



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

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U.S. Physical Therapy Reports Third Quarter Results

Houston, TX, October 27, 2005 – U.S. Physical Therapy, Inc. (NASDAQ: USPH), a national operator of physical and occupational therapy outpatient clinics, today reported results for the third quarter and nine months ended September 30, 2005.

U.S. Physical Therapy's net earnings for the third quarter of 2005 were \$2.4 million or \$0.20 per diluted share as compared to \$1.1 million or \$0.08 per diluted share reported for the third quarter of 2004. The third quarter 2004 earnings, as adjusted per the reconciliation schedule attached, were \$0.14 per share.

For the nine months ended September 30, 2005, net earnings were \$7.2 million or \$0.59 per diluted share versus \$4.9 million or \$0.40 per diluted share for the nine months ended September 30, 2004. The adjusted earnings per share for the comparable nine month period in 2004 were \$0.48. See the Reconciliation of Non-GAAP Financial Measures schedule included for adjusted 2004 calculations.

Third Quarter 2005 as compared to Third Quarter 2004

- Net revenue rose 15.3% to \$34.2 million from \$29.6 million due to a 14.3% increase in patient visits to 348,000 from 305,000 and an increase of \$0.58 in net patient revenue per visit from \$96.06 to \$96.64.
- Clinic operating costs were 73.3% of net revenue as compared to 75.8%. The prior year quarter clinic operating costs include a pre tax charge of \$966,000 related to the operating losses and closure costs of eight clinics closed in the third quarter of 2004.
- Corporate office costs as a percentage of net revenue were 11.9%, down from 14.2% last year.

- Net income for the quarter increased 125.5% to \$2.4 million from \$1.1 million. Reported earnings were \$0.20 per diluted share for the third quarter 2005 as compared to \$0.08 for the same period in 2004. As further described in the reconciliation schedule, the third quarter 2004 adjusted net earnings would have been \$1.8 million or \$0.14 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 increased 0.8%, resulting in a same store revenue increase of 3.7%.

Nine Months 2005 as compared to Nine Months 2004

- Net revenue rose 11.5% to \$98.6 million from \$88.5 million due to an 11.3% increase in patient visits to 1,004,000 and an increase of \$0.38 in net patient revenue per visit to \$96.69 from \$96.31.
- Clinic operating costs were 72.3% of net revenue versus 72.2% for the prior year. Corporate office costs were 12.4% of net revenue versus 14.4%.
- Net income increased 47.4% to \$7.2 million from \$4.9 million. Earnings per share increased to \$0.59 per diluted share from \$0.40. As per the reconciliation schedule, the 2004 adjusted net earnings were \$5.9 million or \$0.48 per diluted share.
- Same store visits for clinics open for one year or more increased 4.2%. The net rate per visit for those clinics increased 0.5%, resulting in a same store revenue increase of 4.7%.

Management estimates that hurricanes Katrina and Rita resulted in a reduction of over 2,000 visits and approximately \$200,000 in lost revenue during the recent quarter. The Company's clinics in Alabama, Mississippi, southern Louisiana and southeast Texas were affected by the storms and their aftermath. All affected clinics are now operational, but those clinics in south Louisiana are seeing a reduced patient count as compared to before hurricane Katrina.

Chris Reading, Chief Executive Officer, said "We are pleased with our performance this quarter as the Company posted solid volume, revenue and earnings growth. As of October 26th, we have opened 21 new clinics in 2005, bringing our total number of facilities to 285. Our new partner pipeline continues to improve and we expect our new facility openings to increase looking forward. We remain active in pursuing all aspects of our earnings growth strategy."

Larry McAfee, Chief Financial Officer, said "Free cash flow from operations remains strong. We closed the third quarter with \$18.5 million in cash and cash equivalents, or approximately \$1.51 in net cash and cash equivalents per outstanding share." Mr. McAfee further noted "We continue to purchase the Company's common stock in open market transactions under our share repurchase program. Year-to-date we have acquired 487,182 shares at prices ranging from \$13.53 to \$18.40 for an average price of \$16.30. Since the inception of this buyback program which was initiated in September last year, we have purchased 860,585 shares or approximately 7% of the Company's previously outstanding shares."

