



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

CONTACT:

U.S. Physical Therapy, Inc.
Larry McAfee, Chief Financial Officer
Chris Reading, Chief Executive Officer
(713) 297-7000

Investors Relations:
DRG&E
Jack Lascar
(713) 529-6600

U.S. Physical Therapy Reports Record Results

Houston, TX, August 2, 2005 – 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, 2005.

U.S. Physical Therapy's net earnings for the second quarter of 2005 were \$2.8 million or \$0.23 per diluted share. For the six months ended June 30, 2005, net earnings were \$4.8 million or \$0.40 per diluted share. These are the highest earnings for any quarter and six-month period in the Company's history. Physical therapy is somewhat seasonal and traditionally the second quarter has been among our better revenue and earnings quarters.

Second Quarter 2005 as compared to Second Quarter 2004

- Net revenue rose 10.0% to \$33.6 million from \$30.5 million due to an 11.4% increase in patient visits to 342,000 from 307,000, offset by a decrease of 0.7% in net patient revenue per visit from \$97.33 to \$96.68.
- Clinic operating costs were 70.7% of net revenue as compared to 66.8%. Corporate office costs as a percentage of net revenue were 12.4%, down from 16.1% last year. Corporate office costs for 2004 included a pre tax charge of \$0.7 million primarily related to severance and recruiting fees.
- Net income for the quarter increased 21.2% to \$2.8 million from \$2.3 million. Reported earnings were \$0.23 per diluted share for the second quarter 2005 as compared to \$0.19 for the same period in 2004. As further described in an attached schedule, excluding reconciling items, the second quarter 2004 adjusted net earnings were \$2.4 million or \$0.20 per diluted share.

- Same store visits for clinics open for one year or more increased 2.8%. The net rate per visit for those clinics decreased 0.4% resulting in a same store revenue increase of 2.4%.

Six Months 2005 as compared to Six Months 2004

- Net revenue rose 9.6% to \$64.5 million from \$58.8 million due to a 9.6% increase in patient visits to 656,000 and a slight increase in net patient revenue per visit to \$96.72 from \$96.44.
- Clinic operating costs were 71.7% of net revenue versus 70.4% for the prior year. Corporate office costs were 12.7% of net revenue versus 14.5%.
- Net income increased 25.7% to \$4.8 million from \$3.8 million. Earnings per share increased to \$0.40 per diluted share from \$0.31. As per the attached schedule, excluding reconciling items, the 2004 adjusted net earnings were \$4.0 million or \$0.32 per diluted share.
- Same store visits for clinics open for one year or more increased 3.4%. The net rate per visit for those clinics increased 0.5% resulting in a same store revenue increase of 3.9%.

Chris Reading, Chief Executive Officer, said "We continued to make solid progress in terms of revenue, earnings and visit growth in our most profitable quarter to date. Ten new facilities were added this quarter including seven start-ups and three through acquisition, bringing our total facilities to 277. Additionally, during the quarter we added to our sales force which should position the Company for continued future growth."

Larry McAfee, Chief Financial Officer, noted "During the first half of 2005 there has been significant improvement in the earnings of our profit sharing and other wholly owned clinics. Clinic directors' incentive compensation for these facilities is reflected in clinic operating costs rather than in minority interest as for the limited partnership clinics. As a result, reported clinic operating costs tend to be slightly higher and minority interest expense slightly lower." Mr. McAfee also said "Cash flow from operations for the quarter was strong. Average days outstanding for accounts receivables were further reduced to 55 days, an improvement of 19% over the past 18 months. As a result we closed June with \$18.2 million in cash and investments, or approximately \$1.50 per outstanding common share, and this was after using approximately \$5 million in May for the acquisition of three clinics."

