



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

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U.S. Physical Therapy Reports First Quarter 2006 Results

Houston, TX, May 4, 2006 – 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, 2006.

U. S. Physical Therapy's reported earnings for the first quarter of 2006 were \$1.5 million or \$0.12 per diluted share.

First Quarter 2006 compared to First Quarter 2005

- Net revenue rose 12.2% to \$34.7 million from \$30.9 million due to an 11.9% increase in patient visits to 351,000 and an increase of \$0.31 in net patient revenue per visit to \$97.07 from \$96.76.
- Clinic operating costs were 76.7% of net revenue versus 72.8% for the first quarter in the prior year. The increase is primarily attributable to clinic salaries and related costs increasing from 51.2% of net revenue to 53.3% of net revenue. Rising salary costs at facilities open a year or more accounted for most of the increase while acquisitions and clinics open less than one year made up the balance. Rent, supplies, contract labor and other clinic costs increased from 20.5% of net revenues to 21.7%.
- Corporate office costs were \$4.5 million or 13.0% of net revenue versus \$4.0 million or 13.1%. The first quarter 2006 costs include \$222 thousand of equity compensation expense for vesting of stock options. There was no equity compensation expense recorded in the year earlier period.
- Net income decreased 26.9% to \$1.5 million from \$2.0 million. Earnings per diluted share decreased to \$0.12 per diluted share from \$0.17.
- Same store visits for clinics open for one year or more increased 0.6%. The net rate per visit for those clinics decreased 0.2%, resulting in a same store revenue increase of 0.4%.

Chris Reading, Chief Executive Officer, said "We are focused on correcting the issues which caused our performance decline. Higher therapist salaries, which have risen as the result of the tight market for licensed clinicians, have eroded profitability. In response, in February, March and April, we made staffing reductions in support functions as well as in some clinical staff in over 50 facilities and in our corporate office with projected annual savings of over \$1.5 million. Additionally we have realigned our facility incentive program based on increasing therapist productivity and clinical efficiency. We expect to see benefit from the cost reduction program immediately. Productivity improvement should be realized over the balance of this year.

Additionally we continue to work on growing patient volume and resulting revenue both through focused sales and marketing efforts as well as expanded new partner development. The Company had an excellent quarter in terms of clinic development with 12 new facilities opened including 9 new partners. We have worked hard to increase the percentage of new partners with the result being that over the past two quarters our new partners number 16 out of 22 clinic openings."

The volume of Medicare patients was 20.6% of total patient visits in the first quarter of 2006 as compared to 22.4% in the first quarter of 2005. Under the Medicare Prescription Drug, Improvement and Modernization Act of 2003, the Adjusted Medicare Limit on outpatient rehab services was reinstated January 1, 2006. Services rendered to Medicare beneficiaries by the Company are subject to the annual cap. The Medicare Limit per recipient for 2006 is \$1,740 subject to an exception policy recently promulgated by CMS. The policy allows for exceptions to the Medicare cap for medically necessary services but how that policy will be administered is not yet clear. Management believes that the percentage decline in Medicare patient visits in the first quarter of 2006 is attributable to the Medicare cap and the estimated impact was over 7,000 visits and more than \$600 thousand in revenue.

The Company closed the quarter with \$15.9 million in cash and investments. Net of \$659 thousand of acquired clinics seller notes, the adjusted cash balance was approximately \$15.2 million or \$1.29 per outstanding share.

In the first quarter of 2006, the Company acquired 48,900 common stock shares at prices ranging from \$16.65 to \$18.15 for an average price during the quarter of \$17.53. Larry McAfee, Chief Financial Officer stated, "Since the inception of the current share repurchase program in the fall of 2004 the Company has acquired 912,000 shares or approximately 7% of the total shares outstanding. Over 400,000 shares remain available for purchase under the program."

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 May 4, 2006 to discuss the Company's first quarter 2006 results. Interested parties may participate in the call by dialing (888) 858-4756 or (973) 582-2824 and enter reservation number 7268400 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 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;
- the failure of our clinics to maintain their Medicare certification status or changes in Medicare guidelines;
- 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-off or write-down 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;
- 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 39 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 four 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	
	March 31,	
	<u>2006</u>	<u>2005</u>
	(unaudited)	
Net patient revenues	\$ 34,061	\$ 30,352
Management contract revenues	569	503
Other revenues	<u>26</u>	<u>23</u>
Net revenues	34,656	30,878
Clinic operating costs:		
Salaries and related costs	18,467	15,800
Rent, clinic supplies, contract labor and other	7,524	6,336
Provision for doubtful accounts	<u>566</u>	<u>312</u>
	26,557	22,448
Closure costs and impairment charge	22	-
Loss (gain) on sale or disposal of fixed assets	12	42
Corporate office costs	<u>4,515</u>	<u>4,041</u>
Operating income	3,550	4,347
Other income (expense):		
Interest income (expense), net	82	93
Loss in unconsolidated joint venture	(21)	--
Minority interests in subsidiary limited partnerships	<u>(1,201)</u>	<u>(1,187)</u>
	(1,140)	(1,094)
Income before income taxes	2,410	3,253
Provision for income taxes	<u>926</u>	<u>1,224</u>
Net income	<u>\$ 1,484</u>	<u>\$ 2,029</u>
Basic earnings per common share (Note 1)	<u>\$ 0.13</u>	<u>\$ 0.17</u>
Diluted earnings per common share (Note 1)	<u>\$ 0.12</u>	<u>\$ 0.17</u>

