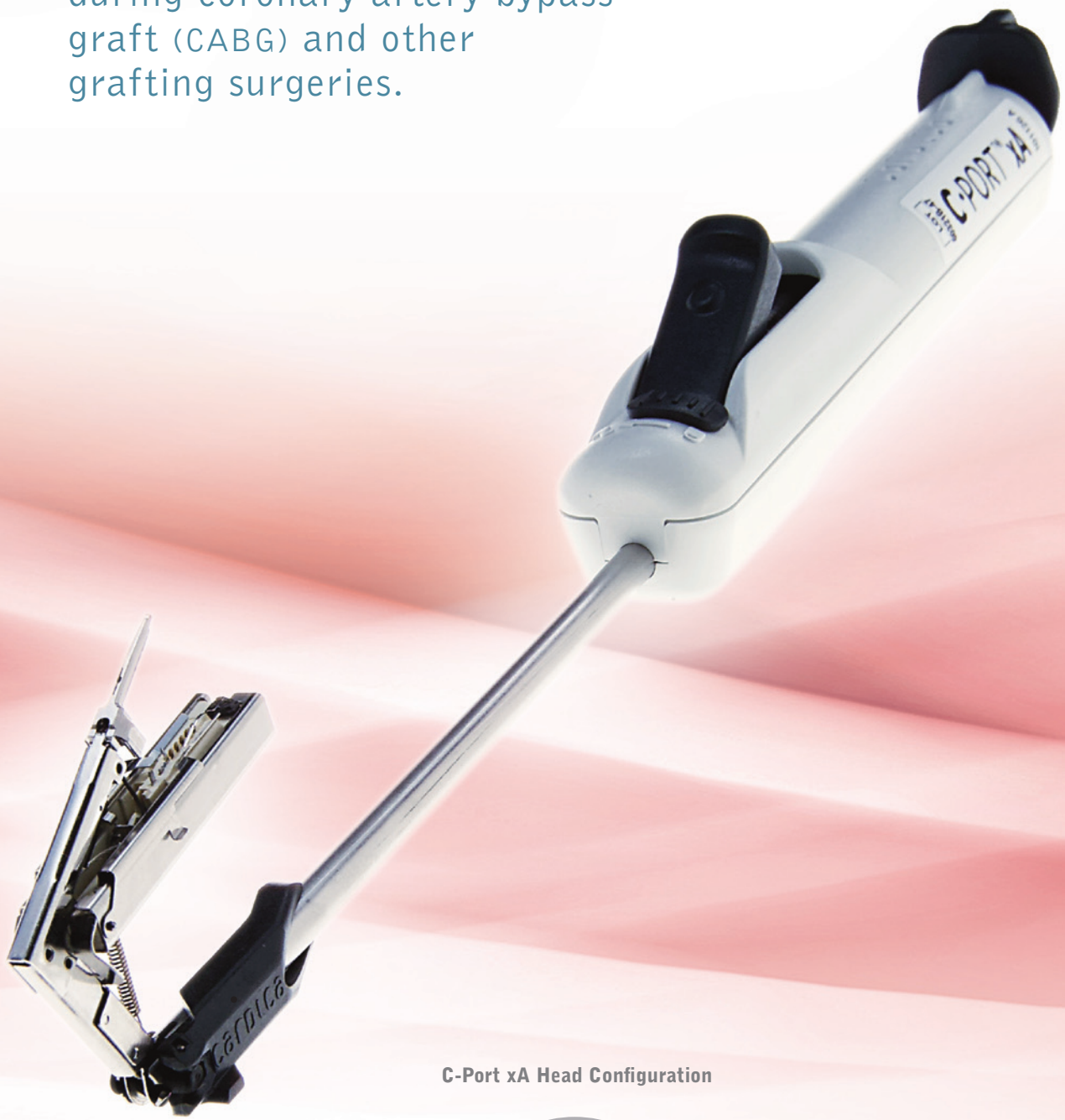
Anastomoses Made Fast and Simple™

Cardica designs and manufactures proprietary products that automate the connections, or anastomoses, of blood vessels during coronary artery bypass graft (CABG) and other grafting surgeries.