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 August 2, 2005 to discuss the Company's second quarter and six-months 2005 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 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 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 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 277 outpatient physical and/or occupational therapy clinics in 36 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		Six Months Ended	
	June 30,		June 30,	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	(unaudited)		(unaudited)	
Net patient revenues	\$33,065	\$ 29,914	\$63,417	\$ 57,629
Management contract revenues	509	602	1,012	1,168
Other revenues	<u>2</u>	<u>1</u>	<u>25</u>	<u>18</u>
Net revenues	33,576	30,517	64,454	58,815
Clinic operating costs:				
Salaries and related costs	16,532	14,498	32,332	29,117
Rent, clinic supplies and other	6,859	6,020	13,195	12,019
Provision for doubtful accounts	<u>350</u>	<u>314</u>	<u>662</u>	<u>711</u>
	23,741	20,832	46,189	41,847
Closure (costs) adjustment	(84)	--	(84)	--
Gain (loss) on sale or disposal of fixed assets	83	444	41	441
Corporate office costs	<u>4,156</u>	<u>4,917</u>	<u>8,197</u>	<u>8,540</u>
Operating income	5,678	5,212	10,025	8,869
Other income (expense):				
Interest income (expense), net	94	17	187	--
Minority interests in subsidiary limited partnerships	<u>(1,296)</u>	<u>(1,544)</u>	<u>(2,483)</u>	<u>(2,726)</u>
	(1,202)	(1,527)	(2,296)	(2,726)
Income before income taxes	4,476	3,685	7,729	6,143
Provision for income taxes	<u>1,714</u>	<u>1,406</u>	<u>2,937</u>	<u>2,332</u>
Net income	<u>\$ 2,762</u>	<u>\$ 2,279</u>	<u>\$ 4,792</u>	<u>\$ 3,811</u>
Basic earnings per common share (Note 2)	<u>\$ 0.23</u>	<u>\$ 0.20</u>	<u>\$ 0.40</u>	<u>\$ 0.33</u>
Diluted earnings per common share (Note 2)	<u>\$ 0.23</u>	<u>\$ 0.19</u>	<u>\$ 0.40</u>	<u>\$ 0.31</u>

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

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>June 30,</u>		<u>Six Months Ended</u> <u>June 30,</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	(unaudited)		(unaudited)	
Numerator:				
Net income	\$ 2,762	\$ 2,279	\$ 4,792	\$ 3,811
Numerator for basic earnings per share	2,762	2,279	4,792	3,811
Effect of dilutive securities:				
Interest on convertible subordinated notes payable	<u> --</u>	<u> 22</u>	<u> --</u>	<u> 45</u>
Numerator for diluted earnings per share --- income available to common stockholders After assumed conversions	<u>\$ 2,762</u>	<u>\$ 2,301</u>	<u>\$ 4,792</u>	<u>\$ 3,856</u>
Denominator:				
Denominator for basic earnings per share --- weighted-average shares	11,913	11,509	11,938	11,490
Effect of dilutive securities:				
Stock options	152	361	144	365
Convertible subordinated notes payable	<u> --</u>	<u> 495</u>	<u> --</u>	<u> 509</u>
Dilutive potential common shares	<u> 152</u>	<u> 856</u>	<u> 144</u>	<u> 874</u>
Denominator for diluted earnings per share --- adjusted weighted-average shares and assumed conversions	<u>12,065</u>	<u>12,365</u>	<u>12,082</u>	<u>12,364</u>
Basic earnings per common share	<u>\$ 0.23</u>	<u>\$ 0.20</u>	<u>\$ 0.40</u>	<u>\$ 0.33</u>
Diluted earnings per common share	<u>\$ 0.23</u>	<u>\$ 0.19</u>	<u>\$ 0.40</u>	<u>\$ 0.31</u>

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

(In thousands, except share and per share amounts)

