Dear Stockholders

It is an exciting time for Cardica as, in the months ahead, we anticipate the U.S. introduction of the MicroCutter™ XCHANGE™ 30, pending clearance by the U.S. Food and Drug Administration (FDA). Building to this anticipated milestone, in the last year we completed a pivotal clinical study and have had the opportunity to work with key opinion leaders in the field of general, laparoscopic and thoracoscopic surgery to introduce the MicroCutter XCHANGE 30 in Europe.

To date, surgeons have used the XCHANGE 30 in a wide variety of procedures, with its benefits clearly experienced in difficult cases where access using conventional staplers would be limited or impossible. As the first cartridge-based, five-millimeter cutting and stapling device with a cross sectional area significantly smaller than conventional staplers, and with greater articulation, the MicroCutter XCHANGE 30 offers surgeons an innovative device to facilitate challenging cases.

Based on feedback from both clinical investigators and commercial customers, in fiscal 2013 we worked to enhance the ease of use and increase the reliability of the XCHANGE 30, shipping small batches to allow frequent improvements in the device.

Through our focused efforts primarily in Germany, Italy and the Netherlands, we are building a base of experience and a platform for growth and refinement. Today, we stand poised to introduce this revolutionary product to surgeons in the United States, having accomplished many pivotal milestones to lay the foundation for a successful commercial introduction.

- We reported positive results from our European clinical study, which met all primary and secondary endpoints and formed the basis of our U.S. regulatory filing;
- Based on these positive data, in August 2013 we submitted a 510(k) application to the U.S. Food and Drug Administration for market clearance in the U.S.;
- Concurrently, Century Medical, our Japanese distribution partner for the MicroCutter XCHANGE 30 filed regulatory documents with the Pharmaceuticals and Medical Devices Agency to market the device in Japan;
- To build our commercial infrastructure, we signed agreements with several key distributors in Europe;
- We began booking commercial revenue for the MicroCutter XCHANGE 30 in Europe;
- Using feedback from our initial commercial cases, we improved the XCHANGE 30 device with a focus on increased reliability and ease-of-use;
- For our cardiac surgery business, we completed enrollment in the long-term evaluation of the C-Port® Distal Anastomosis System, known as the Multicenter Assessment of Grafts in Coronaries (MAGIC) trial;
- We continued to provide cardiac surgery devices for cardiothoracic surgeons interested in less invasive bypass procedures, with more than 46,000 units shipped worldwide; and,
- In support of our ongoing commercial efforts, we raised approximately $14 million in net proceeds through a public offering of common stock.

We have made significant progress with the MicroCutter XCHANGE 30, expanding usage and educating physicians on the features and benefits of the device. To complement the blue cartridge used on medium tissue thicknesses, we plan to introduce a white cartridge to be used with smaller vessels.

As we move forward into fiscal 2014, commercialization of the MicroCutter XCHANGE 30 in the United States remains our highest priority. In addition, we expect to build on our initial European experience to grow support for this novel device. We believe the year ahead holds great promise.

Thank you for your continued support.

Sincerely,

Kevin T. Larkin
Chairman of the Board

Bernard A. Hausen, M.D., Ph.D.
President and CEO

October 1, 2013

Forward-Looking Statements

The statements in this letter regarding Cardica's anticipation of the U.S. introduction of the MicroCutter product pending marketing clearance by the U.S. Food and Drug Administration, Cardica's expectation regarding building on its European experience, and Cardica's belief that the year ahead holds great promise, are "forward-looking statements." The words "anticipate," "expect" and "believe" are intended to identify these forward-looking statements. There are a number of important factors that could cause Cardica's results to differ materially from those indicated by these forward-looking statements, including: that Cardica may not be successful in its efforts to further develop or commercialize the XCHANGE 30 due to unanticipated technical or other difficulties; that the XCHANGE 30 may face unanticipated development, regulatory, or manufacturing delays; that review by FDA could alter the results as presented herein; that Cardica's intellectual property rights may not provide adequate protection to enable further development of the XCHANGE 30; that surgeons may not use the XCHANGE 30 correctly, which could cause unfavorable results that may impair the acceptance of the XCHANGE 30 by other surgeons; and that Cardica may not have sufficient funds to develop the XCHANGE 30, 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 Current Report on Form 10-K for the year ended June 30, 2013, under the caption "Risk Factors." 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.