

Berlin, 31 March 2010

Letter to shareholders QI/2010

Dear shareholders,
dear Sir or Madam,

we hope that the new year has started off successfully for you all. We have also a lot of plans and would like to inform you about the latest developments at Vanguard at the end of this quarter. From time to time it is always also worth visiting our website:

www.vanguard-healthcare.com,

to get the most important reports promptly.

Many of you valued shareholders personally visited the annual general meeting on 14/15 December in Berlin or read the press reports about it. Let us follow up on this point again and summarise the decisions of the annual general meeting:

Decisions of the annual general meeting in December 2009

- The shareholders have agreed on a second capital increase of up to 20 million Euros. With this, the last element for basic refinancing of the company was added after the bank waiver for credit amounting to over 50 million Euros and the first capital increase amounting to up to 10 million Euros (extraordinary annual general meeting from 31.08.2009).

As announced, this second capital increase was provided with full subscription rights for all shareholders. The shareholders Baigo and Santo were allowed to introduce the loans granted in May and July 2009 amounting to 12.5 million Euros as investment in kind. If not all shareholders make use of their subscription rights, a shareholder consortium around Baigo and Santo has agreed to subscribe to all available shares so that a cash inflow of at least 7.5 million Euros is safeguarded for Vanguard. You, valued shareholders, have already received letters to allow you to exercise your subscription rights and participate in the second capital increase.

- The supervisory board of Vanguard AG and the board member Rainer Grabow were relieved for the financial year 2008. The previous chairman of the board Robert Schrödel was refused discharge.
- Five of the six previous members of the supervisory board – Dr. Manfred Bock, Dr. Bernard Frieling, Prof. Dr. Thomas Ischinger, Prof. Heinz Lohmann and Prof. Dr. Heinrich M. Schulte – resigned from office at the end of annual general meeting. We thank our previous supervisory board members for actively supporting the company in the very difficult year of 2009 and contributing in introducing all necessary measures efficiently.

The annual general meeting selected five new members to the supervisory board. This kept its constituent assembly following the annual general meeting. We are pleased that we have gained very experienced persons as supervisory board members who will accompany and participate in the comeback of Vanguard AG. The supervisory board now consists of the following people:

Marcus Bracklo is the manager of Baigo Capital and belongs to the supervisory board of Vanguard AG since December 2008. He is the new chairman of the supervisory board.

Wolfgang Boorberg is a certified accountant and tax advisor. He is chairman of the supervisor board of Südwestbank AG and a member of the supervisory board of Ganymed Pharmaceuticals AG. Mr. Boorberg will manage the newly formed examination committee of the supervisory board of Vanguard AG.

Prof. Dr. Jörg F. Debatin is the medical director and chairman of the board for the Hamburg-Eppendorf University Clinic. He is a member of the German Federal Board of the Economic Council and vice-chairman of the Hamburg National Association of the Economic Affairs Council.

Reinhard Eyring is a lawyer, a partner in the Ashurst office and chairman of the supervisory board of Deutsche Steinindustrie AG. Mr. Eyring is vice-chairman of the supervisory board of AG.

Helmut Jeggle manages the Business Planning and Analyzing department of ATHOS Service GmbH. He is chairman of the supervisor board of BioNTech AG, president of the administrative council of Sidroga AG, member of the advisory board of Ganymed Pharmaceuticals AG as well as a member of the supervisory board of 4SC AG. Mr Jeggle will manage the financial committee of the supervisory board of Vanguard AG.

Dr. Ulrich Wandschneider is chairman of the board of Medyclin AG. He is the first vice-president of Bundesverbandes Deutscher Privatkliniken e.V.

- Incidentally, all proposals for decisions of the board and supervisory board were adopted at the annual general meeting in December. All motions and counter-motions of the previous chairman of the board Robert Schrödel were refused.

Based on these decisions, we too had a short Christmas break after a turbulent year. In the 1st quarter of 2010 we were able in turn to achieve important milestones for the new Vanguard:

Legal matters

Stock corporation law

On 12 March 2010, we obtained an important final adjudication before the Court of Appeal in Berlin in the approval proceedings against the actions for avoidance for the resolutions of the extraordinary shareholders' meeting on 31 August 2009 that is summarised as follows:

The actions for avoidance do not prejudice a registration of all four resolutions passed on 31 August 2009. Any alleged deficiencies of the extraordinary general meeting also do not affect registration. The defendants bear the costs of the procedure.

With this, the Court of Appeal has acknowledged our view that Mr. Won Park was not authorised on the day of the extraordinary general meeting to vote for the PLB company. There is no question of an "illegal and manipulative exclusion" of shares of PLB as an Internet blog claimed against us.

The capital measures of the extraordinary general meeting have been registered in the meantime in the commercial register. With this, the following facts are legally effective:

- Recall of a share
- 4:1 reduction in capital
- Viability of the cash capital increase of up to 10 million Euros

The merger of SterilPlus GmbH with Vanguard AG will be registered in a short time when there are no longer any legal hindrances.

We thank you once again for the broad support shown by shareholders for these measures.

Actions for avoidance against resolutions of the extraordinary general meeting of December 2009 have also been submitted as expected. We in turn have chosen the path of the approval procedure and are optimistic about the process. Naturally we will continue to keep you informed about this.

Criminal law

We frequently receive queries regarding the current status of the investigation of the previous chairman of the board. Please understand that we can not say much about this matter. The matter is in the hands of the investigating public prosecution department and the State Office of Criminal Investigation in Berlin. We support the procedure in the appropriate manner and will inform you as soon as the authorities announce further steps.