	<u>June 30,</u> <u>2005</u>	<u>December 31,</u> <u>2004</u>
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 18,164	\$ 20,553
Patient accounts receivable, less allowance for doubtful accounts of \$1,937 and \$2,447, respectively.....	18,684	17,669
Accounts receivable -- other.....	1,010	549
Other current assets.....	<u>968</u>	<u>1,835</u>
Total current assets.....	38,826	40,606
Fixed assets:		
Furniture and equipment.....	22,742	22,781
Leasehold improvements.....	<u>13,850</u>	<u>13,912</u>
	36,592	36,693
Less accumulated depreciation and amortization.....	<u>23,296</u>	<u>23,043</u>
	13,296	13,650
Goodwill	12,754	6,127
Other assets	<u>1,762</u>	<u>1,225</u>
	<u>\$ 66,638</u>	<u>\$ 61,608</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable -- trade.....	\$ 1,285	\$ 1,181
Accrued expenses.....	6,787	4,367
Notes payable.....	<u>237</u>	<u>70</u>
Total current liabilities.....	8,309	5,618
Notes payable -- long-term portion.....	333	--
Deferred rent.....	1,330	1,518
Other long-term liabilities.....	<u>1,217</u>	<u>982</u>
Total liabilities.....	11,189	8,118
Minority interests in subsidiary limited partnerships.....	2,838	3,311
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, 13,560,693 and 13,436,557 shares issued at June 30, 2005 and December 31, 2004, respectively.....	135	134
Additional paid-in capital.....	33,746	32,534
Retained earnings.....	40,409	35,617
Treasury stock at cost, 1,560,385 and 1,320,503 shares held at June 30, 2005 and December 31, 2004, respectively	<u>(21,679)</u>	<u>(18,106)</u>
Total shareholders' equity.....	<u>52,611</u>	<u>50,179</u>
	<u>\$ 66,638</u>	<u>\$ 61,608</u>

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

	Six Months Ended	
	June 30,	
	<u>2005</u>	<u>2004</u>
	(unaudited)	
Operating activities		
Net income	\$ 4,792	\$ 3,811
Depreciation and amortization	2,142	1,874
(Gain) Loss on sale or disposal of fixed assets	(41)	(441)
Minority interest in earnings	2,483	2,726
Provision for doubtful accounts	662	711
Tax benefit from exercise of options	570	176
Deferred income taxes	222	--
Deferred rent	(188)	--
Other	26	--
Changes in working capital	<u>792</u>	<u>428</u>
Net cash provided by operating activities	11,460	9,285
Investing activities		
Purchase of fixed assets	(1,838)	(2,185)
Purchase of goodwill, including minority interest	(1,319)	(174)
Purchase of business	(5,000)	--
Proceeds on sale of fixed assets	<u>194</u>	<u>482</u>
Net cash used in investing activities	(7,963)	(1,877)
Financing activities		
Payment of notes payable	--	(3)
Repurchase of common stock	(3,573)	--
Proceeds from exercise of stock options	643	150
Distributions to minority investors	<u>(2,956)</u>	<u>(2,505)</u>
Net cash used in financing activities	(5,886)	(2,358)
Change in cash and cash equivalents	<u>\$ (2,389)</u>	<u>\$ 5,050</u>

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

	Three Months Ended June 30, 2004 (unaudited)	Six Months Ended June 30, 2004 (unaudited)
Net Income	<u>\$ 2,279</u>	<u>\$ 3,811</u>
Reconciling Items:		
CEO severance and recruiting fees	(717)	(717)
Gain on sale of assets	<u>444</u>	<u>441</u>
	(273)	(276)
Tax benefit from reconciling items, net	<u>104</u>	<u>105</u>
Net expense from reconciling items	<u>(169)</u>	<u>(171)</u>
Adjusted Net Income	\$ 2,448	\$ 3,982
Diluted shares	<u>12,365,000</u>	<u>12,364,000</u>
Diluted earnings per common share as reported	<u>\$ 0.19</u>	<u>\$ 0.31</u>
Net expense per share reconciling items	<u>\$ 0.01</u>	<u>\$ 0.01</u>
Adjusted earnings per common share	<u>\$ 0.20</u>	<u>\$ 0.32</u>