



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

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U.S. Physical Therapy Reports Fourth Quarter and 2005 Results

- Company Reports Record Year -

Houston, TX, March 2, 2006 – U.S. Physical Therapy, Inc. (NASDAQ: USPH), a national operator of physical and occupational therapy outpatient clinics, today reported results for the year and fourth quarter ended December 31, 2005.

For the year 2005, net earnings were \$8.8 million, an increase of 31.6% from \$6.7 million for 2004. Earnings per share for 2005 were \$0.73 per diluted share, an increase of 35.2% from \$0.54 per diluted share in 2004.

Chris Reading, Chief Executive Officer, stated “We are pleased with the progress U.S. Physical Therapy made in 2005. The Company set new records for patient visits, revenue, net income, EBITDA and earnings per share. We opened 28 new clinics in 2005, adding 13 new partners. In the fourth quarter we opened 10 new clinics including 7 new partners. Our pipeline of new partner candidates is excellent and we expect clinic openings in 2006 to exceed the 2005 total.”

2005 Year as compared to 2004 Year

- Net revenue rose 11.7% to \$132.1 million from \$118.3 million due to an 11.7% increase in patient visits to 1,348,000 and an increase of \$0.10 in net patient revenue per visit to \$96.50 from \$96.40.
- Clinic operating costs were 73.3% of net revenue versus 72.3% for the prior year. Corporate office costs were 12.4% of net revenue versus 14.2%.
- Net income increased 31.6% to \$8.8 million from \$6.7 million. Earnings per share increased to \$0.73 per diluted share from \$0.54.

- Same store visits for clinics open for one year or more increased 6.0%. The net rate per visit for those clinics increased 0.4%, resulting in a same store revenue increase of 6.5%.

U.S. Physical Therapy's net earnings for the fourth quarter of 2005 were \$1.6 million or \$0.14 per diluted share as compared to \$1.8 million or \$0.15 per diluted share reported for the fourth quarter of 2004. In the fourth quarter of 2005 the Company incurred \$400,000 in costs and losses associated with the closing of eight clinics.

Larry McAfee, Chief Financial Officer said, "Even though 2005 was an excellent year the Company's fourth quarter earnings were less than anticipated. Three factors impacted fourth quarter results. First, patient visits, which had been on budget throughout the quarter, fell significantly the last two weeks of the year due to a combination of bad weather and a more significant holiday season slowdown than expected, resulting in the total visit count for the month and quarter coming in at 2,800 less than we expected. The decline appears to have been confined to the holiday period as patient visits have since rebounded nicely and year-to-date are ahead of the same period last year. Second, in conjunction with the 2006 budget process, management performed a thorough review of all of the Company's clinics. Based on that analysis, we decided to close eight underperforming clinics which had pre-tax closure costs and operating losses in the quarter of \$400,000. Though this action negatively impacted fourth quarter financial results, management believes that it is the right long-term decision as the closed clinics were projected to continue to be a financial drain. Third, there continues to be a tight market for licensed physical therapists which has resulted in increased wage rates across the sector. Higher therapist salary costs cut into our fourth quarter operating margin by about three percentage points as compared to the comparable period in 2004 but one point of the increase was offset by lower rent, clinic supplies and other costs."

Fourth Quarter 2005 as compared to Fourth Quarter 2004

- Net revenue rose 12.2% to \$33.5 million from \$29.9 million primarily due to a 13.0% increase in patient visits to 344,000 from 304,000 offset by a decrease of \$0.75 in net patient revenue per visit from \$96.67 to \$95.92.
- Clinic operating costs were 76.2% of net revenue as compared to 72.5%. The current year quarter operating costs include a pre tax charge of \$.4 million in closure costs and operating losses related to eight closed clinics. Corporate office costs as a percentage of net revenue were 12.4%, down from 13.6% last year.
- Net income for the quarter decreased 10.5% to \$1.6 million from \$1.8 million. Earnings were \$0.14 per diluted share for the fourth quarter 2005 as compared to \$0.15 for the same period in 2004.
- Same store revenue for clinics open for one year or more increased 2.7% primarily due to same store visits increasing 3.1% offset by the net rate per visit for those clinics decreasing 0.4%.

