



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

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## **U.S. Physical Therapy Reports Second Quarter and Six Months Results**

**Houston, TX, August 2, 2007** – U.S. Physical Therapy, Inc. (NASDAQ: USPH), a national operator of physical and occupational therapy outpatient clinics, today reported results for the second quarter and six months ended June 30, 2007.

U.S. Physical Therapy's reported earnings were \$2.3 million or \$0.20 per share for the second quarter of 2007 and \$4.1 million or \$0.36 per share for the first six months of 2007. The Company's earnings were \$2.2 million or \$0.18 per share for the second quarter of 2006 and \$3.6 million or \$0.30 per share for the first six months of 2006.

### **Second Quarter 2007 compared to Second Quarter 2006**

- Net revenue from continuing operations increased to \$35.5 million from \$34.6 million due to a 5.0% increase in patient visits from 350,000 to 368,000 partially offset by a decrease in average net patient revenue per visit of 1.6% to \$95.63. Effective January 1, 2007, the reimbursement rate by Medicare for outpatient rehabilitation was reduced by approximately 5%. Medicare comprised 20% of the Company's charges for the three months ended June 30, 2007.
- Clinic salaries and related costs as a percentage of net revenue were 51.0% 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 second quarter of 2007 as compared to 19.3% in the second quarter of 2006. The provision for doubtful accounts was 1.1% of revenues in the recent quarter versus 1.3% in the comparable period in 2006.
- Corporate office costs were reduced to \$4.1 million in the second quarter of 2007, or 11.7% of net revenue, versus \$4.5 million, or 13.0% of revenue in the second quarter of 2006.
- Net income, after discontinued operations, increased by 6.8% to \$2.3 million from \$2.2 million. Earnings per diluted share rose to \$0.20 from \$0.18. These figures are net of losses from discontinued operations, net of tax benefit, of \$54,000 in the recent period as compared to \$0.4 million in the second quarter of 2006.
- Same store revenues for clinics open or acquired for one year or more decreased by 3.5% as visits declined by 1.2% and the average net rate per visit decreased by 2.3% to \$95.01. The slight visits decline was attributable to continued weakness in the Michigan market as the rest of the Company's operations achieved a combined small increase in same store visits.

August 2, 2007

### **First Six Months 2007 compared to First Six Months 2006**

- Net revenue from continuing operations increased to \$70.1 million from \$68.1 million due to a 5.5% increase in patient visits from 689,000 to 727,000 partially offset by a decrease in average net patient revenue per visit of 1.7% to \$95.55. As noted above, effective January 1, 2007, the reimbursement rate by Medicare for outpatient rehabilitation was reduced by approximately 5%. Medicare comprised 20% of the Company's charges for the six months ended June 30, 2007.
- Clinic salaries and related costs as a percentage of net revenue were 51.0% for the recent six months 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 six months of 2007 as compared to 20.1% in the comparable 2006 period. The provision for doubtful accounts was 1.5% of revenues in the six months period versus 1.4% in the comparable period in 2006.
- Corporate office costs were reduced to \$8.5 million in the first six months of 2007, or 12.1% of net revenue, versus \$9.0 million, or 13.2% of revenue in the comparable 2006 period.
- Net income, after discontinued operations, increased by 13.5% to \$4.1 million from \$3.6 million. Earnings per diluted share rose to \$0.36 from \$0.30. These figures are net of losses from discontinued operations, net of tax benefit, of \$69,000 in the first half of 2007 as compared to \$0.6 million in the first half of 2006.
- Same store revenues for clinics open or acquired for one year or more decreased by 2.4% as visits declined slightly and the average net rate per visit decreased by 2.2% to \$95.02. The slight visits decline was attributable to Michigan as the rest of the Company's operations achieved a small increase in same store visits.

Chris Reading, Chief Executive Officer, said "We are pleased to announce that U.S. Physical Therapy has been chosen by one of the major U. S. automakers as its national workers compensation provider for physical and occupational therapy. This contract took effect yesterday, August 1, 2007. We anticipate that the contract will generate 10,000 to 15,000 annual patient visits nationwide for U.S. Physical Therapy and in particular should bolster our Michigan PT practices."

The Company ended the quarter with \$13.9 million in cash and investments. Net of \$1.1 million of acquired clinics seller notes, the adjusted net cash balance was approximately \$12.8 million or \$1.11 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, August 2, 2007 to discuss the Company's second quarter and first six months 2007 results. Interested parties may participate in the call by dialing 1-888-335-5539 or 973-582-2857 and enter reservation number 9020809 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](http://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.