U.S. PHYSICAL THERAPY, INC. AND SUBSIDIARIES
CONSOLIDATED EARNINGS PER SHARE
 (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	
	March 31,	
	<u>2006</u>	<u>2005</u>
	(unaudited)	
Numerator:		
Net income	<u>\$ 1,484</u>	<u>\$ 2,029</u>
Denominator:		
Denominator for basic earnings per share --- weighted-average shares	11,824	11,963
Effect of dilutive securities:		
Stock options	<u>212</u>	<u>145</u>
Denominator for diluted earnings per share --- adjusted weighted-average shares and assumed conversions	<u>12,036</u>	<u>12,108</u>
Basic earnings per common share	<u>\$ 0.13</u>	<u>\$ 0.17</u>
Diluted earnings per common share	<u>\$ 0.12</u>	<u>\$ 0.17</u>

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

(In thousands, except share and per share amounts)

	<u>March 31,</u> <u>2006</u>	<u>December 31,</u> <u>2005</u>
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 15,861	\$ 15,002
Patient accounts receivable, less allowance for doubtful accounts of \$1,656 and \$1,621, respectively.....	20,372	19,661
Accounts receivable -- other.....	839	761
Other current assets.....	<u>1,692</u>	<u>1,428</u>
Total current assets.....	38,764	36,852
Fixed assets:		
Furniture and equipment.....	23,884	23,010
Leasehold improvements.....	<u>14,835</u>	<u>14,556</u>
	38,719	37,566
Less accumulated depreciation and amortization.....	<u>24,591</u>	<u>23,825</u>
	14,128	13,741
Goodwill	15,193	14,339
Other assets	<u>950</u>	<u>1,587</u>
	<u>\$ 69,035</u>	<u>\$ 66,519</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable -- trade.....	\$ 1,410	\$ 1,721
Accrued expenses.....	6,774	5,150
Notes payable.....	<u>244</u>	<u>244</u>
Total current liabilities.....	8,428	7,115
Notes payable -- long-term portion.....	415	483
Deferred rent.....	1,248	1,263
Other long-term liabilities.....	<u>1,258</u>	<u>1,159</u>
Total liabilities.....	11,349	10,020
Minority interests in subsidiary limited partnerships.....	3,344	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, 13,647,047 and 13,645,167 shares issued at March 31, 2006 and December 31, 2005, respectively.....	136	136
Additional paid-in capital.....	35,058	35,037
Additional paid-in capital, equity-based compensation.....	222	--
Retained earnings.....	45,892	44,408
Treasury stock at cost, 1,858,685 and 1,809,785 shares held at March 31, 2006 and December 31, 2005, respectively.....	<u>(26,966)</u>	<u>(26,106)</u>
Total shareholders' equity.....	<u>54,342</u>	<u>53,475</u>
	<u>\$ 69,035</u>	<u>\$ 66,519</u>

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

	Three Months Ended	
	March 31,	
	<u>2006</u>	<u>2005</u>
	(unaudited)	(unaudited)
Operating activities		
Net income	\$ 1,484	\$ 2,029
Depreciation and amortization	1,090	1,063
(Gain) Loss on sale or disposal of fixed assets	12	42
Minority interest in earnings	1,201	1,187
Provision for doubtful accounts	566	312
Equity-based awards compensation expense	222	--
Tax benefit from exercise of options	--	16
Deferred income taxes	471	(27)
Recognition of deferred rent subsidies	(103)	(97)
Changes in working capital	<u>38</u>	<u>1,607</u>
Net cash provided by operating activities	4,981	6,132
Investing activities		
Purchase of fixed assets	(1,480)	(629)
Acquisition of minority interests, included in goodwill	(800)	(513)
Other	<u>(54)</u>	<u>13</u>
Net cash used in investing activities	(2,334)	(1,129)
Financing activities		
Payment of notes payable	(68)	--
Repurchase of common stock	(860)	(3,573)
Proceeds from exercise of stock options	11	96
Excess tax benefit from stock options exercised	10	--
Distributions to minority investors	<u>(881)</u>	<u>(1,216)</u>
Net cash used in financing activities	(1,788)	(4,693)
Change in cash and cash equivalents	<u>\$ 859</u>	<u>\$ 310</u>

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

	Three Months Ended	
	March 31,	
	2006	2005
Net income	\$ 1,484	\$ 2,029
Adjustments:		
Depreciation and amortization	1,090	1,063
Minority interest in subsidiary limited partnerships	1,201	1,187
Interest income, net of interest expense	(82)	(93)
Provision for income taxes	<u>926</u>	<u>1,224</u>
EBITDA before minority interests	4,619	5,410
Minority interest in subsidiary limited partnerships	<u>1,201</u>	<u>1,187</u>
EBITDA	<u>\$ 3,418</u>	<u>\$ 4,223</u>

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

	<u>Opened</u>	<u>Closed</u>	<u>Sold</u>	<u>Acquired</u>	Number of Clinics
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	<u>12</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>298</u>