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 October 27, 2005 to discuss the Company's third quarter and nine-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 285 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 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		Nine Months Ended	
	September 30,		September 30,	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	(unaudited)		(unaudited)	
Net patient revenues	\$ 33,645	\$ 29,253	\$ 97,062	\$ 86,882
Management contract revenues	502	379	1,514	1,547
Other revenues	<u>25</u>	<u>7</u>	<u>50</u>	<u>24</u>
Net revenues	34,172	29,639	98,626	88,453
Clinic operating costs:				
Salaries and related costs	17,558	15,140	49,890	44,253
Rent, clinic supplies and other	6,895	6,176	20,090	18,207
Provision for doubtful accounts	<u>363</u>	<u>316</u>	<u>1,025</u>	<u>1,027</u>
	24,816	21,632	71,005	63,487
Closure costs and impairment charge	182	815	266	815
Loss (gain) on sale or disposal of fixed assets	64	7	23	(443)
Corporate office costs	<u>4,072</u>	<u>4,213</u>	<u>12,269</u>	<u>12,752</u>
Operating income	5,038	2,972	15,063	11,842
Other income (expense):				
Interest income (expense), net	84	65	271	65
Loss in unconsolidated joint venture	(18)	--	(18)	--
Minority interests in subsidiary limited partnerships	<u>(1,180)</u>	<u>(1,328)</u>	<u>(3,663)</u>	<u>(4,055)</u>
	(1,114)	(1,263)	(3,410)	(3,990)
Income before income taxes	3,924	1,709	11,653	7,852
Provision for income taxes	<u>1,547</u>	<u>655</u>	<u>4,484</u>	<u>2,987</u>
Net income	<u>\$ 2,377</u>	<u>\$ 1,054</u>	<u>\$ 7,169</u>	<u>\$ 4,865</u>
Basic earnings per common share (Note 2)	<u>\$ 0.20</u>	<u>\$ 0.09</u>	<u>\$ 0.60</u>	<u>\$ 0.41</u>
Diluted earnings per common share (Note 2)	<u>\$ 0.20</u>	<u>\$ 0.08</u>	<u>\$ 0.59</u>	<u>\$ 0.40</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:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	(unaudited)		(unaudited)	
Numerator:				
Net income	\$ 2,377	\$ 1,054	\$ 7,169	\$ 4,865
Numerator for basic earnings per share	2,377	1,054	7,169	4,865
Effect of dilutive securities:				
Interest on convertible subordinated notes payable	--	--	--	45
Numerator for diluted earnings per share --- income available to common stockholders				
After assumed conversions	<u>\$ 2,377</u>	<u>\$ 1,054</u>	<u>\$ 7,169</u>	<u>\$ 4,910</u>
Denominator:				
Denominator for basic earnings per share --- weighted-average shares	11,982	12,328	11,953	11,772
Effect of dilutive securities:				
Stock options	158	202	151	310
Convertible subordinated notes payable	--	--	--	338
Dilutive potential common shares	<u>158</u>	<u>202</u>	<u>151</u>	<u>648</u>
Denominator for diluted earnings per share --- adjusted weighted-average shares and assumed conversions	<u>12,140</u>	<u>12,530</u>	<u>12,104</u>	<u>12,420</u>
Basic earnings per common share	<u>\$ 0.20</u>	<u>\$ 0.09</u>	<u>\$ 0.60</u>	<u>\$ 0.41</u>
Diluted earnings per common share	<u>\$ 0.20</u>	<u>\$ 0.08</u>	<u>\$ 0.59</u>	<u>\$ 0.40</u>

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

(In thousands, except share and per share amounts)

