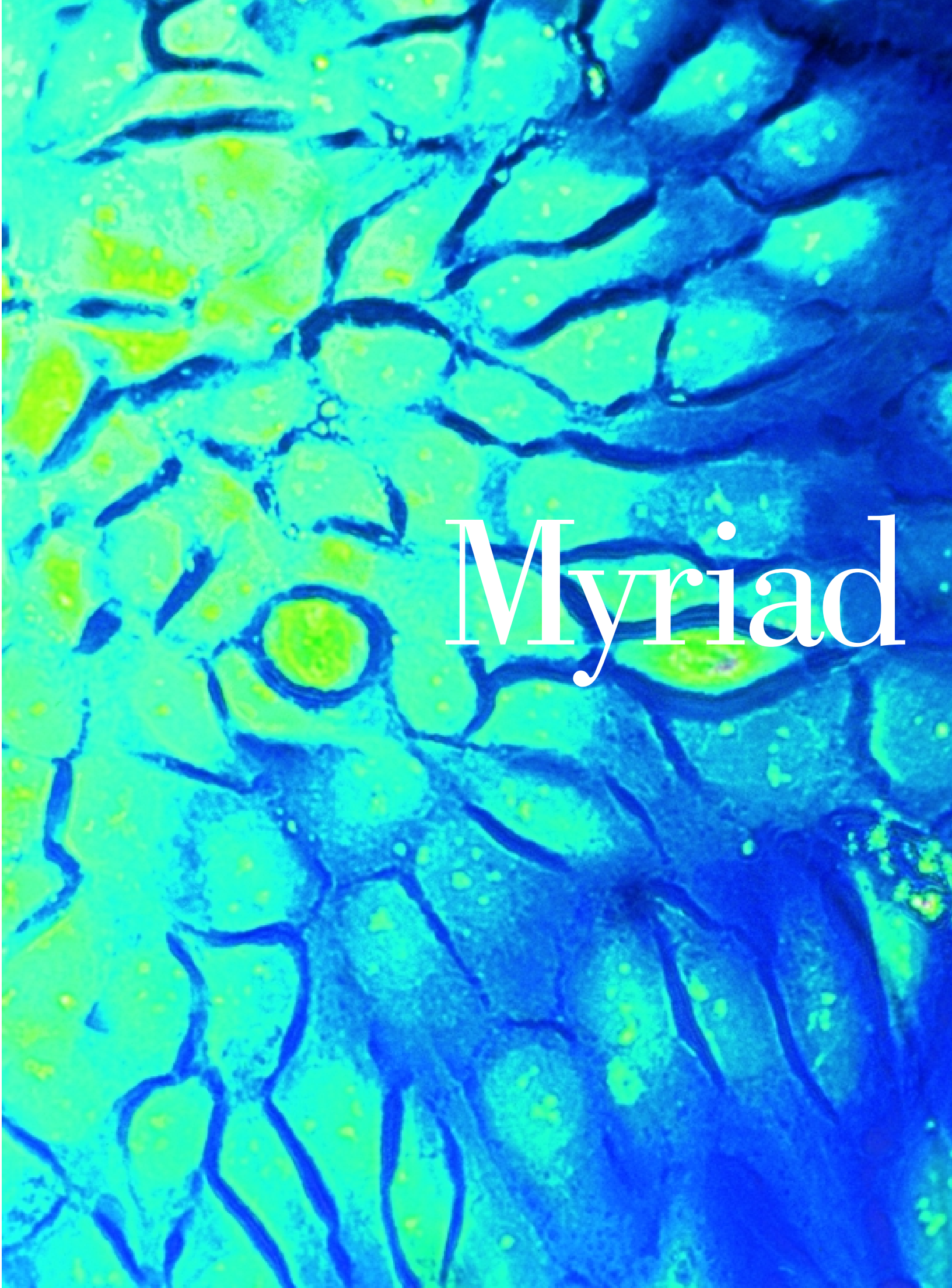

Myriad

2001 Annual Report

Myriad Genetics, Inc.

Never before in history have we had the real-world opportunity to envision and implement such far-reaching medical paradigms. What was once just daydreaming is now realistically possible. Now, technology can be used to deliver medicines that are safer, more effective and treat the root cause of disease, rather than its symptoms, and even prevent disease entirely. Myriad is developing and testing those medicines to speed relief to people living with devastating disease or the looming threat of disease.

Total Revenues

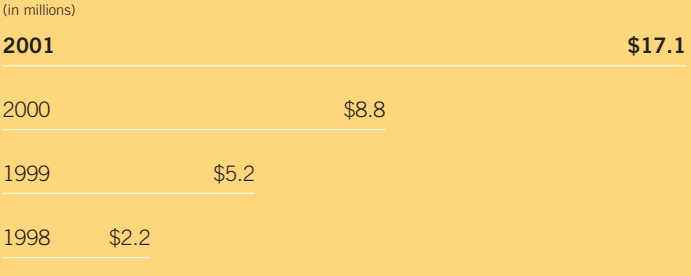
fiscal year ended June 30

(in millions)

Product Revenues

fiscal year ended June 30

(in millions)



As with all sectors of the stock market, biotechnology companies have experienced wide swings in valuation over the past year. While Myriad was not immune to this market volatility, we are pleased to report that the Company steadfastly built value for its shareholders by adhering to our strategy of becoming an integrated biopharmaceutical company. Indeed, our future has never looked more promising.

In 2001, the Company accelerated its efforts to bring innovative pharmaceutical products to the market while growing its existing predictive medicine revenues at rates that nearly double each year. Myriad researchers made important drug target discoveries in the fields of cholesterol management, prostate cancer, heart disease and hepatitis. Our pipeline of pre-clinical compounds is filled with exciting opportunities for the treatment of diseases such as acute thrombotic events, AIDS, cancer and rheumatoid arthritis.

Our lead therapeutic product, MPC-7869, is an exciting compound for the treatment and prevention of prostate cancer, a potentially devastating disease affecting 200,000 men each year in the United States alone. The compound has completed phase IIa human clinical trials and the phase IIa report was submitted, on schedule, to the FDA in May 2001. Myriad believes that it is on track to meet with the FDA before year-end 2001, followed by patient enrollment for a clinical trial designed to demonstrate efficacy in prostate cancer patients. This exciting compound is well tolerated in studies to date and based on its method of action, the Company believes that it may have the potential to become a preventive medicine, for those with a heightened risk of prostate cancer, in addition to use as a treatment for prostate cancer.

Intellectual property is vital to Myriad. Accordingly, we have stepped up the pace of patent submissions to match the rapid discovery rate of potential therapeutic targets. To date, the Company has submitted patent applications on over 1,800 genes, proteins, protein interactions, potential drug targets and predictive medicine opportunities.

Our predictive medicine group also experienced an exciting and rewarding year. The Company's third predictive medicine product, COLARIS,™ for the determination of susceptibility to colon cancer, was launched to applause from the oncology community. Our predictive medicine business was expanded in Europe through a collaboration with Bioscientia, a major medical reference laboratory in Germany. Growth in revenues from these products has been substantial, demonstrating the

Hugh A. D'Andrade, Chairman

Peter D. Meldrum, President and CEO

acceptance they are achieving in medical communities worldwide. Our products are becoming the standard of care in the healthcare management of hereditary cancer risk.

The opportunity to use our technologies to gather significant intellectual property and enhance shareholder value were catalysts for the formation of Myriad Proteomics, Inc., a collaboration with Hitachi and Oracle to map the full human complement of protein interactions and protein complexes. The new company has the initial charter to discover important and valuable targets for therapeutic development, both for Myriad Genetics and for our pharmaceutical and biotechnology customers worldwide. Myriad Proteomics is now generating data in its new automated high-throughput proteomics facility.

We believe that the future of medicine lies in the creation of new classes of drugs that are safer and more effective than the current generation; drugs that not only treat disease, but also prevent disease from occurring. We also believe that the emerging field of predictive medicine will revolutionize the practice of medicine by identifying an individual's risk of developing diseases later in life, allowing actions that could prevent or delay the onset of disease.

Everything we do at Myriad supports our ultimate goal of becoming a highly successful, healthcare product based, integrated biopharmaceutical company. We expect that this is precisely the type of company investors believe in and for which they are rewarded.

Thank you, our shareholders, for your unfailing support during the year just ended, and your continued support over the coming year. We will continue to advance products toward the market and enhance our core strengths in drug discovery as well as predictive medicine. With full confidence in the course that we have charted, we are well on the way to fulfilling the great promise that our future holds.