C-Port xA Head Configuration

Fiscal 2007 Accomplishments

COMMERCIAL PROGRESS

- Increased the cumulative number of surgeons trained in the United States on C-Port® Distal Anastomosis Systems to 163
- Increased cumulative worldwide shipments of C-Port systems to over 1,900 units
- Received 510(k) clearance from the U.S. Food and Drug Administration (FDA) to market the C-Port® xA Distal Anastomosis System (November 2006)
- Received 510(k) clearance from the FDA to market the C-Port® Flex A Anastomosis System, a variation of the C-Port xA system product line that further facilitates automated anastomosis during minimally invasive CABG procedures (March 2007)
- Increased sell-through of the PAS-Port® Proximal Anastomosis System in Japan from an average of 120 units per month in fiscal 2006 to an average of over 150 units per month in fiscal 2007
- Increased cumulative worldwide shipments of PAS-Port systems to over 5,900 units
- Extended the PAS-Port system distribution agreement with Century Medical through July 2014 (April 2007)
- Presented data highlighting long-term patency for the C-Port and PAS-Port systems at key national and international medical meetings

CLINICAL DEVELOPMENT AND COLLABORATIONS

- Completed patient enrollment in a pivotal clinical trial to evaluate the safety and efficacy of the PAS-Port system during bypass surgery (March 2007)
- Made substantial progress in the development and tooling of the Cook Vascular Closure Device, resulting in the receipt of $1.75 million in additional milestone payments from Cook Medical
- Entered into a new agreement with Cook Medical to develop and commercialize a specialized device designed to close the patent foramen ovale (PFO), a relatively common heart defect present in approximately 15 to 20 percent of the general population (June 2007)

FINANCIAL STRENGTH

- Raised $10.9 million in net proceeds from the sale of Cardica's common stock and warrants (June 2007)
- Reduced long-term debt from approximately $16 million to $2 million

PAS-Port Deployment

To Our Stockholders

Fiscal 2007 was a year of remarkable achievement for Cardica. Our innovative products are gaining acceptance and clinical adoption for the automation of the connection, or anastomosis, of blood vessels during bypass surgery, which is often considered the most critical aspect of the procedure. Each of the year's accomplishments contributes to our market position and builds momentum for the years ahead.

We believe that the clinical adoption of our C-Port systems and our success in gaining U.S. and European regulatory clearances for our C-Port systems reflect the quality, reliability and consistency of our proprietary anastomosis products. In Japan, sell-through rates for our PAS-Port system increased 25 percent for the second consecutive year, and in the U.S. and Europe, we completed enrollment in a pivotal clinical trial for this unique device. Through two independent collaborations with Cook Medical, we are using our proprietary microclip technology to address the growing market need for next-generation closure devices, specifically targeting the patent foramen ovale (PFO) and vascular access sites. To strengthen our balance sheet, we reduced our debt substantially from approximately $16 million to $2 million, and we completed an equity private placement resulting in $10.9 million in net proceeds to Cardica.

We are beginning to realize our vision of enabling less-invasive, sometimes called sternum-sparing, bypass procedures. With safety concerns plaguing stents and the adoption of less-invasive CABG surgery methods growing, we believe that many cardiologists will increasingly recommend CABG surgery to patients with cardiovascular disease because of its proven long-term efficacy and lower mortality, and a decreased need for re-intervention compared to stents.

C-PORT SYSTEMS: GROWING PHYSICIAN ADOPTION

In our first full fiscal year of commercialization of our C-Port systems in the U.S., we have seen increased commercial adoption from cardiothoracic surgeons at bypass centers across the country, many of whom use our products on a routine basis. Over the course of the year, we expanded our C-Port product line with the introduction of our C-Port® xA Distal Anastomosis System, our next-generation C-Port system with enhanced features, and the C-Port® Flex A Anastomosis System, a variation of the C-Port xA system with a flexible shaft that allows surgeons to perform anastomoses in areas of the heart that are particularly difficult to reach and hand-suture. We have shipped over 1,900 C-Port systems worldwide and have trained a total of 163 surgeons in the United States since we introduced the C-Port system in the second half of fiscal 2006. During fiscal 2007, we added four salespeople, bringing our sales force to ten.