	<u>September 30,</u> <u>2005</u>	<u>December 31,</u> <u>2004</u>
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 18,525	\$ 20,553
Patient accounts receivable, less allowance for doubtful accounts of \$1,794 and \$2,447, respectively.....	19,378	17,669
Accounts receivable -- other.....	829	549
Other current assets.....	<u>1,132</u>	<u>1,835</u>
Total current assets.....	39,864	40,606
Fixed assets:		
Furniture and equipment.....	22,961	22,781
Leasehold improvements.....	<u>14,126</u>	<u>13,912</u>
	37,087	36,693
Less accumulated depreciation and amortization.....	<u>23,756</u>	<u>23,043</u>
	13,331	13,650
Goodwill	12,609	6,127
Other assets	<u>1,643</u>	<u>1,225</u>
	<u>\$ 67,447</u>	<u>\$ 61,608</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable -- trade.....	\$ 1,131	\$ 1,181
Accrued expenses.....	6,414	4,367
Notes payable.....	<u>167</u>	<u>70</u>
Total current liabilities.....	7,712	5,618
Notes payable -- long-term portion.....	292	--
Deferred rent.....	1,392	1,518
Other long-term liabilities.....	<u>1,163</u>	<u>982</u>
Total liabilities.....	10,559	8,118
Minority interests in subsidiary limited partnerships.....	2,788	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, 13,602,823 and 13,436,557 shares issued at September 30, 2005 and December 31, 2004, respectively.....	136	134
Additional paid-in capital.....	34,390	32,534
Retained earnings.....	42,786	35,617
Treasury stock at cost, 1,643,885 and 1,320,503 shares held at September 30, 2005 and December 31, 2004, respectively.....	<u>(23,212)</u>	<u>(18,106)</u>
Total shareholders' equity.....	<u>54,100</u>	<u>50,179</u>
	<u>\$ 67,447</u>	<u>\$ 61,608</u>

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

	Nine Months Ended September 30,	
	<u>2005</u>	<u>2004</u>
	(unaudited)	
Operating activities		
Net income	\$ 7,169	\$ 4,865
Depreciation and amortization	3,213	2,873
(Gain) Loss on sale or disposal of fixed assets	23	(261)
Minority interest in earnings	3,663	4,055
Provision for doubtful accounts	1,025	1,027
Tax benefit from exercise of options	650	1,550
Impairment charge – goodwill	145	--
Deferred income taxes	76	(136)
Deferred rent	(280)	--
Other	44	--
Changes in working capital	(437)	(107)
Net cash provided by operating activities	15,291	13,866
Investing activities		
Purchase of fixed assets	(3,006)	(3,307)
Acquisition of minority interests, included in goodwill	(1,319)	(253)
Purchase of business	(5,000)	--
Proceeds on sale of fixed assets	201	499
Net cash used in investing activities	(9,124)	(3,061)
Financing activities		
Payment of notes payable	(111)	(39)
Repurchase of common stock	(5,106)	(657)
Proceeds from exercise of stock options	1,208	1,704
Distributions to minority investors	(4,186)	(3,859)
Net cash used in financing activities	(8,195)	(2,851)
Change in cash and cash equivalents	\$ (2,028)	\$ 7,954

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

	<u>Three Months</u> <u>Ended</u> <u>September 30,</u> <u>2004</u> (unaudited)	<u>Nine months</u> <u>Ended</u> <u>September 30,</u> <u>2004</u> (unaudited)
Net Income	\$ <u>1,054</u>	\$ <u>4,865</u>
Reconciling Items:		
Closed clinic operating losses	(151)	(393)
Clinic closure costs	(815)	(815)
CEO severance and recruiting fees	(208)	(925)
Gain (loss) on sale of assets	<u>(7)</u>	<u>443</u>
	(1,181)	(1,690)
Tax benefit from reconciling items, net	<u>425</u>	<u>608</u>
Net expense from reconciling items	<u>(756)</u>	<u>(1,082)</u>
Adjusted Net Income	\$ 1,810	\$ 5,947
Diluted shares	<u>12,530,000</u>	<u>12,420,000</u>
Diluted earnings per common share as reported	\$ <u>0.08</u>	\$ <u>0.40</u>
Net expense per share reconciling items	\$ <u>0.06</u>	\$ <u>0.08</u>
Adjusted earnings per common share	\$ <u>0.14</u>	\$ <u>0.48</u>