Sincerely,

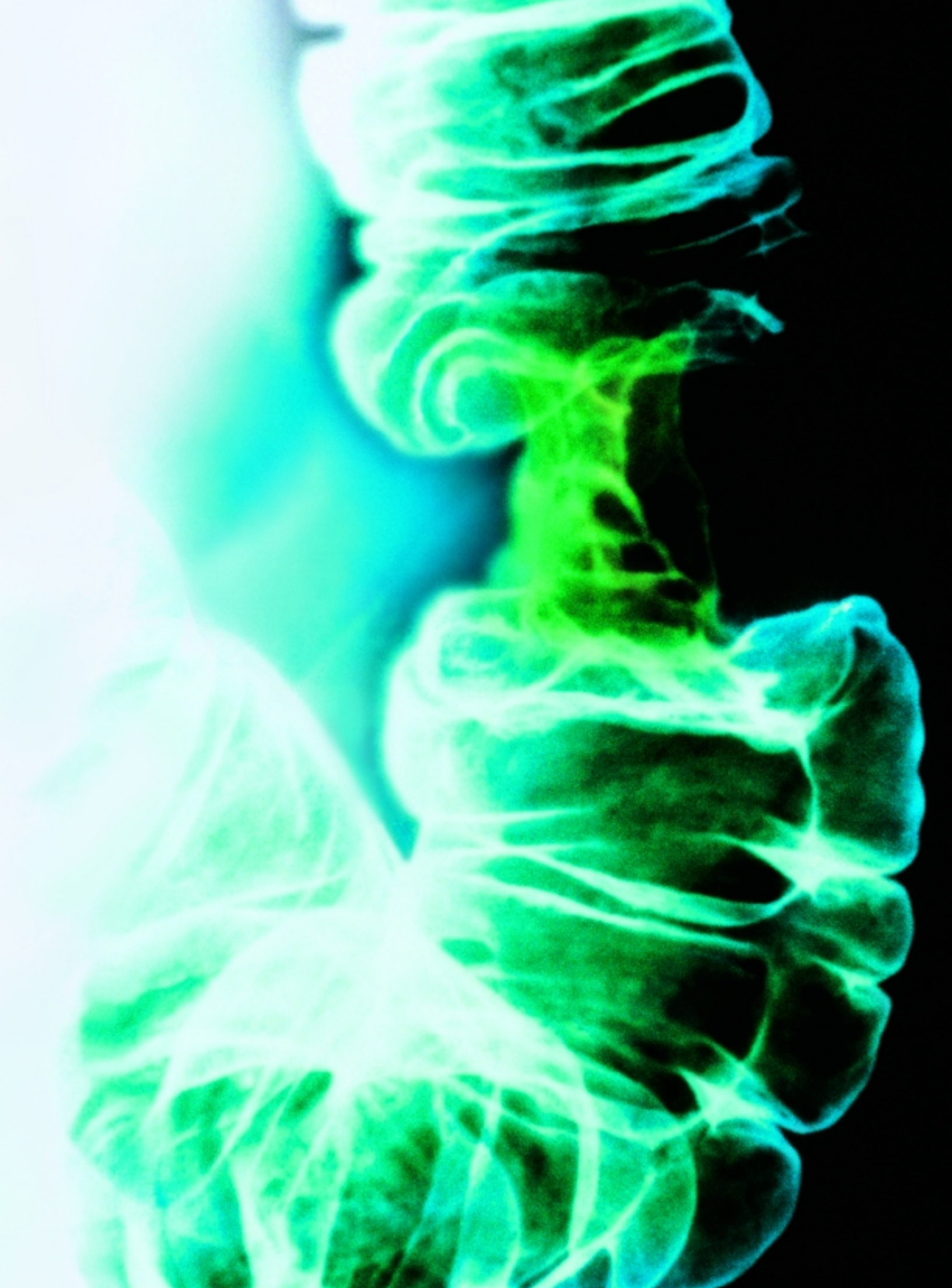
Hugh A. D'Andrade
Chairman of the Board

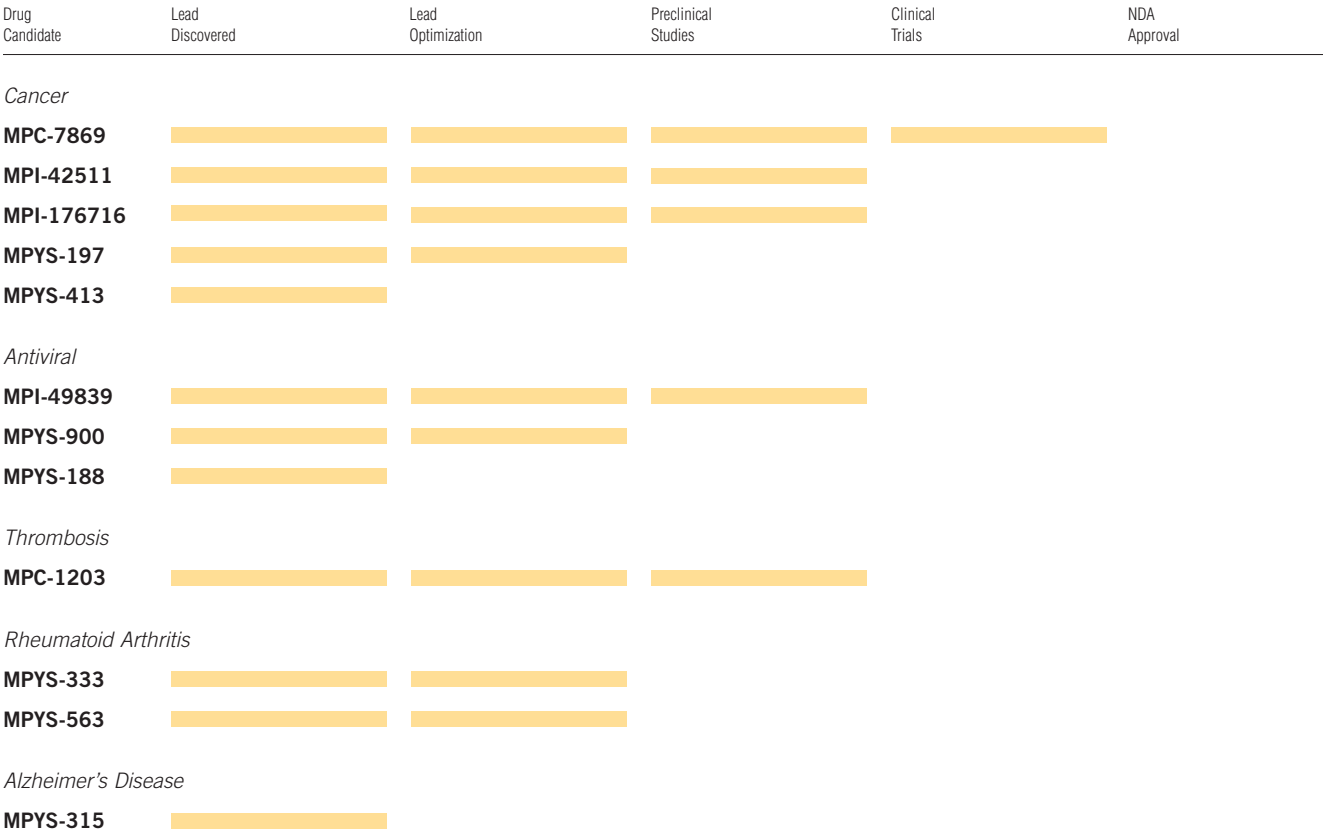
Peter D. Meldrum
President and Chief Executive Officer

Proteomics, genomics and pharmacogenomics represent our key disciplines. ProNet,® ProSpec,℠ ProTrap,℠ high-throughput drug screening and highly parallel capillary DNA sequencing are our core technologies. At Myriad, all serve as the means to a single end: To save lives and improve the quality of life through the development of safer, more effective drugs, in an accelerated timeframe.

Cancer fighting drugs have traditionally been very toxic to the patient. Generally, the concept of treatment has been to try to kill the cancer cells before the drug kills the patient. Unfortunately, patients can not always tolerate the toxicity and succumb to the therapy meant to save them. Myriad is developing drugs that are intended to help change this. Our lead drug for prostate cancer, MPC-7869, is safe to a degree that is highly unusual for cancer therapies. In fact, it was tested and shown to be safe in normal, healthy subjects—virtually unheard of in the field because of the high toxicity usually associated with cancer drugs.

Safety is also a function of a drug's specificity for a particular target. If the drug is too general and acts upon many different biological pathways, side effects can be expected. To minimize side effects, drugs can now be designed to work against very specific mechanisms. Myriad's novel colon cancer drug, MPI-42511, selectively kills cancer cells without harming normal cells by targeting a key regulator of apoptosis, or programmed cell death.