August 2, 2007

### **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.

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 298 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](http://www.usph.com). The information included on that website is not incorporated into this press release.

(See Attached Financials)

U. S. PHYSICAL THERAPY, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF NET INCOME  
(IN THOUSANDS, EXCEPT PER SHARE DATA)  
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Net patient revenues.....	\$ 35,171	\$ 34,050	\$ 69,447	\$ 66,958
Management contract revenues.....	284	570	602	1,139
Other revenues.....	4	9	30	35
Net revenues.....	<u>35,459</u>	<u>34,629</u>	<u>70,079</u>	<u>68,132</u>
Clinic operating costs:				
Salaries and related costs.....	18,072	17,492	35,988	34,779
Rent, clinic supplies, contract labor and other.....	7,629	6,669	15,058	13,682
Provision for doubtful accounts.....	406	439	1,037	971
	<u>26,107</u>	<u>24,600</u>	<u>52,083</u>	<u>49,432</u>
Corporate office costs.....	4,136	4,487	8,493	9,002
Operating income from continuing operations.....	5,216	5,542	9,503	9,698
Interest and investment income, net.....	73	85	114	167
Loss in unconsolidated joint venture.....	-	(10)	-	(31)
Minority interests in subsidiary limited partnerships.....	(1,467)	(1,509)	(2,782)	(2,978)
Income before income taxes from continuing operations.....	3,822	4,108	6,835	6,856
Provision for income taxes.....	1,465	1,581	2,634	2,623
Net income from continuing operations.....	<u>2,357</u>	<u>2,527</u>	<u>4,201</u>	<u>4,233</u>
Discontinued operations:				
(Loss) income from discontinued operations.....	(86)	(586)	(110)	(924)
Tax benefit (expense) from discontinued operations.....	32	215	41	331
	<u>(54)</u>	<u>(371)</u>	<u>(69)</u>	<u>(593)</u>
Net income.....	<u>\$ 2,303</u>	<u>\$ 2,156</u>	<u>\$ 4,132</u>	<u>\$ 3,640</u>
Earnings per share:				
Basic - income from continuing operations.....	\$ 0.20	\$ 0.21	\$ 0.36	\$ 0.36
Basic - (loss) income from discontinued operations.....	-	(0.03)	-	(0.05)
Total basic earnings per common share.....	<u>\$ 0.20</u>	<u>\$ 0.18</u>	<u>\$ 0.36</u>	<u>\$ 0.31</u>
Diluted - income from continuing operations.....	\$ 0.20	\$ 0.21	\$ 0.36	\$ 0.35
Diluted - (loss) income from discontinued operations.....	-	(0.03)	-	(0.05)
Total diluted earnings per common share.....	<u>\$ 0.20</u>	<u>\$ 0.18</u>	<u>\$ 0.36</u>	<u>\$ 0.30</u>
Shares used in computation:				
Basic earnings per common share.....	11,559	11,754	11,530	11,788
Diluted earnings per common share.....	<u>11,648</u>	<u>11,894</u>	<u>11,616</u>	<u>11,965</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 June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Numerator:				
Net income from continuing operations.....	\$ 2,357	\$ 2,527	\$ 4,201	\$ 4,233
Net loss from discontinued operations.....	(54)	(371)	(69)	(593)
Net income.....	<u>\$ 2,303</u>	<u>\$ 2,156</u>	<u>\$ 4,132</u>	<u>\$ 3,640</u>
Denominator:				
Denominator for basic earnings per share - weighted-average shares.....	11,559	11,754	11,530	11,788
Effect of dilutive securities:				
Stock options.....	89	140	86	177
Denominator for diluted earnings per share - adjusted weighted-average shares and assumed conversions.....	<u>11,648</u>	<u>11,894</u>	<u>11,616</u>	<u>11,965</u>
Earnings per share:				
Basic - income from continuing operations.....	\$ 0.20	\$ 0.21	\$ 0.36	\$ 0.36
Basic - loss from discontinued operations.....	-	(0.03)	-	(0.05)
Total basic earnings per share.....	<u>\$ 0.20</u>	<u>\$ 0.18</u>	<u>\$ 0.36</u>	<u>\$ 0.31</u>
Diluted - income from continuing operations.....	\$ 0.20	\$ 0.21	\$ 0.36	\$ 0.35
Diluted - loss from discontinued operations.....	-	(0.03)	-	(0.05)
Total diluted earnings per share.....	<u>\$ 0.20</u>	<u>\$ 0.18</u>	<u>\$ 0.36</u>	<u>\$ 0.30</u>

