Dear Stockholders

Cardica is on the cusp of a defining milestone in the company's history, as we prepare for the European commercial introduction of our proprietary MicroCutter™ XCHANGE™ 30 cutting/stapling device. The XCHANGE 30, our cartridge-based device with a five-millimeter shaft diameter, is over 60 percent smaller than stapling products on the market today and allows surgeons to articulate up to 80 degrees in each direction, which will double the amount of articulation available to surgeons today. These attributes differentiate the XCHANGE 30 from traditional staplers, providing unique leverage for Cardica in the worldwide laparoscopic surgical stapling market.

Over the course of the last year, we achieved many incremental accomplishments to make this near-term event a possibility:

- We completed the necessary requirements to apply CE Mark to our XCHANGE 30 device;
- We initiated a European clinical trial to support regulatory filings in the United States;
- We began putting in place a European infrastructure, including key professionals and surgical product distributors;
- We increased our manufacturing capacity to address our upcoming commercial introduction and our ongoing clinical trial;
- More than 35 surgeons in Europe have used and experienced the benefits of the MicroCutter XCHANGE 30 device in 430 cartridge deployments in 160 procedures;
- We incorporated feedback from these XCHANGE 30 procedures into our plans for future MicroCutter devices;
- We continued to deliver our cardiac surgery products, the C-Port® Distal Anastomosis Systems and PAS-Port® Proximal Anastomosis Systems to cardiothoracic surgeons, surpassing 40,000 cumulative units shipped in May 2012; and,
- We raised $15 million in gross proceeds through a public offering of common stock.

Looking ahead, we expect to begin commercial shipments of the MicroCutter XCHANGE 30 in the European Union in the current calendar quarter. Our focus for the MicroCutter product line has been, and will continue to be, to ensure that each surgeon has consistent, positive experiences using the device.

Sales for our cardiac surgery devices generate a steady revenue stream, and this business continues to be cash-flow positive on a variable cost basis. We believe that these products play an integral role in facilitating less invasive bypass procedures, and that over time, sales volumes will increase.

In summary, fiscal 2013 will be a defining year for Cardica as we commercialize our MicroCutter technology while promoting our cardiac surgery devices to facilitate less invasive bypass procedures. We thank our shareholders for their commitment to our vision for launching an innovative, less invasive surgical stapling platform, our employees for their diligent efforts to advance our products and importantly, the surgeons leading the way by using our cutting-edge stapling devices.

Sincerely,

Kevin T. Larkin
Chairman of the Board

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

October 16, 2012

Forward-Looking Statements

This stockholder letter contains “forward-looking statements” including all statements regarding the continued development, regulatory approval, commercialization and revenue of products in Cardica’s proposed MicroCutter product line, including the MicroCutter XCHANGE 30, and the timing thereof, as well as the overall financial performance of the Company. Any statements contained in this letter that are not historical facts may be deemed to be forward-looking statements. The words “looking ahead,” “expect,” “believe,” “will,” and similar expressions are intended to identify 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 develop or commercialize the XCHANGE 30; that the European clinical trial may not be completed on schedule, or at all, due to events or difficulties in the development of the microcutter products or otherwise; that Cardica may not initiate commercial sales for the XCHANGE 30 in Calendar 4Q12, or at all; that Cardica may not complete the development of its planned MicroCutter product line on its anticipated timeframe, or at all, due to regulatory, technical, manufacturing or financial difficulties; that Cardica’s current and any future products may never gain any significant degree of market acceptance; that any future Cardica products face development, regulatory, reimbursement and manufacturing risks; that Cardica’s intellectual property rights may not provide adequate protection; that Cardica’s sales, marketing and distribution strategy and capabilities may not be sufficient or successful to maintain sales in the cardiac business; and that general business and economic conditions may impair Cardica’s ability to market and develop products, 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 for the year ended June 30, 2012. 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.