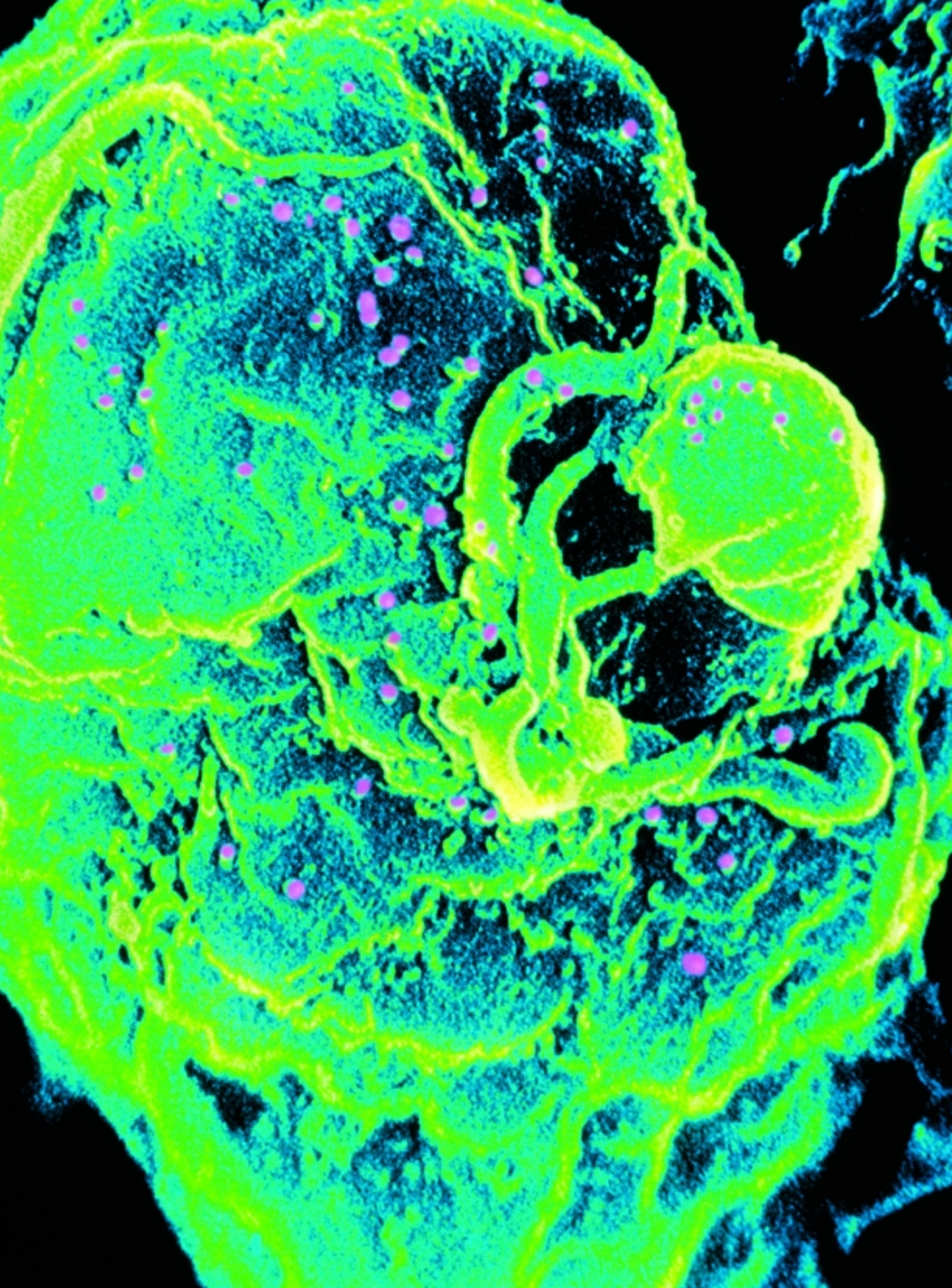



Drug Candidate
Lead Discovered
Lead Optimization
Preclinical Studies
Clinical Trials
NDA Approval
Cancer
MPC-7869
MPI-42511
MPI-176716
MPYS-197
MPYS-413
Antiviral
MPI-49839
MPYS-900
MPYS-188
Thrombosis
MPC-1203
Rheumatoid Arthritis
MPYS-333
MPYS-563
Alzheimer's Disease
MPYS-315

You won't see Myriad promising to deliver hundreds of drug targets against a given disease. Developing so many non-validated "drug targets" against a specific disease is not meaningful progress toward the goal of preventing and treating human disease. Target validation is therefore critical at the beginning of a drug development program. Myriad's compound to treat acute thrombosis, MPC-1203, is a recombinant form of Anti-thrombin III designed to prevent blood clotting. The drug targets four important discrete steps in the clotting cascade. By effecting each of these critical steps, the clotting response is shut down more completely and a greater degree of anti-clotting may be achieved. Myriad has always operated under the assumption that a few validated drug targets are worth far more than a hundred non-validated drug targets.

Not only can target selection and validation improve efficacy, it can save years of development time compared with traditional means. Myriad has active drug development programs in cancer, heart disease, rheumatoid arthritis, infectious diseases such as AIDS and hepatitis, and diseases of the central nervous system such as Alzheimers.

Myriad has filled its drug development pipeline with targets discovered, in large part, through use of proteomics. Proteomics plays a crucial role in unlocking the secrets of important disease pathways. One example is in the field of AIDS. With only a few disconnected proteins and protein interactions as a starting point, our scientists applied proteomics to understand how viral proteins interact with human host proteins, and created a full pathway containing several hundred organized and catalogued proteins as potential drug targets. Using such disease pathway data, researchers obtain functional associations for proteins and are able to determine which proteins represent the real gems for drug development. Proteomics can save many years in achieving this state of knowledge about a drug target, compared with traditional means.



Technology being used to deliver medicines that treat and potentially prevent disease.

PROSTATE CANCER

MPC-7869 is a novel drug for the treatment of prostate cancer and is Myriad's most advanced therapeutic program. It has completed a Phase II human clinical trial. In animal models of cancer, MPC-7869 demonstrated marked anti-tumor and anti-metastatic activity, significantly reducing the incidence of primary and secondary prostate tumors. In humans, the drug was well tolerated in normal healthy subjects and in advanced prostate cancer patients who have relapsed. The drug has good bioavailability and would, as currently planned, be given in pill form, once a day. Among relapsing prostate cancer patients, the level of prostate specific antigen (PSA) increases dramatically. After MPC-7869 was given to a group of these patients, 52% experienced a stabilization of their PSA levels. This is a remarkable result. Based on these clinical trials, MPC-7869 holds promise as an effective, safe drug for the treatment and prevention of prostate cancer.

AIDS

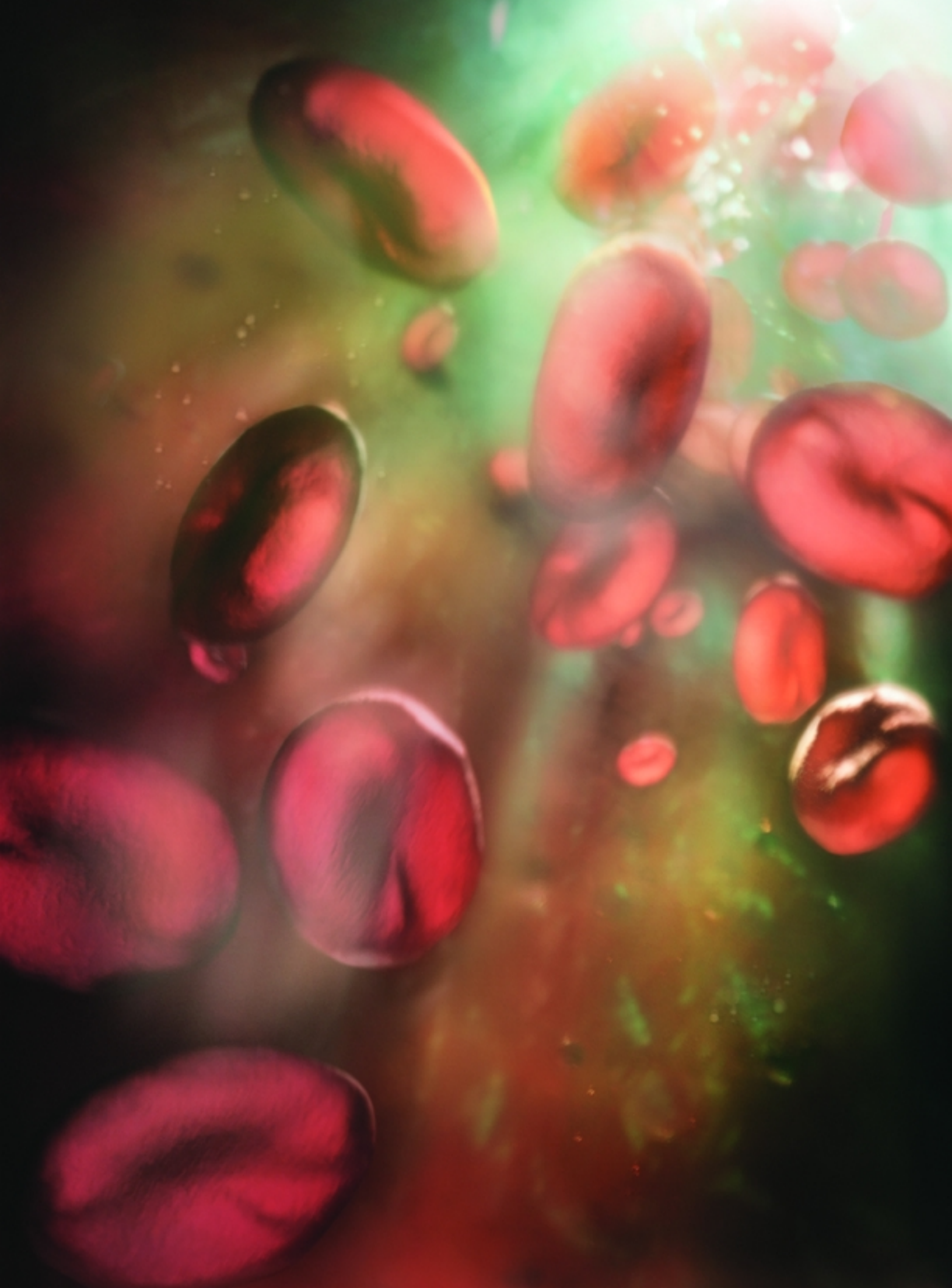
Myriad's novel drug, MPI-49839 represents a new approach to the treatment of AIDS. The concept behind the drug may enable the creation of an entirely new class of therapeutics. The drug is distinct from the protease inhibitors and reverse-transcriptase inhibitors, which are the most commonly prescribed among the current generation of AIDS drugs. Our anti-HIV drug is especially exciting in that it has the potential to improve on these current treatments for AIDS. With the evolution of multi-drug resistant strains of the virus comes an increased need for therapies that act through different mechanisms. Although current drugs have been successful in improving survival for AIDS patients, the drugs do not rid the patient of the virus. Drug therapy becomes a life-long commitment. The ability to establish long-term suppression of viral activity requires drugs that are more impervious to viral resistance. Novel approaches such as Myriad's may well provide that extended therapeutic benefit to patients. MPI-49839 is in preclinical studies prior to entering human clinical trials in AIDS patients.