Moving forward, we expect to continue to expand our user base, facilitate routine usage by trained physicians and maintain our strong commitment to the highest-quality customer service and follow-up. We plan to introduce a cartridge-based C-Port system for multiple deployments and plan to launch the C-Port® xV Distal Anastomosis System, an extension of the C-Port product line designed to accommodate larger grafts. With the addition of the C-Port xV system, we believe that we will be offering a full spectrum of devices that will allow surgeons to complete over 90 percent of all distal anastomoses and all of the bypass conduits typically employed in these procedures.

C-Port Deployment

PAS-PORT SYSTEM: CONTINUED MARKET GROWTH

In Japan, where Century Medical distributes our PAS-Port system, sales continue to grow. In fiscal 2007, we increased the sell-through in this market to an average of over 150 units per month, with a cumulative total of over 5,900 PAS-Port units shipped worldwide. Based on our successful partnership with Century, we extended our distribution agreement by five years, with it now scheduled to continue until 2014. We believe that this extension is a testament to our productive partnership and the value of our proprietary product in this market.

In the U.S. and Europe, we completed enrollment of our pivotal clinical trial to evaluate the safety and efficacy of the PAS-Port system during CABG surgery in approximately 220 patients. All patients were randomized to receive both a PAS-Port automated anastomosis and a hand-sewn anastomosis as a control. We intend to submit a 510(k) application to the FDA in the first half of calendar year 2008 assuming successful trial results.

NEW MARKET OPPORTUNITIES

We are expanding the reach of our proprietary technology through two independent partnerships with Cook Medical. Over the course of the year, we made substantial progress in the development of the Cook Vascular Closure Device, formerly called the X-Port® Vascular Access Closure Device, and received an additional $1.75 million in milestone payments. We expect Cook to launch this product in Europe in the first half of fiscal 2008.

In addition to the Cook Vascular Closure Device, we signed a new agreement with Cook Medical to develop and commercialize a specialized device designed to close the patent foramen ovale (PFO), a congenital heart defect present in about 15 to 20 percent of the general population. This partnership allows us to leverage our proprietary technology to potentially offer a new treatment alternative for patients who have experienced transient ischemic attack, stroke, paradoxical embolism or debilitating migraine headaches.

It has been a tremendous year at Cardica, and we believe that our momentum is building. I want to thank each of the members of the Cardica team for contributing to a year of excellence, express my gratitude to our customers who are using our devices on a routine basis to perform bypass procedures and extend our appreciation to our investors for their continued support. Looking ahead, we intend to continue to expand our product offerings to further enable minimally invasive CABG surgery. We look forward to reporting our progress.

Sincerely,

Bernard A. Hausen, M.D., Ph.D.
President and Chief Executive Officer

Kevin T. Larkin
Chairman of the Board

Our Products

Cardica designs and manufactures proprietary automated products that are designed to replace hand-sewn anastomoses, which are time consuming and difficult to perform.

C-PORT® SYSTEMS

Our C-Port systems are designed to perform a distal anastomosis by attaching the end of a bypass vein graft to a coronary artery using miniature stainless steel staples. In contrast to a non-compliant hand-sewn anastomosis using a continuous suture, the compliant nature of the C-Port anastomosis potentially allows the connection to adapt to changes in blood flow or pressure.

C-PORT SYSTEMS

- can be used on- or off-bypass pump (for stopped heart or beating heart CABG surgeries);
- create compliant anastomoses that expand and contract with blood flow;
- reduce time required for an anastomosis from 10-15 minutes to as little as two minutes;
- produce consistent, reproducible anastomoses, largely independent of surgical technique and skill set;
- do not require interruption of blood flow while the anastomosis is being completed; and
- work on very small coronary arteries.

In addition to the features of the C-Port system, the C-Port Flex A system

- has a flexible, rather than rigid, shaft;
- allows surgeons to position the device to create a secure connection in more difficult to reach areas of the heart; and
- helps facilitate minimally invasive CABG surgery with a surgical robot.

