

October 31, 2002

End of PolyMedica's Medicare "bonanza" draws closer.

A new regulation that outlines revised procedures for reducing excessive Medicare reimbursements to suppliers of durable medical equipment ("DME") was scheduled to be released by October 21, 2002. However, on October 18th the U.S. Department of Health and Human Services ("HHS") withdrew the regulation. On October 18th PolyMedica Corporation's (NASDAQ: PLMD, \$28.50) stock traded as much as 10% higher than the prior day's close perhaps signaling that investors believe that any reimbursement reductions would be significantly delayed. On the contrary, we have found that the HHS expects the regulation to be published in the Federal Register by the end of November 2002. Asensio & Company, Inc. has issued a report explaining the most recent Medicare reimbursement policy developments in Washington, D.C. affecting PolyMedica. Asensio & Company, Inc.'s latest report titled "Rules affecting PolyMedica's pricing scheduled for November release" was made available today at www.asensio.com. This regulatory action is unrelated to PolyMedica's liabilities arising from the criminal investigation.

In June 2000 the HHS Office of Inspector General ("OIG") published its report concerning fraudulent and abusive practices in the blood glucose test strip ("strip") market. The report questioned whether some of the products that Medicare had paid for were even delivered. A 2002 study conducted by the OIG shows that Medicare overpaid at least \$244 million for strips. PolyMedica generated 72% of its total net revenues in fiscal 2002 on sales of strips and related products. CMS has the authority to decrease excessive reimbursements for DME by up to 15% per year. A 15% reimbursement reduction to PolyMedica could have resulted in a loss of approximately \$30 million in revenues during fiscal 2002. PolyMedica made \$36.7 million in pre-tax income in fiscal 2002, excluding \$12.2 million of capitalized advertising expenses net of amortization.

The Department of Justice is currently conducting a criminal investigation of PolyMedica's Medicare billings. The investigation commenced on or about June 24, 1999. On August 21 and 22, 2001, pursuant to a Federal court order, the FBI conducted a search of PolyMedica's facilities and the homes of two of its officers. The allegations against PolyMedica reported in its August 14, 2002 form 10-Q filing expanded to include obstruction of justice.

Asensio & Company, Inc. believes PolyMedica's results are not sustainable and that its stock is grossly overvalued. Our reports on PolyMedica are available at www.asensio.com.