
Goodwill.....	21,082	20,997
Other assets.....	1,591	1,108
	<u>\$ 74,802</u>	<u>\$ 71,457</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable - trade.....	\$ 1,059	\$ 1,601
Accrued expenses.....	9,031	7,007
Current portion of notes payable.....	537	562
Total current liabilities.....	<u>10,627</u>	<u>9,170</u>
Notes payable.....	656	797
Deferred rent.....	1,239	1,273
Other long-term liabilities.....	717	829
Total liabilities.....	<u>13,239</u>	<u>12,069</u>
Minority interests in subsidiary limited partnerships.....	3,723	3,871
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, 13,750,849 and 13,681,849, shares issued, respectively.....	138	137
Additional paid-in capital.....	36,797	36,304
Retained earnings.....	52,533	50,704
Treasury stock at cost, 2,214,737 shares.....	<u>(31,628)</u>	<u>(31,628)</u>
Total shareholders' equity.....	<u>57,840</u>	<u>55,517</u>
	<u>\$ 74,802</u>	<u>\$ 71,457</u>

U. S. PHYSICAL THERAPY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(unaudited)

	Three Months Ended March 31,	
	2007	2006
	(In thousands)	
OPERATING ACTIVITIES		
Net income.....	\$ 1,829	\$ 1,484
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization.....	1,125	1,090
Minority interests in earnings of subsidiary limited partnerships.....	1,315	1,444
Provision for doubtful accounts.....	631	566
Equity-based awards compensation expense.....	257	222
Loss (gain) on sale or abandonment of assets.....	6	12
Tax benefit from exercise of stock options.....	9	10
Impairment charge - goodwill.....	-	-
Recognition of deferred rent subsidies.....	(130)	(103)
Deferred income tax.....	81	471
Other.....	-	-
Changes in operating assets and liabilities:		
Increase in patient account receivable.....	(1,001)	(1,218)
(Increase) decrease in accounts receivable - other.....	173	(137)
Increase in other assets.....	(396)	(107)
Increase in accounts payable and accrued expenses.....	1,526	1,313
(Decrease) increase in other liabilities.....	(25)	83
Net cash provided by operating activities.....	5,400	5,130
INVESTING ACTIVITIES		
Purchase of fixed assets.....	(784)	(1,480)
Purchase of business.....	-	(54)
Acquisitions of minority interest, included in goodwill.....	(129)	(800)
Purchase of marketable securities - available for sale.....	(1,600)	(100)
Proceeds on sale of marketable securities - available for sale.....	640	-
Proceeds on sale of fixed assets.....	6	-
Net cash used in investing activities.....	(1,867)	(2,434)
FINANCING ACTIVITIES		
Distributions to minority investors in subsidiary limited partnerships.....	(1,463)	(1,030)
Repurchase of common stock.....	-	(860)
Payment of notes payable.....	(166)	(68)
Excess tax benefit from stock options exercised.....	9	10
Proceeds from exercise of stock options.....	228	11
Net cash used in financing activities.....	(1,392)	(1,937)
Net increase (decrease) in cash and cash equivalents.....	2,141	759
Cash and cash equivalents - beginning of period.....	10,952	12,352
Cash and cash equivalents - end of period.....	\$ 13,093	\$ 13,111
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period for :		
Income taxes.....	\$ 85	\$ 256
Interest.....	\$ 29	\$ 11

**U.S. PHYSICAL THERAPY, INC. AND SUBSIDIARIES
 RECAP OF CLINIC DEVELOPMENT ACTIVITY**

	<u>Opened</u>	<u>Closed</u>	<u>Sold</u>	<u>Acquired</u>	<u>Number of Clinics</u>
As of December 31, 2004					264
First Quarter 2005, March 31, 2005	6	--	(1)	--	269
Second Quarter 2005, June 30, 2005	7	(1)	(1)	3	277
Third Quarter 2005, September 30, 2005	5	--	--	--	282
Fourth Quarter 2005, December 31, 2005	<u>10</u>	<u>(8)</u>	<u>--</u>	<u>2</u>	<u>286</u>
Year 2005, December 31, 2005	<u>28</u>	<u>(9)</u>	<u>(2)</u>	<u>5</u>	<u>286</u>
First Quarter 2006, March 31, 2006	12	--	--	--	298
Second Quarter 2006, June 30, 2006	8	(3)	--	--	303
Third Quarter 2006, September 30, 2006	7	(28)	--	--	282
Fourth Quarter 2006, December 31, 2006	<u>3</u>	<u>--</u>	<u>(1)</u>	<u>8</u>	<u>292</u>
Year Ended, December 31, 2006	<u>30</u>	<u>(31)</u>	<u>(1)</u>	<u>8</u>	<u>292</u>
First Quarter 2007, March 31, 2007	<u>3</u>	<u>(2)</u>	<u>--</u>	<u>--</u>	<u>293</u>