COLON CANCER

MPI-42511 is a novel small-molecule drug that inhibits a key regulator of a cancer pathway that is involved in 95% of all cases of colon cancer. Initially, we screened our library of small molecules for the potential to inhibit the activity of the drug target. We isolated several candidates, which were subsequently screened for the ability to specifically kill human colon cancer cells without harming normal cells. These compounds provide the potential to prevent unchecked cell growth during the progression of colon cancer. Medicinal chemistry optimization has provided our lead compound with an enhanced safety and efficacy profile. This lead drug is now in preclinical testing prior to human clinical trials in colon cancer patients.

ACUTE THROMBOSIS

MPC-1203 is a proprietary recombinant form of the human protein, anti-thrombin III. Anti-thrombin III plays a critical role in helping to maintain the flow of blood by inhibiting clot formation. It is a circulating plasma protein that is naturally produced in the liver. Following severe trauma or major surgery, this essential protein is degraded by enzymes, and can no longer prevent the blood from clotting. Our proprietary form effectively resists degradation by these enzymes, which are released during inflammatory events. By resisting inactivation, MPC-1203 remains in circulation, available to carry out its function in the body. Blood clotting is a major concern following orthopedic surgery such as hip replacement surgery, open heart surgery and other critical trauma to the body. Clotting of the blood is also a cause of organ failure and death following sepsis and cancer. Our protein drug is in preclinical testing prior to entering human clinical trials.



Myriad is developing medicines to speed relief to people living with devastating disease.

SAVING LIVES AND PREVENTING CANCER

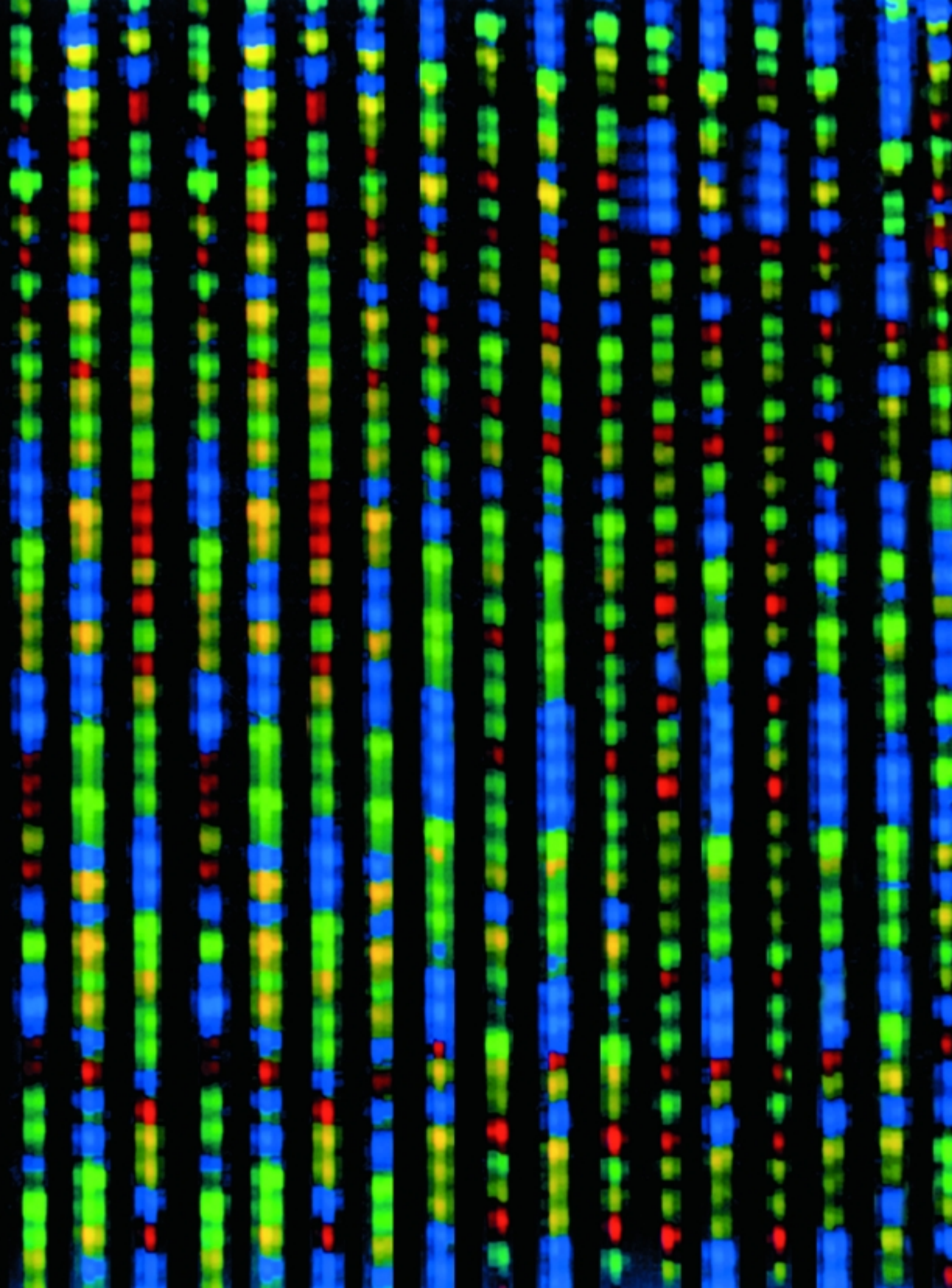
Myriad's BRACAnalysis® test saves lives and reduces overall costs to healthcare providers. These basic facts are responsible for the wide adoption of BRACAnalysis® as the standard of care in the management of hereditary breast and ovarian cancer. Women with a positive test, indicating a mutation in one of the breast cancer genes, have a lifetime risk of developing breast or ovarian cancer that exceeds 90%. Although startling, this knowledge provides them with the power to take action that may save their lives.

There are now preventive measures that can be taken by a woman carrying a mutation. For example, the drug Tamoxifen® has been shown, in recent studies, to reduce the risk of breast cancer dramatically, by approximately 50%. Additionally, oral contraceptives can reduce the risk of ovarian cancer in mutation carriers by 60%. Next to prevention, early diagnosis provides the best outcomes for patients with gene mutations. Those at high risk of cancer, as determined by a positive BRACAnalysis® test, can get more frequent surveillance, starting earlier, to maximize the odds of catching the cancer early, when it is more treatable. With more options than ever before for the prevention and treatment of breast and ovarian cancer, it is vital for women with a strong family history to arm themselves with the knowledge of their hereditary cancer risk. BRACAnalysis® provides that knowledge.

This year, we introduced our third predictive medicine product, COLARIS,™ for susceptibility to colon and endometrial cancer. COLARIS™ is used to determine individuals at high risk of these cancers based upon the inheritance of a mutation in one of two genes. Those who carry a mutation have a greater than 90% lifetime chance of developing one of these cancers, in particular an 80% risk of colon cancer and a 60% chance of endometrial cancer, and usually at young age. Highly effective preventive measures include colonoscopy and the removal of precancerous polyps, so colon cancer can be avoided. Additionally, individuals found to carry a mutation can be placed on increased surveillance regimens, with a lower age limit to start screening and a shorter interval between visits.

Our tests are currently marketed in a number of European countries, Canada and Japan in addition to the United States. It is our goal to make the test available worldwide. Many countries have nationalized healthcare and recognize the economic benefits to their system and the enhancement to quality of life of their citizens that predictive medicine products provide.

MELARIS,™ for hereditary melanoma, is in the final stage of development. Melanoma is the most serious form of skin cancer. It affects some 51,400 people each year in the U.S., and is the second fastest growing cancer. Prevention and early diagnosis are the keys to caring for patients with a hereditary risk of melanoma. Melanoma can be prevented through appropriate screening and a specific threshold of action for mutation carriers, in which suspicious moles and lesions are removed before cancer can develop. Early diagnosis is key to best survival rates. MELARIS™ is scheduled for introduction to the market in Fall, 2001 through Myriad's 75-person oncology sales force, becoming our fourth predictive medicine product.



"My name is Lori Nelson and I am alive because of Myriad Labs. One week after testing positive for BRCA1, my doctor had me in surgery where he found a rare cancer that went undetected in earlier tests. Gene testing not only saved my life, but it profoundly changed my life by replacing the terrifying, 'what if I have what killed my Mom and Aunt', with 'what can I do about it."

