



FOR IMMEDIATE RELEASE

U.S. PHYSICAL THERAPY REPORTS RECORD RESULTS FOR SECOND QUARTER

Second Quarter Net Income Up 31% on 21% Increase in Revenues

Houston, TX – August 1, 2002 - U.S. Physical Therapy, Inc. (Nasdaq National Market: USPH) today reported record results for the quarter and six months ended June 30, 2002. The second quarter of 2002 was also U.S. Physical Therapy's best ever in terms of net revenues, net income and earnings per share.

Second Quarter 2002 vs. Second Quarter 2001

- Net income rose 30.7% to \$2,336,000, or \$0.18 per diluted share, from \$1,787,000, or \$0.14 per diluted share.
- Revenues rose 21.1% to \$24,051,000 primarily due to a 19.6% increase in patient visits to 256,000, combined with a 1.8% increase in patient revenues per visit to \$91.53.
- Clinic operating costs were 66.3% of net revenues compared to 67.1%.
- Corporate office costs as a percentage of net revenues were 11.9% compared to 11.1% in the prior year quarter.
- Same store sales related to clinics opened more than one year increased 13.5% for the quarter on an increase in same store visits of 11.7%.

First Six Months of 2002 vs. First Six Months of 2001

- Net income rose 33.7% to \$4,412,000, or \$.34 per diluted share.
- Revenues rose 19.3% to \$46,301,000 due to a 17.5% increase in patient visits to 493,000 and a 2.0% increase in patient revenues per visit to \$91.46.
- Clinic operating costs were 67.0% of net revenues compared to 67.9% in 2001.
- Corporate office costs were 11.6% of net revenues versus 11.1% one year earlier.
- Same store sales increased 12.8% for the year on an increase in same store visits of 10.6%.

Earnings per share and share amounts cited in this press release have been adjusted for the three-for-two stock split on June 28, 2001.

Roy Spradlin, Chairman, President and Chief Executive Officer of U.S. Physical Therapy stated: "The Company continued to achieve increased profitability in the second quarter, with the contribution margin from the clinics increasing to 33.7% from 32.9% for the second quarter of last year, the highest in the Company's history. Revenues increased over 20% for the quarter, consistent with our long-term revenue growth goal. At quarter-end, our balance sheet was healthy, with over \$14 million in cash, \$46 million in total assets and under \$3 million in long-term debt." During July the Company applied approximately \$5.7 million of its cash to open-market purchases of its stock, as described below.

Mr. Spradlin continued: "In the second quarter, eight new clinics were opened, bringing the total opened for the year to 14. One new clinic was opened in July and presently six new clinics are under construction; 14 are in the final phases of lease negotiations; and 21 new clinics have been approved for which we are seeking appropriate locations. With the 41 approved clinics in different stages of development and over 35 other clinics in the development pipeline awaiting approval, we continue to be confident that our target of opening 35 to 40 new clinics during 2002 will be achieved.

"In July, our strong cash position allowed us to take advantage of the decrease in the Company's stock price which followed the sharp decline in the overall stock market, through the repurchase of 400,000 shares of outstanding common stock at an average price per share of \$14.37. This purchase, combined with purchases completed late last year, brings total treasury stock purchases pursuant to the Company's stock purchase plan to 535,000 of the 1,000,000 shares originally authorized."

U. S. Physical Therapy's management will host a conference call at 10:30 am Eastern Time, 9:30 am Central Time on Thursday, August 1 to discuss second quarter results. Interested parties may participate in the call by dialing (888) 280-4008 approximately 10 minutes before the call is scheduled to begin. To listen to the live call, please go to the Company's website at www.usphysicaltherapy.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.

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;
- availability of skilled physical therapists to become partners of the Company; 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.

About U.S. Physical Therapy, Inc.

Founded in 1990, U.S. Physical Therapy, Inc. operates 176 outpatient physical and/or occupational therapy clinics in 31 states and manages six PT facilities for third parties. The Company's clinics provide post-operative care for a variety of orthopedic-related disorders and sports-related injuries, treatment for neurologically-related injuries, rehabilitation of injured workers and preventative care. In addition to owning and operating clinics, the Company manages several physical therapy facilities for third parties, including physician groups. Named for two consecutive years in *Forbes Magazine's Best 200 Small Companies List*, U.S. Physical Therapy is included on the Russell 2000 and Russell 3000 Indexes. More information is available at www.usphysicaltherapy.com.

