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**CYBERONICS FUNDS UNIVERSITY OF TEXAS STUDY TO COMPARE
COST-EFFECTIVENESS OF VNS THERAPY AND TREATMENT-AS-USUAL IN
TREATMENT-RESISTANT DEPRESSION**

HOUSTON, Texas, May 24, 2006 – Cyberonics, Inc. (NASDAQ:CYBX) today announced the initiation of a study that will evaluate long-term clinical and economic outcomes for patients with TRD who are treated with vagus nerve stimulation (VNS) Therapy. The study will include a comprehensive review and analysis of existing data on clinical and economic outcomes associated with treating TRD with VNS Therapy™ compared to the clinical and economic outcomes of treating TRD with treatment-as-usual (TAU) without VNS Therapy. M. Lynn Crismon, Pharm. D., Behrens Inc. Centennial Professor and Director, Psychiatric Pharmacy Program, Center for Pharmacoeconomic Studies, University of Texas, Austin, TX, is the principal investigator for the study and will chair an expert panel to determine the final clinical and economic parameters for the study.

Using the Markov Model, a well-established formulaic approach particularly suited for modeling the progression of chronic diseases such as TRD, study investigators will be able to project benefits and costs beyond the timeframe of existing data. This method will allow researchers to compute the clinical and economic outcomes of patients with TRD treated for up to five years with VNS Therapy.

It is estimated that more than four million Americans experience TRD. According to published studies, patients with severe treatment-resistant depression have more than six times the average medical costs of patients who have depression that is not treatment-resistant (\$42,344 vs. \$6,512).¹ These costs are largely attributed to repeated hospitalizations and failed treatment regimes, and do not include the additional indirect costs associated with inability to work or loss of productivity while working. Previous research demonstrates that the tremendous economic impact of TRD can be greatly reduced when treatment effectiveness increases.²

“Patients with TRD experience the most chronic, disabling and expensive form of depression,” says Dr. Crismon. “Patients with this form of chronic, recurrent depression place a substantial drain on the

¹Crown W. “The Impact of Treatment-Resistant Depression on Health Care Utilization and Costs,” *J. Clin Psychiatry*. 63:11, Nov. 2002.

² Simon G. “Recovery from Depression, Work Productivity, and Health Care Costs among Primary Care Patients,” *General Hospital Psychiatry*. 22:153-162, 2000.

healthcare system and suffer from a marked decrease in quality of life. In this study, my colleagues, Suzanne Novak, M.D. and Tawny Bettinger, M.D., and I will predict the long-term effects of VNS Therapy on the clinical and economic outcomes of this debilitating disorder. Markov modeling is a standardized, highly effective methodology used to explore these types of outcomes.”

“Cyberonics is pleased that the long-term economic impact of VNS Therapy for TRD is being evaluated by top research experts in the country,” added Richard L. Rudolph, M.D., Vice President, Clinical and Medical Affairs and Chief Medical Officer, Cyberonics. “By demonstrating the cost-effectiveness of VNS Therapy for TRD through this standardized, extensive and thorough analytical approach, it is our expectation that many more payers will come to recognize and understand the unique safety, effectiveness and cost effectiveness of VNS Therapy and grant psychiatrists and Americans with TRD access to VNS Therapy through national and regional coverage policies.”

Peer-reviewed data published in *Biological Psychiatry* and the *Journal of Clinical Psychiatry* confirm the association of VNS Therapy with significant antidepressant benefits that are sustained and/or increase over time for patients with chronic or recurrent treatment-resistant depression. This study will provide additional, detailed guidance on how VNS Therapy can affect costs associated with this debilitating, costly and life-threatening illness.

In July 2005, the FDA approved VNS Therapy as an adjunctive long-term treatment of chronic or recurrent depression for patients 18 years of age or older who are experiencing a major depressive episode and have not had an adequate response to four or more adequate antidepressant treatments. VNS Therapy is the first FDA-approved implantable device-based treatment for depression and the first treatment developed, studied, approved and labeled specifically for patients with TRD. Peer-reviewed data published in *Biological Psychiatry* and the *Journal of Clinical Psychiatry* confirm the association of VNS Therapy with significant antidepressant benefits that are sustained and/or increase over time for patients with chronic or recurrent treatment-resistant depression. It is estimated that more than four million Americans experience TRD and one-third of these patients experience significant suicidal ideas or gestures.

VNS Therapy is also FDA-approved as an adjunctive therapy used to reduce the frequency of seizures in adults and adolescents over 12 years of age with partial onset seizures that are refractory to antiepileptic medications. In addition to treatment-resistant depression and pharmacoresistant epilepsy indications, VNS Therapy is at various stages of research as potential treatments for anxiety disorders, Alzheimer’s disease, bulimia, chronic headache/migraine and morbid obesity. In total, more than 40,000 patients have accumulated over 100,000 patient years of experience with VNS Therapy confirming that VNS Therapy is safe, effective and cost effective.

To date, more than 5,000 psychiatrists have been trained at Cyberonics-sponsored medical education programs, 2,650 psychiatrists have identified over 10,000 potential VNS patients, 180 different payers have approved individual case by case use of VNS Therapy, 1,100 patients have been treated with VNS Therapy and approximately 4,700 patients have been denied access to VNS Therapy by their insurance providers. The Company is actively working with psychiatrists, patients, patient advocacy organizations, employers and payers to provide psychiatrists and patients with TRD the same universal access to VNS Therapy enjoyed by neurologists and their epilepsy patients through broad based coverage policies for the past six years.

SAFE HARBOR STATEMENT

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. These statements can be identified by the use of forward-looking terminology, including "may," "believe," "will," "expect," "anticipate," "estimate," "plan," "intend," and "forecast," or other similar words. Statements contained in this press release are based upon information presently available to us and assumptions that we believe to be reasonable. We are not assuming any duty to update this information should those facts change or should we no longer believe the assumptions to be reasonable. Investors are cautioned that all such statements involve risks and uncertainties, including without limitation, statements concerning (i) results of the economic study demonstrating how VNS Therapy can affect costs associated with TRD and (ii) the attainment of regional and national insurance coverage policies for TRD. Our actual results may differ materially. Important factors that may cause actual results to differ include, but are not limited to: continued market acceptance of VNS Therapy and sales of our product; the development and satisfactory completion of clinical trials and/or market test and/or regulatory approval of VNS Therapy for the treatment of Alzheimer's disease, anxiety, or other indications; adverse changes in coverage or reimbursement amounts by third-parties; intellectual property protection and potential infringement claims; maintaining compliance with government regulations and obtaining necessary government approvals for new applications; product liability claims and potential litigation; reliance on single suppliers and manufacturers for certain components; the accuracy of management's estimates of future expenses and sales; and other risks detailed from time to time in the Company's filings with the Securities and Exchange Commission (SEC). For a detailed discussion of these and other cautionary statements, please refer to Cyberonics' most recent filings with the SEC, including its Form 10-K for the fiscal year ended April 29, 2005.

ABOUT VNS THERAPY AND CYBERONICS

Information on Cyberonics, Inc. and VNS Therapy is available at www.cyberonics.com and www.vnstherapy.com.

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