Lori Nelson
Pahoa, HI

"I am a breast cancer survivor who chose to be tested because I had lost two of my father's sisters to breast cancer. I felt that I needed to know whether or not I was positive for myself as well as my children and other family members. Getting a positive result was difficult; however, this test has saved my life and my daughter's."

Marcia Litt
Northridge, CA

"I developed breast cancer at age 33 and later learned I carried a BRCA2 mutation. I realized there were a ton of support groups for women with cancer—but nothing for women at risk."

Sue Friedman
Founder, Facing Our Risk of Cancer Empowered (FORCE)
Coral Springs, FL

"We live in a proactive society, my patients want to know ahead of time if they have a genetic predisposition to cancer. 50% of the patients I see have a family history of colon cancer. Myriad has pulled this process together very nicely and made this very easy to do."

Dr. Thomas Logio
Colorectal Surgeon,
Springfield, NJ

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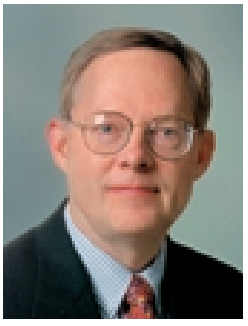

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1 *Hugh A. D'Andrade*
Chairman of the Board
Former Vice Chairman,
Schering-Plough Corporation

2 *Walter Gilbert, Ph.D.*
Vice Chairman of the Board
Carl M. Loeb,
University Professor,
Harvard University

3 *Peter D. Meldrum*
President and CEO,
Director

4 *Arthur H. Hayes, Jr., M.D.*
Director
President,
MediScience Associates

5 *Mark H. Skolnick, Ph.D.*
Chief Scientific Officer,
Director

6 *Dale A. Stringfellow, Ph.D.*
Director
President and CEO,
Berlex Laboratories, Inc.

7 *Linda S. Wilson, Ph.D.*
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President Emerita,
Radcliffe College

8 *Gregory C. Critchfield, M.D.*
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Myriad Genetic Laboratories

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Myriad Pharmaceuticals, Inc.

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11 *Jay M. Moyes*
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Vice President of Finance

12 *Sudhir Sahasrabudhe, Ph.D.*
Executive Vice President,
Research and Development

13 *S. George Simon*
Vice President,
Business Development

14 *Christopher L. Wight*
Vice President,
General Counsel,
Corporate Secretary

The following table sets forth our consolidated financial data as of and for each of the five years ended June 30, 2001. The selected consolidated financial data as of and for each of the five years ended June 30, 2001 have been derived from our consolidated financial statements. The consolidated financial statements and the report thereon for the year ended June 30, 2001 are included in our Annual Report on Form 10-K. The information below should be read in conjunction with the consolidated financial statements (and notes thereon) and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Years ended June 30,	2001	2000	1999	1998	1997
Consolidated Statement of Operations Data:					
Research revenue	$ 28,071,252	$ 25,219,766	$ 20,093,057	$ 20,999,598	$ 14,732,054
Predictive medicine revenue	17,091,139	8,793,272	5,220,349	2,210,983	504,045
Total revenues	45,162,391	34,013,038	25,313,406	23,210,581	15,236,099
Costs and expenses:					
Predictive medicine cost of revenue	7,402,906	3,986,473	3,066,354	1,391,368	340,461
Research and development expense	33,818,144	28,098,769	23,452,220	23,002,340	18,580,229
Selling, general and administrative expense	17,077,846	13,474,923	11,105,520	11,807,023	8,755,217
Total costs and expenses	58,298,896	45,560,165	37,624,094	36,200,731	27,675,907
Operating loss	(13,136,505)	(11,547,127)	(12,310,688)	(12,990,150)	(12,439,808)
Other income (expense):					
Interest income	6,850,479	3,208,506	2,348,827	3,223,683	3,414,379
Interest expense	—	—	(6,278)	(32,681)	(66,661)
Other	(305,134)	(383,481)	(27,314)	2,113	(114,190)
Net loss before income taxes	(6,591,160)	(8,722,102)	(9,995,453)	(9,797,035)	(9,206,280)
Income taxes	583,333	—	—	—	—
Net loss	$ (7,174,493)	$ (8,722,102)	$ (9,995,453)	$ (9,797,035)	$ (9,206,280)
Basic and diluted net loss per share	$ (0.31)	$ (0.43)	$ (0.53)	$ (0.53)	$ (0.52)
Basic and diluted weighted average shares outstanding	22,815,035	20,220,446	18,782,244	18,578,962	17,807,836

As of June 30,	2001	2000	1999	1998	1997
Consolidated Balance Sheet Data:					
Cash, cash equivalents and marketable investment securities	$ 145,954,968	$ 88,655,844	$ 38,926,459	$ 53,109,493	$ 63,077,439
Working capital	104,615,236	57,263,118	8,348,224	21,806,290	38,796,960
Total assets	172,145,355	106,375,305	53,550,940	67,391,972	76,063,331
Notes payable less current portion	—	—	—	—	128,844
Stockholders' equity	139,561,798	77,706,647	48,215,736	57,481,013	66,178,975

Overview

We are a leading biopharmaceutical company focused on the development and marketing of novel therapeutic and predictive medicine products. We have developed a number of proprietary proteomic technologies which permit us to identify genes, their related proteins and the biological pathways they form. We use this information to better understand the role proteins play in the onset and progression of human disease. We operate two wholly owned subsidiaries, Myriad Pharmaceuticals, Inc. and Myriad Genetic Laboratories, Inc., to commercialize our therapeutic and predictive medicine discoveries. Myriad Pharmaceuticals, Inc. develops and intends to market novel therapeutic products. Myriad Genetic Laboratories, Inc. focuses on the development and marketing of predictive medicine products that assess an individual's risk of developing a specific disease.

Myriad researchers have made important discoveries in the fields of cancer, viral diseases such as AIDS, and acute thrombosis. These discoveries point to novel disease pathways and have paved the way for the development of new drugs. Additionally, our pipeline of drug targets offers therapeutic opportunities for the treatment of diseases such as heart disease, rheumatoid arthritis, Alzheimer's Disease and other central nervous system disorders. We have identified 141 drug targets to date. We have also established a portfolio of 12 drug candidates that are under development at Myriad. Four of these drug candidates are in pre-clinical testing, while our lead therapeutic product for the treatment of prostate cancer recently completed a phase II human clinical trial. We intend to independently develop and, subject to regulatory approval, market our therapeutic products, particularly in the area of cancer and infectious diseases.

We also have developed and commercialized three innovative predictive medicine products: BRACAnalysis,® which is used to assess a woman's risk of developing breast and ovarian cancer, COLARIS,™ which is used to determine a person's risk of developing colon cancer, and CardiaRisk,® which is used for therapeutic management of hypertensive patients. We market these products using our own internal 75 person sales force in the United States and we have entered into marketing collaborations with other organizations in Austria, Canada, Germany, Japan and Switzerland. Revenues from these proprietary products grew approximately 94% from the prior year to $17.1 million in the fiscal year ended June 30, 2001.

We believe that the future of medicine lies in the creation of new classes of drugs that prevent disease from occurring or progressing and that treat the cause, not just the symptoms, of disease. In addition, we believe that advances in the emerging field of predictive medicine will improve our ability to determine which patients are subject to a greater risk of developing these diseases and who therefore should receive these new preventive medicines.

We have devoted substantially all of our resources to maintaining our research and development programs, undertaking drug discovery and development, and operating our predictive medicine business. Our revenues have consisted primarily of research payments received pursuant to collaborative agreements, upfront fees, milestone payments, and sales of predictive medicine products. We have yet to attain profitability and, for the year ended June 30, 2001, we had a net loss of $7,174,493 and as of June 30, 2001 had an accumulated deficit of $59,836,475.

We have formed strategic alliances with 10 major pharmaceutical or multinational companies including Bayer Corporation, Eli Lilly and Company, Novartis Corporation, Hoffmann-LaRoche Inc., Pharmacia Corporation, Schering-Plough Corporation, Schering AG, Hitachi Ltd., Oracle Corporation, and Torrey Mesa Research Institute, formerly known as Novartis Agricultural Discovery Institute. We intend to enter into additional collaborative relationships to discover genes, proteins, and protein networks associated with common diseases as well as to continue to fund internal research projects. However, we may be unable to enter into additional collaborative relationships on terms acceptable to us.

In April 2001, we announced the formation of Myriad Proteomics, Inc., a new venture with Hitachi, Ltd. and Oracle Corporation to map the human proteome. Myriad Proteomics, which is 50 percent owned by the Company, intends to market a proprietary map of the human proteome to pharmaceutical and biotechnology companies for therapeutic and diagnostic product development. We have a perpetual subscription-free right to study all of the data generated by Myriad Proteomics for our own internal drug development and predictive medicine programs.

We expect to incur losses for at least the next several years, primarily due to expansion of our research and development programs, expansion of our drug discovery and development efforts, launch of new predictive medicine products, and expansion of our facilities. Additionally, we expect to incur substantial sales, marketing and other expenses in connection with building our predictive medicine business. We expect that losses will fluctuate from quarter to quarter and that such fluctuations may be substantial.

Results of Operations

Years ended June 30, 2001 and 2000.

Research revenues for our fiscal year ended June 30, 2001 were $28,071,252 as compared to $25,219,766 for the fiscal year ended June 30, 2000. The increase in our research revenue of 11% is primarily attributable to increased revenue recognized from both our Hitachi and TMRI collaborations. Research revenue from our research collaboration agreements is generally recognized as related costs are incurred. Consequently, as these programs progress and costs increase or decrease, revenues increase or decrease proportionately.