The Company closed the year with \$15.0 million in cash and investments. Net of acquired clinics seller notes of \$727,000 the adjusted cash balance was approximately \$14.3 million or \$1.18 per diluted share. EBITDA after minority interest expense grew by 22.0% from \$15.0 million in 2004 to \$18.2 million in 2005 as per the Reconciliation of Non-GAAP Financial Measures - EBITDA schedule attached.

Mr. McAfee stated "We continue to buy back stock under the Company's share repurchase program." In the fourth quarter the Company acquired 165,900 common stock shares at prices ranging from \$16.16 to \$18.15 for an average price during the period of \$17.40. For the full year 2005 the Company purchased

489,282 of its common stock shares at prices ranging from \$13.53 to \$18.40 for an average price of \$16.30.

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 10:00 am Eastern Time, 9:00 am Central Time on March 2, 2006 to discuss the Company's fourth quarter and year 2005 results. Interested parties may participate in the call by dialing (800) 938-0653 or (973) 321-1100 and enter reservation number 6972897 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 286 outpatient physical and/or occupational therapy clinics in 37 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		Year Ended	
	December 31,		December 31,	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	(unaudited)		(unaudited)	
Net patient revenues	\$ 32,968	\$ 29,413	\$ 130,030	\$ 116,295
Management contract revenues	508	421	2,022	1,968
Other revenues	<u>20</u>	<u>21</u>	<u>70</u>	<u>45</u>
Net revenues	33,496	29,855	132,122	118,308
Clinic operating costs:				
Salaries and related costs	17,677	14,800	67,567	59,053
Rent, clinic supplies and other	7,107	6,722	27,197	24,929
Provision for doubtful accounts	<u>421</u>	<u>266</u>	<u>1,446</u>	<u>1,293</u>
	25,205	21,788	96,210	85,275
Closure costs and impairment charge	248	(125)	514	690
Loss (gain) on sale or disposal of fixed assets	67	(9)	90	(452)
Corporate office costs	<u>4,156</u>	<u>4,050</u>	<u>16,425</u>	<u>16,802</u>
Operating income	3,820	4,151	18,883	15,993
Other income (expense):				
Interest income (expense), net	90	81	361	146
Loss in unconsolidated joint venture	(16)	--	(34)	--
Minority interests in subsidiary limited partnerships	<u>(1,245)</u>	<u>(1,307)</u>	<u>(4,908)</u>	<u>(5,362)</u>
	(1,171)	(1,226)	(4,581)	(5,216)
Income before income taxes	2,649	2,925	14,302	10,777
Provision for income taxes	<u>1,027</u>	<u>1,112</u>	<u>5,511</u>	<u>4,099</u>
Net income	<u>\$ 1,622</u>	<u>\$ 1,813</u>	<u>\$ 8,791</u>	<u>\$ 6,678</u>
Basic earnings per common share (Note 1)	<u>\$ 0.14</u>	<u>\$ 0.15</u>	<u>\$ 0.74</u>	<u>\$ 0.56</u>
Diluted earnings per common share (Note 1)	<u>\$ 0.14</u>	<u>\$ 0.15</u>	<u>\$ 0.73</u>	<u>\$ 0.54</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		Year Ended	
	December 31,		December 31,	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	(unaudited)		(unaudited)	
Numerator:				
Net income	\$ 1,622	\$ 1,813	\$ 8,791	\$ 6,678
Numerator for basic earnings per share	1,622	1,813	8,791	6,678
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>\$ 1,622</u>	<u>\$ 1,813</u>	<u>\$ 8,791</u>	<u>\$ 6,723</u>
Denominator:				
Denominator for basic earnings per share --- weighted-average shares	11,836	12,348	11,923	11,916
Effect of dilutive securities:				
Stock options	149	158	152	262
Convertible subordinated notes payable	--	--	--	253
Dilutive potential common shares	<u>149</u>	<u>158</u>	<u>152</u>	<u>515</u>
Denominator for diluted earnings per share --- adjusted weighted-average shares and assumed conversions	<u>11,985</u>	<u>12,506</u>	<u>12,075</u>	<u>12,431</u>
Basic earnings per common share	<u>\$ 0.14</u>	<u>\$ 0.15</u>	<u>\$ 0.74</u>	<u>\$ 0.56</u>
Diluted earnings per common share	<u>\$ 0.14</u>	<u>\$ 0.15</u>	<u>\$ 0.73</u>	<u>\$ 0.54</u>