PAS-PORT® SYSTEM

Our PAS-Port system is a fully automated device used to perform an anastomosis between a saphenous vein and the aorta during either on- or off-pump CABG surgery. The PAS-Port system is approved for sale and marketed in Europe and Japan.

PAS-PORT SYSTEM

- allows the surgeon to complete the anastomosis rapidly, typically in approximately two minutes;
- is used without clamping the aorta, potentially avoiding associated risks such as stroke and neurological complications;
- attaches the vein graft securely to the aorta in seconds once the vein graft is loaded; and
- produces consistent, reproducible anastomoses, largely independent of surgical technique and skill set.

Corporate Directory

BOARD OF DIRECTORS

Kevin T. Larkin
Chairman of the Board
Cardica, Inc. and
President and Chief Executive Officer
TherOx, Inc.

J. Michael Egan
Chief Executive Officer
Steadman Hawkins Research Foundation

Bernard A. Hausen, M.D., Ph.D.
President, Chief Executive Officer
and Co-founder
Cardica, Inc.

Richard P. Powers
Vice President and
Chief Financial Officer
Anesiva, Inc.

Jeffrey L. Purvin
Chairman, President and
Chief Executive Officer
Seattle Medical Technologies, Inc.

Robert C. Robbins, M.D.
Chairman, Department of Cardiothoracic
Surgery, Stanford University School of
Medicine and Director, Stanford
Cardiovascular Institute

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Managing Director
Allen & Company LLC

Stephen A. Yencho, Ph.D.
President
Water of Life, LLC

William H. Younger, Jr.
Managing Director
Sutter Hill Ventures

MANAGEMENT TEAM

Bernard A. Hausen, M.D., Ph.D.
President, Chief Executive Officer
and Co-founder

Douglas T. Ellison
Vice President
Worldwide Sales and Marketing

Bryan D. Knodel, Ph.D.
Vice President
Research and Development

Robert Y. Newell
Chief Financial Officer and
Vice President
Finance and Operations

Ric Ruedy
Vice President
Regulatory, Clinical and Quality Affairs

ANNUAL MEETING

The annual meeting of stockholders will be held on November 14, 2007 at 11:30 a.m. Pacific time at Cardica, Inc., 900 Saginaw Drive, Redwood City, California.

INVESTOR INFORMATION

Recent press releases and other Cardica information are available without charge on Cardica's website at www.cardica.com or upon written request to:

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Email: investors@cardica.com

STOCK LISTING

Cardica's common stock trades on the Nasdaq Global Market under the symbol CRDC.

TRANSFER AGENT

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Canton, MA 02021
(781) 575-4238

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Ernst & Young LLP
Palo Alto, California

CORPORATE COUNSEL

Cooley Godward Kronish LLP
Palo Alto, California

FORWARD LOOKING STATEMENTS

This Annual Report contains "forward-looking" statements, including statements relating to commercialization, development and regulatory expectations for Cardica's C-Port Distal Anastomosis systems, including the C-Port xA and Flex A systems, PAS-Port Proximal Anastomosis system, Cook Vascular Closure Device and other products and product candidates. Any statements contained in this Annual Report that are not historical facts may be deemed to be forward-looking statements. The words "believe", "plan", "expect", "estimate", "intend" and "will" or 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 risks associated with market acceptance of Cardica's C-Port Distal Anastomosis systems, manufacturing of the C-Port Distal Anastomosis systems and PAS-Port Proximal Anastomosis system, Cardica's sales, marketing and distribution strategy and capabilities, the timing and success of clinical studies related to the Cook Vascular Access Device and the timing of completion and success of the multi-national clinical trial using Cardica's PAS-Port system, as well as other risks detailed from time to time in Cardica's SEC reports, including its Annual Report on Form 10-K for the fiscal year ended June 30, 2007. Cardica does not undertake any obligation to update forward-looking statements. You are encouraged to read Cardica's reports filed with the U.S. Securities and Exchange Commission, available at www.sec.gov.

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