Predictive medicine revenues of $17,091,139 were recognized in the fiscal year ended June 30, 2001, an increase of 94% or $8,297,867 over the prior year. Predictive medicine revenue is comprised of sales of predictive medicine products resulting from our discovery of important disease genes. The successful launch of COLARIS,™ as well as increased sales and marketing efforts, together with wider acceptance of our products by the medical community, have given rise to the increased revenues for the fiscal year ended June 30, 2001. However, there can be no assurance that predictive medicine revenues will continue to increase at historical rates.

Research and development expenses for the year ended June 30, 2001 increased to $33,818,144 from $28,098,769 for the prior year, an increase of 20%. This increase was primarily due to an increase in the drug discovery and drug development efforts of Myriad Pharmaceuticals, Inc., our wholly-owned subsidiary, as well as research activities relating to our strategic collaborations.

Selling, general and administrative expenses for the fiscal year ended June 30, 2001 were $17,077,846 compared to $13,474,923 for the fiscal year ended June 30, 2000. This increase of 27% was primarily attributable to costs associated with the ongoing promotion of our predictive medicine business, including the launch of COLARIS,™ that was introduced in September 2000. We have also bolstered our sales force to 75 full time employees, which will allow us to increase awareness of our predictive medicine business through direct contact with health care professionals. We expect that our selling, general and administrative expenses will continue to fluctuate as needed in support of our predictive medicine business and our drug discovery and development efforts.

Cash, cash equivalents, and marketable investment securities increased $57,299,124, or 65%, from $88,655,844 at June 30, 2000 to $145,954,968 at June 30, 2001. This increase in our cash, cash equivalents and marketable investment securities was primarily attributable to the sale of approximately $68,581,000 of our Common Stock in private placements during the year, as well as receipt of approximately $10,000,000 from license fees and milestone payments. As a result of our increased cash position, interest income for the fiscal year ended June 30, 2001 was $6,850,479 compared to $3,208,506 for the fiscal year ended June 30, 2000, an increase of 114%. The loss on disposition of assets of $305,134 in the fiscal year ended June 30, 2001 was primarily the result of our retiring unproductive assets.

Years ended June 30, 2000 and 1999.

Research revenues for our fiscal year ended June 30, 2000 were $25,219,766 as compared to $20,093,057 for the fiscal year ended June 30, 1999. The increase of 26% in our research revenue was primarily attributable to revenue recognized from the TMRI collaboration that began in July 1999, the Roche collaboration which began in December 1999, and the Hitachi collaboration which began in May 2000. Research revenue from our research collaborations is generally recognized as related costs are incurred. Consequently, as these programs progress and costs increase or decrease, revenues increase or decrease proportionately.

Predictive medicine revenues of $8,793,272 were recognized in the fiscal year ended June 30, 2000, an increase of 68% or $3,572,923 over the prior year. Predictive medicine revenue is comprised of sales of predictive medicine products resulting from our discovery of disease genes. Sales and marketing efforts, together with increased demand as a result of wider acceptance of our products by the medical community, gave rise to the increased revenues for the fiscal year ended June 30, 2000. There can be no assurance, however that predictive medicine revenues will continue to increase at historical rates.

Research and development expenses for the year ended June 30, 2000 increased to $28,098,769 from $23,452,220 for the prior year, an increase of 20%. This increase was primarily due to an increase in research activities as a result of our collaborations with TMRI, Roche, and Hitachi as well as those programs we funded internally. The increased level of research spending also included the ongoing drug discovery efforts of Myriad Pharmaceuticals, our wholly-owned subsidiary, continued development and utilization of ProNet,® and third-party sponsored research programs.

Selling, general and administrative expenses for the fiscal year ended June 30, 2000 were $13,474,923 compared to $11,105,520 for the fiscal year ended June 30, 1999. This increase of 21% was primarily attributable to costs associated with the ongoing promotion of our predictive medicine business, including preparations for the launch of COLARIS,™ a predictive medicine test for hereditary colon and uterine cancer launched in September 2000. Increased costs also resulted from the establishment of international license agreements and the related costs of increasing our infrastructure to support our increased predictive medicine business. We expect our selling, general and administrative expenses will continue to fluctuate as needed in support of our predictive medicine business and our research and development efforts.

Cash, cash equivalents, and marketable investment securities were $88,655,844 at June 30, 2000 as compared to $38,926,459 at June 30, 1999. This increase of approximately $49,750,000 in our cash, cash equivalents and marketable investment securities was primarily attributable to the private sale of approximately $34,000,0000 of our Common Stock during the fiscal year ended June 30, 2000, as well as receipt of $500,000 from license payments, $1,000,000 in non-recurring milestone payments and approximately $44,000,000 in research payments from our collaborators. These cash receipts were offset by expenditures we incurred in the ordinary course of business. As a result of our increased cash position, interest income for the fiscal year ended June 30, 2000 was $3,208,506 as compared to $2,348,827 for the fiscal year ended June 30, 1999. The loss on disposition of assets of $383,481 in the fiscal year ended June 30, 2000 was primarily the result of our retiring unproductive assets.

Liquidity and Capital Resources

Net cash used in operating activities was $3,775,307 during the fiscal year ended June 30, 2001 as compared to $17,163,535 provided by operating activities during the prior year. Deferred revenue, representing the difference in collaborative research payments we have received and research revenue which we have recognized, increased by $342,932 during the fiscal year ended June 30, 2001, as compared to an increase of $18,837,682 during the fiscal year ended June 30, 2000 due to upfront payments from TMRI and Hitachi. Trade receivables increased $1,392,216 between June 30, 2000 and June 30, 2001. This increase is primarily attributable to the 94% increase in predictive medicine revenue during fiscal 2001. Trade receivables as a percentage of predictive medicine revenue has dropped to 21% at June 30, 2001 compared to 27% at June 30, 2000 as a result of our continuing effort to improve collections. Related party receivables increased $1,811,517 during the fiscal year ended June 30, 2001 as a result of our performing work, both scientific and administrative, for Myriad Proteomics, Inc. Prepaid expenses increased $1,540,053 during the fiscal year ended June 30, 2001, which included advance payments to purchase lab supplies at a discount, advanced royalties, and insurance premiums. Accounts payable and accrued expenses increased by $3,571,968 during the fiscal year ended June 30, 2001 as a result of our efforts to manage cash flows and extend payment terms.

The Company's investing activities used $85,083,233 of cash in the fiscal year ended June 30, 2001 and $4,335,576 in the fiscal year ended June 30, 2000. Investing activities were comprised primarily of net purchases of $77,128,020 of marketable investment securities using cash received from private equity placements, license fees and milestone payments, and predictive medicine sales during the fiscal year ended June 30, 2001. These funds were invested in accordance with our investment guidelines as established by our Board of Directors. Additional investing activities included capital expenditures of $5,255,213 for research equipment and facility improvements, and a $2,700,000 equity investment in a privately held biopharmaceutical company.

Financing activities provided $68,580,621 during the fiscal year ended June 30, 2001. In August 2000, we sold 350,000 shares of Common Stock in a private placement for an aggregate purchase price of $22,000,000. In October 2000 we sold an additional 400,000 shares of Common Stock in a private placement for an aggregate purchase price of $41,000,000. We subsequently registered these 750,000 shares with the Securities and Exchange Commission, as required under the stock purchase agreements. Additional cash was provided from the exercise of stock options during the fiscal year ended June 30, 2001.

We believe that with our existing capital resources, we will have adequate funds to maintain our current and planned operations for at least the next two years, although no assurance can be given that changes will not occur that would consume available capital resources before such time. Our future capital requirements will be substantial and will depend on many factors, including:

- the progress of our research and development programs;
- the progress of our drug discovery and drug development programs;
- the cost of developing and launching additional predictive medicine products;
- the costs of filing, prosecuting and enforcing patent claims;
- the costs associated with competing technological and market developments;
- the payments received under collaborative agreements and changes in collaborative research relationships;
- the costs associated with potential commercialization of our discoveries, if any, including the development of manufacturing, marketing and sales capabilities; and
- the cost and availability of third-party financing for capital expenditures and administrative and legal expenses.

Because of our significant long-term capital requirements, we intend to raise funds when conditions are favorable, even if we do not have an immediate need for additional capital at such time.

Effects of Inflation

We do not believe that inflation has had a material impact on our business, sales, or operating results during the periods presented.

Quantitative and Qualitative Disclosures About Market Risk

The Company maintains an investment portfolio in accordance with its Investment Policy. The primary objectives of the Company's Investment Policy are to preserve principal, maintain proper liquidity to meet operating needs and maximize yields. The Company's Investment Policy specifies credit quality standards for the Company's investments and limits the amount of credit exposure to any single issue, issuer or type of investment.

The Company's investments consist of securities of various types and maturities of three years or less, with a maximum average maturity of 12 months. These securities are classified either as available-for-sale or held-to-maturity. Available-for-sale securities are recorded on the balance sheet at fair market value with unrealized gains or losses reported as part of accumulated other comprehensive loss. Held-to-maturity securities are recorded at amortized cost, adjusted for the amortization or accretion of premiums or discounts. Gains and losses on investment security transactions are reported on the specific-identification method. Dividend and interest income are recognized when earned. A decline in the market value of any available-for-sale or held-to-maturity security below cost that is deemed other than temporary results in a charge to earnings and establishes a new cost basis for the security. Premiums and discounts are amortized or accreted over the life of the related held-to-maturity security as an adjustment to yield using the effective-interest method.