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

(In thousands, except share and per share amounts)

	<u>December 31,</u> <u>2005</u>	<u>December 31,</u> <u>2004</u>
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 15,002	\$ 20,553
Patient accounts receivable, less allowance for doubtful accounts of \$1,621 and \$2,447, respectively.....	19,661	17,669
Accounts receivable -- other.....	761	549
Other current assets.....	<u>1,428</u>	<u>1,835</u>
Total current assets.....	36,852	40,606
Fixed assets:		
Furniture and equipment.....	23,010	22,781
Leasehold improvements.....	<u>14,556</u>	<u>13,912</u>
	37,566	36,693
Less accumulated depreciation and amortization.....	<u>23,825</u>	<u>23,043</u>
	13,741	13,650
Goodwill	14,339	6,127
Other assets	<u>1,587</u>	<u>1,225</u>
	<u>\$ 66,519</u>	<u>\$ 61,608</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable -- trade.....	\$ 1,721	\$ 1,181
Accrued expenses.....	5,150	4,367
Notes payable.....	<u>244</u>	<u>70</u>
Total current liabilities.....	7,115	5,618
Notes payable -- long-term portion.....	483	--
Deferred rent.....	1,263	1,518
Other long-term liabilities.....	<u>1,159</u>	<u>982</u>
Total liabilities.....	10,020	8,118
Minority interests in subsidiary limited partnerships.....	3,024	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, 13,645,167 and 13,436,557 shares issued at December 31, 2005 and 2004, respectively.....	136	134
Additional paid-in capital.....	35,037	32,534
Retained earnings.....	44,408	35,617
Treasury stock at cost, 1,809,785 and 1,320,503 shares held at December 31, 2005 and 2004, respectively.....	<u>(26,106)</u>	<u>(18,106)</u>
Total shareholders' equity.....	<u>53,475</u>	<u>50,179</u>
	<u>\$ 66,519</u>	<u>\$ 61,608</u>

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

	Year Ended December 31,	
	<u>2005</u>	<u>2004</u>
	(unaudited)	(unaudited)
Operating activities		
Net income	\$ 8,791	\$ 6,678
Depreciation and amortization	4,308	4,322
(Gain) Loss on sale or disposal of fixed assets	201	(154)
Minority interest in earnings	4,908	5,362
Provision for doubtful accounts	1,446	1,293
Tax benefit from exercise of options	705	1,634
Impairment charge – goodwill	145	--
Deferred income taxes	44	146
Recognition of deferred rent subsidies	(391)	(350)
Other	45	--
Changes in working capital	(1,950)	(1,047)
Net cash provided by operating activities	18,252	17,884
Investing activities		
Purchase of fixed assets	(4,527)	(4,970)
Acquisition of minority interests, included in goodwill	(1,513)	(504)
Purchase of businesses	(6,321)	--
Proceeds on sale of fixed assets	178	515
Net cash used in investing activities	(12,183)	(4,959)
Financing activities		
Payment of notes payable	(153)	(52)
Repurchase of common stock	(8,000)	(5,584)
Proceeds from exercise of stock options	1,800	1,771
Distributions to minority investors	(5,267)	(5,329)
Net cash used in financing activities	(11,620)	(9,194)
Change in cash and cash equivalents	\$ (5,551)	\$ 3,731

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

	Year Ended December 31,	
	2005	2004
Net revenues	\$ 132,122	\$ 118,308
Net income	8,791	6,678
Adjustments:		
Depreciation and amortization	4,308	4,322
Minority interest in subsidiary limited partnerships	4,908	5,362
Interest income, net of interest expense	(361)	(146)
Provision for income taxes	5,511	4,099
EBITDA before minority interests	23,157	20,315
EBITDA before minority interests as a % of revenues	17.5%	17.2%
Minority interest in subsidiary limited partnerships	4,908	5,362
EBITDA	18,249	14,953
EBITDA as of % of net revenues	13.8%	12.6%

**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>