



FOR IMMEDIATE RELEASE

U.S. PHYSICAL THERAPY REPORTS RECORD INCOME FOR THIRD QUARTER

Third Quarter Net Income Up 71% on 28% Increase in Revenues

Houston, TX – November 5, 2001 - U.S. Physical Therapy, Inc. (Nasdaq National Market:USPH) today announced financial results for the third quarter ended September 30, 2001. (See attached tables).

Net income for the third quarter of 2001 rose 71% to \$1,825,000, or \$.14 per diluted share, as compared to \$1,067,000, or \$.10 per diluted share, in the comparable period of the prior year. For the first nine months of 2001, net income increased 91% to \$5,124,000, or \$.40 per diluted share, from \$2,676,000, or \$.25 per diluted share, in the same period last year. Weighted average shares outstanding for the quarter and year to date were reduced by the Company's repurchase of 1,695,000 shares of its common stock in August 2000. Earnings per share and share amounts have been adjusted for the two-for-one and three-for-two stock splits, both effected in the form of stock dividends, distributed on January 5, 2001 and June 28, 2001, respectively.

Net revenues for the third quarter of 2001 increased 28% to \$20,582,000 from \$16,129,000 in the same period last year. Net revenues for the first nine months of 2001 rose 27% to \$59,378,000 from \$46,776,000 in 2000. Patient visits increased 25% to 221,000 for the third quarter and 24% to 640,000 for the first nine months of 2001. For the quarter and first nine months, patient revenues per visit increased 3.4% and 3.5% to \$90.35 and \$89.88, respectively.

Clinic operating costs in the third quarter of 2001 were 67.7% of net revenues compared to 71.2% of net revenues in the third quarter of 2000. For the nine months of 2001, clinic operating costs were 67.8% of net revenues compared to 71.5% of net revenues for 2000. Of the 157 clinics operating at September 30, 2001, 18% were less than a year old and an additional 15% were under two years old. Operating costs as a percentage of net revenues have historically been higher at new clinics, but as they mature into seasoned clinics, their patient and revenue base and contribution increase.

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Corporate office costs as a percentage of net revenues for the three and nine months ended September 30, 2001 were 11.3% and 11.2%, respectively, as compared to 11.2% and 12.2% in the corresponding periods of 2000. Included in corporate office costs for the first nine months of 2000 were expenses aggregating \$348,000 related to the Company's surgery center initiative which was discontinued in March 2000.

Operating income for the 2001 third quarter was \$4,335,000, up 52.4% from \$2,845,000 in the same period last year; for the first nine months of the year, operating income rose 64.1% to \$12,479,000 from \$7,606,000 in 2000. In the current third quarter and year to date, minority interests in subsidiary limited partnerships increased \$411,000 and \$1,302,000, respectively, over the corresponding periods last year, due primarily to the higher profitability of those clinics in which partners have achieved positive retained earnings and are accruing partnership income.

On September 30, the Company purchased the 35 percent interest owned by a limited partner in nine Michigan clinics. The minority interest was purchased for cash of \$630,000 and 95,205 shares of stock valued at \$1,481,000. Additional payments in cash and stock may be made to the Seller over the next five years based upon future earnings of the clinics. No income effect from this transaction is reflected in the third quarter.

Roy Spradlin, Chairman, President and Chief Executive Officer, commented, "Net income for this past quarter was our best to date at \$1.8 million. Our contribution margin from the clinics increased to 32.4% from 28.8% last year due to strong revenue growth and controlled growth of expenses. I was especially pleased that U.S. Physical Therapy moved up to 28 from 76 on the Forbes list of *200 Best Small Companies* released in October.

"On September 30, we purchased the minority interest in the nine Michigan clinics held by our partner, John Cascardo, in a transaction involving cash and stock. Through stock ownership, this transaction gives one of our most successful partners an opportunity to participate in the Company's overall future growth. John remains committed to the ongoing success of his clinics and will continue with the Company in his current position as President of Advanced Physical Therapy."

Mr. Spradlin continued, "We remain positive on the outlook for the fourth quarter. The availability of talented and qualified therapists for the Company's clinics, and the reimbursement environment for health care providers, both appear to be favorable for the next quarter. We opened eight clinics in the third quarter bringing the total number of clinics opened for the year to 22 and on track to meet our 2001 goal of 30 to 35 new clinics."

U. S. Physical Therapy's management will host a conference call at 11:30 am Eastern Time, 10:30 am Central Time on Monday, November 5th to discuss third quarter results. Interested parties may participate in the call by dialing 1-888-328-2942 approximately 10 minutes before the call is scheduled to begin. This conference call will be distributed live over CCBN's Investor Distribution Network. Individual investors may listen to the call via www.companyboardroom.com. Institutional investors may access the call via www.streetevents.com. To listen to the live call, please go to one of the websites 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 30 days at these websites.

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; 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.

U.S. Physical Therapy and its partners currently operate 157 outpatient clinics in 31 states and manage six PT facilities for third parties.