Civil law

As you know, the civil legal disputes with Mr. Schrödel essentially concern asserting claims for damages for the company and (at least) offsetting previously given company shares amounting to approx. 8 million Euros. The first sign of progress with regard to this was obtaining almost 2 million Euros. More than 6 million Euros remain disputed. We are taking appellate proceedings and subsequent proceedings against a loan reclamation from Mr. Schrödel acknowledged only with documentary evidence.

Unfortunately the various procedures will continue to keep us busy in 2010 and result in corresponding legal costs. However in terms of the broad majority of shareholders and Vanguard AG, we believe in asserting our rights and continuing our path that underlines the uncompromising contribution to corporate compliance of the new Vanguard.

State of the capital measures

After the bank waiver amounting to more than 50 million Euros and the registered 4:1 reduction in capital, it is now a matter of implementing both capital increases:

Capital increase I

First of all, we would like to thank you for the confidence that you have expressed within the framework of the design of capital increase I. We are very pleased that in the first round more than 92 % of the shareholders exercised their subscription rights and so the vast majority supported Vanguard AG. After the registration of this capital increase is concluded, we will send the payment requirements that are issued with a deadline of two weeks after Easter. We thank you in advance for punctual payment that allows us to repay the credit for intermediate financing of capital increase I completely and on time.

Capital increase II

We recently wrote to you separately to inform you again of the conditions of the second capital increase. We would be very pleased if the vast majority of you would exercise your subscription rights again. We will continue to keep you informed about this. We are proceeding against the existing actions for avoidance but expect capital increase II not to be registered in the commercial register before August or September 2010. However Vanguard is provided with the necessary liquidity from intermediate financing so that we can approach this round calmly and carefully. The underwriters of

the second capital increase should therefore expect to be requested for payment in the 4th quarter 2010.

Implementation of the rehabilitation concept progresses further

After we offset an annual deficit on the corporate level of over 103 million Euros particularly from the management responsible to the previous chairman of the board at the end of 2008, the focus after his dismissal was on the rehabilitation of the company.

For 2009, the company expects a turnover of around 140 million Euros. As already explained in the general meeting, we also expect an annual deficit for 2009 amounting to an estimated 16 million Euros. One-off rehabilitation costs amounted to approx. 9 million Euros alone. It was and remains a challenging task to bring the company back on track. However, we were able to implement a variety of measures until the end of 2009 that form the basis of the solid ground under our feet today. Ernst & Young is currently auditing the individual financial statements for 2009 and the Vanguard Group.

The rehabilitation measures introduced will already be implemented in 2010. This year we will strive to obtain a positive EBIT for the Vanguard Group.

The business model of Vanguard, the aim of which is to bring about cost reductions by procedural and structural optimisations continues to have great potential in times of increasing health costs. In the meantime, we have made further progress in the implementation of the rehabilitation concept worked out together with KPMG. We have systematically put all business sectors to the test and will focus on four core businesses in the coming years:

- System solutions for medical devices, particularly the reprocessing of medical devices in Europe (BU 1)
- Integrated supply systems, particularly sterile goods supply of hospitals in Germany, Austria and France (BU 2)
- Hospital consultation on our share (66%) in the Lohfert companies in the areas of structural and procedural optimisation with the focus on Germany and Denmark (BU 3)
- Sterima-Vanguard, our share (51%) with market leadership in hospital supplies in Belgium and great potential in the Netherlands (BU 4)

As planned, we will detach ourselves from four investments outside of these core areas and temporarily withdraw from England and Spain.

We are currently very pleased with the business developments in BU 1, 3 and 4. With the current product portfolio, we can claim our respective market leaderships in some areas and even expand them further. In addition, the development portfolios have been revised and repositioned so that we can expect innovative new product launches again from 1st quarter 2011 at the latest. We are currently concentrating particularly on BU 2 to build up lost confidence in the sustainability of Vanguard. We are on the right path here and have made restructuring decisions with new personnel:

New chairman as Chief Operating Officer

The supervisory board of Vanguard AG appointed Mr. Ralf Berscheid on 1 March 2010 to the board of Vanguard AG. As Chief Operating Officer, he supervises the business units of "System solutions for medical devices" and "Integrated supply systems" as well as MITC GmbH and quality management throughout the group. With his character and experience, Dr. Berscheid is the ideal person to enrich our company and understands how to expressively convey the new values of Vanguard to our customers. Before this, he was the manager for the Sterilog clinic service provider and on the board of the Damp clinic group. The previous COO – Mr. Rainer Grabow – has left the company.

Internet domain: www.vanguard-healthcare.com

We are constantly asked why our website www.vanguard.de has had a construction sign up for several months. Please note that Vanguard has a new website address. The previous domain continues to be offline by Nowak & Schrödel. Unfortunately we must take legal proceeding with regard to this.

We have set up a news section on our new domain, www.vanguard-healthcare.com. We ask you to visit this regularly as all relevant information will be provided there in the future.

We hope we have kept you up to date in this letter to shareholders I/2010. The new chairman, supervisory board and our entire team at all Vanguard sites will continue to do everything to implement the measures strived for quickly but with care and sustainability. The business year 2010 should be remembered as the successful turnaround in the history of Vanguard.

Best regards from Berlin,

Yours sincerely

Jörg Menten

Chairman of the Board

Vanguard AG

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