The securities held in the Company's investment portfolio are subject to interest rate risk. Changes in interest rates affect the fair market value of the available-for-sale securities. After a review of the Company's marketable securities as of June 30, 2001, the Company has determined that in the event of a hypothetical ten percent increase in interest rates, the resulting decrease in fair market value of the Company's marketable investment securities would be insignificant to the consolidated financial statements as a whole.

Certain Factors That May Affect Future Results of Operations

The Securities and Exchange Commission encourages companies to disclose forward-looking information so that investors can better understand a company's future prospects and make informed investment decisions. This Annual Report contains such "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements may be made directly in this Annual Report, and they may also be made a part of this Annual Report by reference to other documents filed with the Securities and Exchange Commission, which is known as "incorporation by reference."

Words such as "may," "anticipate," "estimate," "expects," "projects," "intends," "plans," "believes" and words and terms of similar substance used in connection with any discussion of future operating or financial performance, identify forward-looking statements. All forward-looking statements are management's present expectations of future events and are subject to a number of risks and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. These risks and uncertainties include, among other things: our inability to further identify, develop and achieve commercial success for new products and technologies; the possibility of delays in the research and development necessary to select drug development candidates and delays in clinical trials; the risk that clinical trials may not result in marketable products; the risk that we may be unable to successfully finance and secure regulatory approval of and market our drug candidates; our dependence upon pharmaceutical and biotechnology collaborations; the levels and timing of payments under our collaborative agreements; uncertainties about our ability to obtain new corporate collaborations and acquire new technologies on satisfactory terms, if at all; the development of competing systems; our ability to protect our proprietary technologies; patent-infringement claims; and risks of new, changing and competitive technologies and regulations in the United States and internationally.

In light of these assumptions, risks and uncertainties, the results and events discussed in the forward-looking statements contained in this Annual Report or in any document incorporated by reference might not occur. Stockholders are cautioned not to place undue reliance on the forward-looking statements, which speak only of the date of this Annual Report or the date of the document incorporated by reference in this Annual Report. We are not under any obligation, and we expressly disclaim any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise. All subsequent forward-looking statements attributable to the Company or to any person acting on its behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section.

As of June 30,	2001	2000
Assets		
Current assets:		
Cash and cash equivalents	$ 35,936,817	$ 56,214,736
Marketable investment securities	91,282,481	24,286,955
Prepaid expenses	4,219,037	2,678,984
Trade accounts receivable, less allowance for doubtful accounts of $255,000 in 2001 and $145,000 in 2000	3,634,370	2,352,154
Other receivables	314,571	398,947
Related party receivables	1,811,517	—
Total current assets	137,198,793	85,931,776
Equipment and leasehold improvements:		
Equipment	21,425,910	16,965,545
Leasehold improvements	3,721,345	4,005,729
	25,147,255	20,971,274
Less accumulated depreciation and amortization	12,416,209	9,719,556
Net equipment and leasehold improvements	12,731,046	11,251,718
Long-term marketable investment securities	18,735,670	8,154,153
Other assets	3,479,846	1,037,658
	$ 172,145,355	$ 106,375,305
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 9,657,385	$ 4,262,359
Accrued liabilities	3,082,799	4,905,857
Deferred revenue	19,843,373	19,500,442
Total current liabilities	32,583,557	28,668,658
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.01 par value. Authorized 5,000,000 shares; no shares issued and outstanding	—	—
Common stock, $0.01 par value. Authorized 60,000,000 shares; issued and outstanding 23,441,659 shares in 2001 and 21,866,482 shares in 2000	234,417	218,666
Additional paid-in capital	198,800,273	130,235,403
Accumulated other comprehensive gain (loss)	363,583	(85,440)
Accumulated deficit	(59,836,475)	(52,661,982)
Total stockholders' equity	139,561,798	77,706,647
	$ 172,145,355	$ 106,375,305

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended June 30,	2001	2000	1999
Research revenue	$ 28,071,252	$ 25,219,766	$ 20,093,057
Predictive medicine revenue	17,091,139	8,793,272	5,220,349
Total revenues	45,162,391	34,013,038	25,313,406
Costs and expenses:			
Predictive medicine cost of revenue	7,402,906	3,986,473	3,066,354
Research and development expense	33,818,144	28,098,769	23,452,220
Selling, general, and administrative expense	17,077,846	13,474,923	11,105,520
Total cost and expenses	58,298,896	45,560,165	37,624,094
Operating loss	(13,136,505)	(11,547,127)	(12,310,688)
Other income (expense):			
Interest income	6,850,479	3,208,506	2,348,827
Interest expense	—	—	(6,278)
Other	(305,134)	(383,481)	(27,314)
Net loss before taxes	(6,591,160)	(8,722,102)	(9,995,453)
Income taxes	583,333	—	—
Net loss	$ (7,174,493)	$ (8,722,102)	$ (9,995,453)
Basic and diluted loss per common share	$ (0.31)	$ (0.43)	$ (0.53)
Basic and diluted weighted average shares outstanding	22,815,035	20,220,446	18,782,244

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE LOSS

Years ended June 30, 2001, 2000, and 1999

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Deferred Compensation	Accumulated Deficit	Comprehensive Income (Loss)	Stockholders' Equity
	Shares	Amount						
Balances at June 30, 1998	18,675,002	$ 186,750	$ 91,813,659	$ 1,477	$ (576,446)	$(33,944,427)		$ 57,481,013
Issuance of common stock for cash upon exercise of options and warrants	137,654	1,377	364,918	—	—	—	—	366,295
Issuance of common stock for cash	44,808	448	203,146	—	—	—	—	203,594
Amortization of deferred compensation	—	—	—	—	230,610	—	—	230,610
Forfeiture of deferred compensation	—	—	(98,062)	—	98,062	—	—	—
Net loss	—	—	—	—	—	(9,995,453)	(9,995,453)	(9,995,453)
Unrealized gains (losses) on marketable investment securities:								
Unrealized holding gains arising during period	—	—	—	—	—	—	(115,287)	—
Less: classification adjustment for gains included in net loss	—	—	—	—	—	—	44,964	—
Other comprehensive loss	—	—	—	(70,323)	—	—	(70,323)	(70,323)
Comprehensive loss	—	—	—	—	—	—	(10,065,776)	—
Balances at June 30, 1999	18,857,464	188,575	92,283,661	(68,846)	(247,774)	(43,939,880)		48,215,736
Issuance of common stock for cash upon exercise of options and warrants	1,092,958	10,930	6,525,622	—	—	—	—	6,536,552
Issuance of common stock for cash, net of offering costs	1,916,060	19,161	31,426,120	—	—	—	—	31,445,281
Amortization of deferred compensation	—	—	—	—	247,774	—	—	247,774
Net loss	—	—	—	—	—	(8,722,102)	(8,722,102)	(8,722,102)
Unrealized losses on marketable investment securities:								
Unrealized holding losses arising during period	—	—	—	—	—	—	(63,638)	—
Less: classification adjustment for losses included in net loss	—	—	—	—	—	—	47,044	—
Other comprehensive loss	—	—	—	(16,594)	—	—	(16,594)	(16,594)
Comprehensive loss	—	—	—	—	—	—	(8,738,696)	—
Balances at June 30, 2000	21,866,482	218,666	130,235,403	(85,440)	—	(52,661,982)		77,706,647
Issuance of common stock for cash upon exercise of options and warrants	811,219	8,112	4,960,754	—	—	—	—	4,968,866
Issuance of common stock for cash, net of offering costs	763,958	7,639	63,604,116	—	—	—	—	63,611,755
Net loss	—	—	—	—	—	(7,174,493)	(7,174,493)	(7,174,493)
Unrealized gains (losses) on marketable investment securities:								
Unrealized holding gains arising during period	—	—	—	—	—		449,023	—
Less: classification adjustment for losses included in net loss	—	—	—	—	—	—	—	—
Other comprehensive gain	—	—	—	449,023	—	—	449,023	449,023
Comprehensive loss	—	—	—	—	—	—	$ (6,725,470)	—
Balances at June 30, 2001	23,441,659	$ 234,417	$198,800,273	$ 363,583	$ —	$(59,836,475)		$139,561,798