CONTACT:

U.S. Physical Therapy, Inc.
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(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,	
	2002	2001	2002	2001
	(unaudited)		(unaudited)	
Net patient revenues	\$ 23,449	\$ 19,256	\$ 45,085	\$ 37,588
Management contract revenues	570	577	1,158	1,142
Other revenues	<u>32</u>	<u>33</u>	<u>58</u>	<u>66</u>
Net revenues	24,051	19,866	46,301	38,796
Clinic operating costs:				
Salaries and related costs	10,408	8,547	20,338	16,920
Rent, clinic supplies and other	5,022	4,287	9,763	8,462
Provision for doubtful accounts	<u>511</u>	<u>502</u>	<u>942</u>	<u>951</u>
	15,941	13,336	31,043	26,333
Corporate office costs	<u>2,863</u>	<u>2,200</u>	<u>5,368</u>	<u>4,319</u>
Operating income before non-operating expenses	5,247	4,330	9,890	8,144
Interest expense	61	60	120	144
Minority interests in subsidiary limited partnerships	<u>1,400</u>	<u>1,370</u>	<u>2,631</u>	<u>2,634</u>
Income before income taxes	3,786	2,900	7,139	5,366
Provision for income taxes	<u>1,450</u>	<u>1,113</u>	<u>2,727</u>	<u>2,067</u>
Net income	<u>\$ 2,336</u>	<u>\$ 1,787</u>	<u>\$ 4,412</u>	<u>\$ 3,299</u>
Basic earnings per common share (Note 1,2)	<u>\$.21</u>	<u>\$.18</u>	<u>\$.40</u>	<u>\$.33</u>
Diluted earnings per common share (Note 1,2)	<u>\$.18</u>	<u>\$.14</u>	<u>\$.34</u>	<u>\$.26</u>

Note 1: Share and per share calculations reflect 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)

Note 2: The following table sets forth the computation of basic and diluted earnings per common share:

	Three Months Ended June 30,		Six Months Ended June 30,	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	(unaudited)		(unaudited)	
Numerator:				
Net income	\$ 2,336	\$ 1,787	\$ 4,412	\$ 3,299
Numerator for basic earnings per share	\$ 2,336	\$ 1,787	\$ 4,412	\$ 3,299
Effect of dilutive securities:				
Interest on convertible subordinated notes payable	<u>39</u>	<u>40</u>	<u>78</u>	<u>86</u>
Numerator for diluted earnings per share --- income available to common stockholders after assumed conversions	<u>\$ 2,375</u>	<u>\$ 1,827</u>	<u>\$ 4,490</u>	<u>\$ 3,385</u>
Denominator:				
Denominator for basic earnings per share --- weighted-average shares	11,132	10,006	10,894	9,858
Effect of dilutive securities:				
Stock options	1,307	2,186	1,471	2,131
Convertible subordinated notes payable	<u>878</u>	<u>900</u>	<u>889</u>	<u>969</u>
Dilutive potential common shares	<u>2,185</u>	<u>3,086</u>	<u>2,360</u>	<u>3,100</u>
Denominator for diluted earnings per share --- adjusted weighted-average shares and assumed conversions	<u>13,317</u>	<u>13,092</u>	<u>13,254</u>	<u>12,958</u>
Basic earnings per common share	<u>\$.21</u>	<u>\$.18</u>	<u>\$.40</u>	<u>\$.33</u>
Diluted earnings per common share	<u>\$.18</u>	<u>\$.14</u>	<u>\$.34</u>	<u>\$.26</u>

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

	<u>June 30,</u> <u>2002</u>	<u>December 31,</u> <u>2001</u>
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 14,446	\$ 8,121
Patient accounts receivable, less allowance for doubtful accounts of \$4,126 and \$3,805, respectively	13,510	12,769
Accounts receivable - other	525	878
Other current assets	<u>2,522</u>	<u>1,168</u>
Total current assets	31,003	22,936
Fixed assets:		
Furniture and equipment	15,577	14,214
Leasehold improvements	<u>8,306</u>	<u>7,389</u>
	23,883	21,603
Less accumulated depreciation and amortization	<u>15,191</u>	<u>13,798</u>
	8,692	7,805
Goodwill, net of amortization of \$335 and \$335, respectively	5,292	4,519
Other assets, net of amortization of \$503 and \$501, respectively	<u>1,526</u>	<u>1,482</u>
	<u>\$ 46,513</u>	<u>\$ 36,742</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable - trade	\$ 418	\$ 539
Accrued expenses	2,459	2,453
Estimated third-party payor (Medicare) settlements	33	113
Notes payable	<u>4</u>	<u>701</u>
Total current liabilities	2,914	3,806
Notes payable – long-term portion	20	21
Convertible subordinated notes payable	2,333	3,000
Minority interests in subsidiary limited partnerships	3,323	3,249
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, 11,667,260 and 10,688,321 shares issued at June 30, 2002 and December 31, 2001, respectively	117	107
Additional paid-in capital	22,264	15,429
Retained earnings	17,532	13,120
Treasury stock at cost, 149,700 shares held at June 30, 2002 and December 31, 2001	<u>(1,990)</u>	<u>(1,990)</u>
Total shareholders' equity	<u>37,923</u>	<u>26,666</u>
	<u>\$ 46,513</u>	<u>\$ 36,742</u>

Note 3: Certain prior period amounts have been reclassified for comparison purposes.