U. S. PHYSICAL THERAPY, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(IN THOUSANDS, EXCEPT SHARE DATA)

	June 30, 2007 (unaudited)	December 31, 2006
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents.....	\$ 11,968	\$ 10,952
Marketable securities - available for sale.....	1,900	500
Patient accounts receivable, less allowance for doubtful accounts of \$1,745 and \$1,567, respectively.....	22,328	21,503
Accounts receivable - other.....	793	775
Other current assets.....	2,031	2,251
Total current assets.....	<u>39,020</u>	<u>35,981</u>
Fixed assets:		
Furniture and equipment.....	24,650	23,718
Leasehold improvements.....	16,171	15,226
	<u>40,821</u>	<u>38,944</u>
Less accumulated depreciation and amortization.....	27,628	25,573
	13,193	13,371
Goodwill.....	21,082	20,997
Other assets.....	1,585	1,108
	<u>\$ 74,880</u>	<u>\$ 71,457</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable - trade.....	\$ 696	\$ 1,601
Accrued expenses.....	6,440	7,007
Current portion of notes payable.....	537	562
Total current liabilities.....	<u>7,673</u>	<u>9,170</u>
Notes payable.....	516	797
Deferred rent.....	1,256	1,273
Other long-term liabilities.....	730	829
Total liabilities.....	<u>10,175</u>	<u>12,069</u>
Minority interests in subsidiary limited partnerships.....	3,994	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, 13,800,074 and 13,681,849, shares issued, respectively.....	138	137
Additional paid-in capital.....	37,365	36,304
Retained earnings.....	54,836	50,704
Treasury stock at cost, 2,214,737 shares.....	(31,628)	(31,628)
Total shareholders' equity.....	<u>60,711</u>	<u>55,517</u>
	<u>\$ 74,880</u>	<u>\$ 71,457</u>

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

	Six Months Ended June 30,	
	2007	2006
<b>OPERATING ACTIVITIES</b>		
Net income.....	\$ 4,132	\$ 3,640
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization.....	2,283	2,220
Minority interests in earnings of subsidiary limited partnerships.....	2,782	2,954
Provision for doubtful accounts.....	1,132	1,024
Equity-based awards compensation expense.....	580	464
Loss on sale or abandonment of assets.....	22	71
Tax benefit from exercise of stock options.....	(109)	(10)
Recognition of deferred rent subsidies.....	(242)	(204)
Deferred income taxes.....	102	495
Closure costs - write-off of goodwill.....	-	54
Changes in operating assets and liabilities:		
Increase in patient account receivable.....	(1,957)	(1,601)
Increase in accounts receivable - other.....	(18)	(1)
Increase in other assets.....	(392)	(52)
Decrease in accounts payable and accrued expenses.....	(1,428)	(140)
Increase in other liabilities.....	235	229
Net cash provided by operating activities.....	<u>7,122</u>	<u>9,143</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of fixed assets.....	(2,102)	(2,928)
Purchase of business.....	-	(54)
Acquisitions of minority interest, included in goodwill.....	(129)	(1,099)
Purchase of marketable securities - available for sale.....	(2,040)	(100)
Proceeds on sale of marketable securities - available for sale.....	640	1,200
Proceeds on sale of fixed assets.....	8	5
Net cash used in investing activities.....	<u>(3,623)</u>	<u>(2,976)</u>
<b>FINANCING ACTIVITIES</b>		
Distributions to minority investors in subsidiary limited partnerships.....	(2,659)	(2,779)
Repurchase of common stock.....	-	(2,072)
Payment of notes payable.....	(306)	(136)
Excess tax benefit from stock options exercised.....	109	10
Proceeds from exercise of stock options.....	373	22
Net cash used in financing activities.....	<u>(2,483)</u>	<u>(4,955)</u>
Net increase (decrease) in cash and cash equivalents.....	1,016	1,212
Cash and cash equivalents - beginning of period.....	10,952	12,352
Cash and cash equivalents - end of period.....	<u>\$ 11,968</u>	<u>\$ 13,564</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid during the period for :		
Income taxes.....	\$ 2,685	\$ 2,383
Interest.....	\$ 50	\$ 21

**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	3	(2)	--	--	293
Second Quarter 2007, June 30, 2007	<u>6</u>	<u>(1)</u>	<u>--</u>	<u>--</u>	<u>298</u>
Six Months Ended, June 30, 2007	<u>9</u>	<u>(3)</u>	<u>--</u>	<u>--</u>	<u>298</u>