

To Our Cardica Shareholders



Happy New Year! I am honored to write to you in my new role as the Chief Executive Officer of Cardica, and I look forward to working toward growing the company together in 2016.

Cardica was built on the belief that less-invasive procedures enabled by innovations in medical technology will lead to better patient outcomes. Nowhere is that exemplified better than with our MicroCutter XCHANGE® 30 stapling platform, which allows surgeons to operate in tight spaces and represents a significant advance in surgical stapling technology for patients.

While fiscal 2015 began as a year of promise, with the MicroCutter enabling less-invasive procedures for patients around the world, the company was met with reliability issues for the blue cartridge device which in turn delayed our anticipated growth. As a result, we focused our commercial efforts on the MicroCutter stapler used with the white cartridge for thin tissue only and our R&D efforts on conducting a systematic review of MicroCutter performance and resolving reliability issues.

We are now at a turning point in the company's evolution. Following the departure of Bernard Hausen, M.D., Ph.D., after 15 years of leadership, I joined Cardica as the CEO in October 2015. We also have a new Chief Operating Officer, Tom Palermo, who joined the company in November, following nine months as a consultant to the company that resulted in considerable improvements in the performance of the MicroCutter device.

I am excited to lead this company because I see a tremendous opportunity to leverage the unique benefits of the MicroCutter platform to establish a market-leading product line in the United States and internationally. To me, four key facts stand out:

- As the world's only articulating five-millimeter surgical stapler, the MicroCutter platform embodies an innovative and sophisticated technology, protected by strong intellectual property, that enables enhanced functionality for surgeons and advances the ongoing goal of more minimally invasive surgeries.
- Surgeons continue to express significant excitement about the capability of MicroCutter to improve both vision and access at the surgical site through its small size and expanded articulation.
- There is a growing market opportunity for MicroCutter in the area of video-assisted thoracic surgery (VATS) and other minimally invasive and robotic procedures.
- Cardica's technology holds the potential to become a platform technology for multiple product offerings enabling minimally invasive surgery.

While strong technology is the foundation for success, design innovation must be backed by exceptional **performance, reliability** and **commercial execution** before it can make the impact it deserves in the market. It is these attributes upon which the new Cardica will focus on in 2016.

Today, the MicroCutter with the white cartridge, only for use in thin tissue, is sold primarily in Europe and has demonstrated progress in performance. Currently, we are optimizing the supply chain and solidifying manufacturing and operations, which will enable us to fulfill the increasing demand for the device and white cartridge, as well as lay the preliminary groundwork for future products within the MicroCutter product line.

In December 2015, we submitted preclinical results to the U.S. Food and Drug Administration (FDA) to support expanded indications for use of the MicroCutter XCHANGE 30 in the U.S. In addition, our research and development team continues to advance development of a fourth-generation surgical stapler applicable to a larger tissue range through the use of both blue and white cartridges.

Concurrent with our efforts toward commercialization, we have entered into a three-year national agreement with Novation, a leading health care services company, which serves many hospitals in the U.S. This agreement will provide clinicians and patients with quicker access to the MicroCutter device as we reestablish commercialization following the anticipated FDA clearance for expanded indications.

We head into 2016 energized and excited to unlock the potential of the MicroCutter stapling platform. Our near-term goal is to demonstrate reliable performance of the MicroCutter with both blue and white cartridges. This is within our grasp, and we look forward to advancing adoption of the MicroCutter in additional procedures – setting the stage for broader worldwide commercialization.

As we end this year, we thank our employees for their dedication to bringing this technology to surgeons and patients around the globe. We are grateful for the surgeons who are driving the MicroCutter forward by innovating surgical techniques and procedures for the benefit of the patient. We would like to extend a special thanks to each of our stockholders who remain committed to Cardica's success. Finally, we also are grateful to our Board members, both the current and former members, who have overseen this transition in 2015 to the new Cardica.

We are excited about the potential of Cardica's technology foundation. Our technology makes a difference in people's lives. It leads to shorter operating times, reduced patient pain, and faster recoveries. While we still have significant work ahead, we have made substantial inroads in our efforts to bring the MicroCutter to surgeons around the world. We look forward to communicating our continued progress in all areas of our business.

Sincerely,

A handwritten signature in black ink, appearing to read 'Julian Nikolchev', written in a cursive style.

Julian Nikolchev
President and CEO

December 22, 2015

Forward-Looking Statement Disclaimer

The statements in this letter regarding Cardica's beliefs as to the benefits expected to be obtained from the use of the MicroCutter XCHANGE® 30, are "forward-looking statements." There are a number of important factors that could cause results to differ materially from those indicated by these forward-looking statements, including: that Cardica may not be successful in its efforts to make the improvements necessary to its enhanced MicroCutter device due to unanticipated technical or other difficulties; risks inherent in obtaining regulatory approvals; as well as other risks detailed from time to time in Cardica's reports filed with the U.S. Securities and Exchange Commission, including its Annual Report on Form 10-K, under the caption "Risk Factors," to which this letter is attached. Cardica expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein. You are encouraged to read Cardica's reports filed with the U.S. Securities and Exchange Commission, available at www.sec.gov.