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(See Attached Tables)

U.S. PHYSICAL THERAPY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
Net patient revenues	\$ 19,943	\$ 15,455	\$ 57,531	\$ 44,807
Management contract revenues	586	620	1,728	1,819
Other revenues	53	54	119	150
Net revenues	<u>20,582</u>	<u>16,129</u>	<u>59,378</u>	<u>46,776</u>
Clinic operating costs:				
Salaries and related costs	9,046	7,287	25,966	21,067
Rent, clinic supplies and other	4,394	3,770	12,856	11,176
Provision for doubtful accounts	484	425	1,435	1,217
	<u>13,924</u>	<u>11,482</u>	<u>40,257</u>	<u>33,460</u>
Corporate office costs	<u>2,323</u>	<u>1,802</u>	<u>6,642</u>	<u>5,710</u>
Operating income before non-operating expenses	4,335	2,845	12,479	7,606
Interest expense	62	207	206	569
Minority interests in subsidiary limited partnerships	<u>1,308</u>	<u>897</u>	<u>3,942</u>	<u>2,640</u>
Income before income taxes	2,965	1,741	8,331	4,397
Provision for income taxes	<u>1,140</u>	<u>674</u>	<u>3,207</u>	<u>1,721</u>
Net income	<u>\$ 1,825</u>	<u>\$ 1,067</u>	<u>\$ 5,124</u>	<u>\$ 2,676</u>
Basic earnings per common share (Note 2 and 3)	<u>\$.18</u>	<u>\$.12</u>	<u>\$.51</u>	<u>\$.28</u>
Diluted earnings per common share (Note 2 and 3)	<u>\$.14</u>	<u>\$.10</u>	<u>\$.40</u>	<u>\$.25</u>

Note 2: Share and per share calculations reflect the two-for-one stock split effected in the form of a 100% stock dividend distributed on January 5, 2001 to holders of record as of December 27, 2000 and the three-for-two stock split effected in the form of a 50% stock dividend distributed on June 28, 2001 to holders of record as of June 7, 2001.

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U.S. PHYSICAL THERAPY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)
(unaudited)

Note 3: The following table sets forth the computation of basic and diluted earnings per share:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Numerator:				
Net income	\$ 1,825	\$ 1,067	\$ 5,124	\$ 2,676
Numerator for basic earnings per share	\$ 1,825	\$ 1,067	\$ 5,124	\$ 2,676
Effect of dilutive securities:				
Interest on convertible subordinated notes payable	<u>40</u>	<u>120</u>	<u>125</u>	<u>357</u>
Numerator for diluted earnings per share --- income available to common stockholders after assumed conversions	<u>\$ 1,865</u>	<u>\$ 1,187</u>	<u>\$ 5,249</u>	<u>\$ 3,033</u>
Denominator:				
Denominator for basic earnings per share --- weighted-average shares	10,270	8,898	9,997	9,534
Effect of dilutive securities:				
Stock options	2,017	759	2,087	360
Convertible subordinated notes payable	<u>900</u>	<u>2,316</u>	<u>945</u>	<u>2,316</u>
Dilutive potential common shares	<u>2,917</u>	<u>3,075</u>	<u>3,032</u>	<u>2,676</u>
Denominator for diluted earnings per share --- adjusted weighted-average shares and assumed conversions	<u>13,187</u>	<u>11,973</u>	<u>13,029</u>	<u>12,210</u>
Basic earnings per common share	<u>\$.18</u>	<u>\$.12</u>	<u>\$.51</u>	<u>\$.28</u>
Diluted earnings per common share	<u>\$.14</u>	<u>\$.10</u>	<u>\$.40</u>	<u>\$.25</u>

U.S. PHYSICAL THERAPY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share amounts)

	<u>September 30,</u> <u>2001</u> (unaudited)	<u>December 31,</u> <u>2000</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 9,785	\$ 2,071
Patient accounts receivable, less allowance for doubtful accounts of \$3,732 and \$2,780, respectively	12,396	10,701
Accounts receivable - other	439	452
Other current assets	<u>543</u>	<u>519</u>
Total current assets	23,163	13,743
Fixed assets:		
Furniture and equipment	13,584	12,141
Leasehold improvements	<u>7,180</u>	<u>6,313</u>
	20,764	18,454
Less accumulated depreciation and amortization	<u>13,311</u>	<u>11,463</u>
	7,453	6,991
Goodwill, net of amortization of \$337 and \$291, respectively	2,982	897
Other assets, net of amortization of \$501 and \$483, respectively	<u>1,568</u>	<u>1,339</u>
	<u>\$ 35,166</u>	<u>\$ 22,970</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable - trade	\$ 344	\$ 434
Accrued expenses	2,510	1,622
Estimated third-party payor (Medicare) settlements	294	355
Notes payable	<u>636</u>	<u>912</u>
Total current liabilities	3,784	3,323
Notes payable - long-term portion	22	26
Convertible subordinated notes payable	3,000	7,200
Minority interests in subsidiary limited partnerships	3,731	2,858
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, 10,484,347 and 8,548,374 shares issued at September 30, 2001 and December 31, 2000, respectively	105	85
Additional paid-in capital	13,398	3,476
Retained earnings	11,173	6,049
Treasury stock at cost, 14,700 shares held at September 30, 2001 and December 31, 2000	<u>(47)</u>	<u>(47)</u>
Total shareholders' equity	<u>24,629</u>	<u>9,563</u>
	<u>\$ 35,166</u>	<u>\$ 22,970</u>