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30,	2001	2000	1999
Cash Flows from Operating Activities:			
Net loss	$ (7,174,493)	$ (8,722,102)	$ (9,995,453)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	3,728,563	3,284,734	3,223,779
Loss (gain) on sale of assets	305,134	383,481	(17,650)
Loss on sale of investment securities	—	47,044	44,964
Bad debt expense	110,000	71,561	7,439
Changes in operating assets:			
Trade receivables	(1,392,216)	(1,100,765)	(859,062)
Prepaid expenses	(1,540,053)	(2,056,284)	(356,021)
Other receivables	84,376	1,456,749	(1,738,643)
Related party receivables	(1,811,517)	—	—
Other assets	—	465,663	—
Accounts payable and accrued expenses	3,571,968	4,495,772	(2,387,557)
Deferred revenue	342,931	18,837,682	(2,059,355)
Net cash provided by (used in) operating activities	(3,775,307)	17,163,535	(14,137,559)
Cash Flows from Investing Activities:			
Proceeds from sale of equipment	—	14,851	3,604,579
Capital expenditures	(5,255,213)	(4,617,196)	(3,975,813)
Investments in other companies	(2,700,000)	(750,000)	—
Purchase of investment securities held-to-maturity	(119,683,435)	(4,126,628)	(17,462,407)
Maturities of investment securities held-to-maturity	126,610,618	5,957,410	20,001,804
Purchase of investment securities available-for-sale	(129,650,517)	(19,857,144)	(274,244,194)
Sale of investment securities available-for-sale	45,595,314	19,043,131	276,582,454
Net cash provided by (used in) investing activities	(85,083,233)	(4,335,576)	4,506,423
Cash Flows from Financing Activities:			
Payments on notes payable	—	—	(128,843)
Net proceeds from issuance of common stock	68,580,621	37,981,833	569,889
Net cash provided by financing activities	68,580,621	37,981,833	441,046
Net increase (decrease) in cash and cash equivalents	(20,277,919)	50,809,792	(9,190,090)
Cash and cash equivalents at beginning of year	56,214,736	5,404,944	14,595,034
Cash and cash equivalents at end of year	$ 35,936,817	$ 56,214,736	$ 5,404,944
Supplemental Disclosure of Cash Flow Information:			
Interest paid	$ —	$ —	$ 6,278
Supplemental Disclosures of Noncash Investing and Financing Activities:			
Decrease in additional paid-in capital as a result of forfeitures of stock options	$ —	$ —	$ (98,062)
Fair value adjustment on marketable investment securities charged to stockholders' equity	449,023	(16,594)	(70,323)

See accompanying notes to consolidated financial statements.

(1) Summary of Significant Accounting Policies

(a) Organization and Business Description

Myriad Genetics, Inc. and subsidiaries (collectively, the Company) is a leading biopharmaceutical company focusing on the development and marketing of novel therapeutic and predictive medicine products. The Company has developed a number of proprietary proteomic technologies that permit it to identify genes, their related proteins, and the biological pathways they form. The Company uses this information to understand the role they play in the onset and progression of major human disease. The Company operates two wholly owned subsidiaries, Myriad Pharmaceuticals, Inc. and Myriad Genetic Laboratories, Inc., to commercialize its therapeutic and predictive medicine discoveries. The Company's operations are located in Salt Lake City, Utah.

(b) Principles of Consolidation

The consolidated financial statements presented herein include the accounts of Myriad Genetics, Inc., and its wholly owned subsidiaries Myriad Genetic Laboratories, Inc., Myriad Pharmaceuticals, Inc. and Myriad Financial, Inc. All intercompany amounts have been eliminated in consolidation.

(c) Cash Equivalents

Cash equivalents of $15,376,672 and $27,205,844 at June 30, 2001 and 2000, respectively, consist of short-term securities. The Company considers all highly liquid debt instruments with maturities at date of purchase of 90 days or less to be cash equivalents.

(d) Equipment and Leasehold Improvements

Equipment and leasehold improvements are stated at cost. Depreciation and amortization are computed using the straight-line method based on the lesser of estimated useful lives of the related assets or lease terms. Equipment and leasehold improvements have depreciable lives which range from five to seven years.

(e) Income Taxes

Income taxes are recorded using the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(f) Revenue Recognition

The Company recognizes revenue from research contracts in accordance with the terms of the contract and the related research activities undertaken. This includes recognizing research revenue from research contracts over time as research is performed using the percentage-of-completion method based on costs incurred relative to total estimated contract costs. Payments to the Company under these agreements cover the Company's direct costs and an allocation for overhead and general and administrative expenses. Payments received on uncompleted long-term research contracts may be greater than or less than incurred costs and estimated earnings and have been recorded as other receivables or deferred revenues in the accompanying consolidated balance sheets.

Predictive medicine revenue is recognized upon completion of the test and communication of results. Payments received in advance of predictive medicine work performed are recorded as deferred revenue. Revenues related to technology license fees when continuing involvement or services by the Company are required, are recognized over the period of performance. Up-front payments related to marketing agreements are recognized ratably over the life of the agreement.

(g) Net Loss Per Common and Common Equivalent Share

Loss per common share is computed based on the weighted-average number of common shares and, as appropriate, dilutive potential common shares outstanding during the period. Stock options are considered to be potential common shares.

Basic loss per common share is the amount of loss for the period available to each share of common stock outstanding during the reporting period. Diluted loss per share is the amount of loss for the period available to each share of common stock outstanding during the reporting period and to each share that would have been outstanding assuming the issuance of common shares for all dilutive potential common shares outstanding during the period.

In calculating loss per common share the net loss and the weighted average common shares outstanding were the same for both the basic and diluted calculation.

For the years ended June 30, 2001, 2000, and 1999, there were antidilutive potential common shares of 4,121,061, 3,892,248, and 4,144,330, respectively. Accordingly, these potential common shares were not included in the computation of diluted earnings per share for the years presented, but may be dilutive to future basic and diluted earnings per share.

(h) Use of Estimates

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

(i) Marketable Investment Securities

The Company accounts for marketable investment securities by grouping them into one of two categories: held-to-maturity or available-for-sale. Held-to-maturity securities are those securities that the Company has the ability and intent to hold until maturity. All other securities are classified as available-for-sale.

Held-to-maturity securities are recorded at amortized cost, adjusted for the amortization or accretion of premiums or discounts. Available-for-sale securities are recorded at fair value. Unrealized holding gains and losses, net of the related tax effect, on available-for-sale securities are excluded from earnings and are reported as a separate component of stockholders' equity until realized.

Gains and losses on investment security transactions are reported on the specific-identification method. Dividend and interest income are recognized when earned. A decline in the market value of any available-for-sale or held-to-maturity security below cost that is deemed other than temporary results in a charge to earnings and establishes a new-cost basis for the security. Premiums and discounts are amortized or accreted over the life of the related held-to-maturity security as an adjustment to yield using the effective-interest method.

(j) Fair Value Disclosure

At June 30, 2001, the financial statement carrying amount of the Company's financial instruments approximates fair value except as disclosed in note 2.

(k) Stock-Based Compensation

The Company has adopted the disclosure provisions of Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation (SFAS 123). SFAS 123 permits entities to adopt a fair value based method of accounting for stock options or similar equity instruments. However, it also allows an entity to continue measuring compensation cost for stock based compensation using the intrinsic-value method of accounting prescribed by Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees (APB 25). The Company has elected to continue to apply the provisions of APB 25 and provide pro forma disclosures required by SFAS 123.

(l) Other Assets

Other assets are comprised of security deposits and investments in privately held biotechnology and pharmaceutical companies. The private biotechnology and pharmaceutical company investments are both accounted for under the cost method. Management reviews the valuation of both investments for possible impairment on an ongoing basis.

(m) Recent Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141, Accounting for Business Combinations and No. 142, Accounting for Goodwill and Other Intangible Assets (SFAS 141 and SFAS 142). SFAS 141 is effective for the Company beginning July 1, 2001 and establishes accounting and reporting standards for business combinations and prohibits the use of the pooling-of-interests method of accounting for those transactions after June 30, 2001. SFAS 142 is effective for the Company beginning July 1, 2002 (though early adoption is permitted) and establishes accounting and reporting standards for goodwill and intangible assets whereby entities will no longer amortize goodwill and certain intangibles, but will test for impairment at least annually. The impact of adopting SFAS 141 is not expected to be material to the financial statements. The Company is currently evaluating the impact of adopting SFAS 142.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101, *Revenue Recognition in Financial Statements* (SAB 101). SAB 101 provides guidance on the recognition, presentation and disclosure of revenue in financial statements. The Company's adoption of SAB 101 during fiscal 2001 did not have a material impact on its financial statements.

(2) Marketable Investment Securities

The amortized cost, gross unrealized holding gains, gross unrealized holding losses, and fair value for available-for-sale and held-to-maturity securities by major security type and class of security at June 30, 2001 and 2000, were as follows:

	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
At June 30, 2001				
Held-to-maturity				
Auction rate securities	$ 2,005,912	$ —	$ —	$ 2,005,912
U.S. government obligations	7,633,745	12,529	—	7,646,274
Corporate bonds and notes	721,210	—	(385)	720,825
	$ 10,360,867	$ 12,529	$ (385)	$ 10,373,011
Available-for-sale:				
Commercial paper	$ 39,103,968	$ 25,900	$ (2,165)	$ 39,127,703
Corporate bonds and notes	38,882,060	203,281	(20,748)	39,064,593
Certificates of deposit	6,013,253	433	(6,185)	6,007,501
Asset-backed securities	134,257	1,157	(4,108)	131,306
Euro dollar bonds	15,160,163	170,770	(4,752)	15,326,181
	$ 99,293,701	$ 401,541	$ (37,958)	$ 99,657,284
At June 30, 2000:				
Held-to-maturity:				
U.S. government obligations	$ 15,081,371	$ 42,889	$ (58,065)	$ 15,066,195
Corporate bonds and notes	2,010,932	—	(10,932)	2,000,000
	$ 17,092,303	$ 42,889	$ (68,997)	$ 17,066,195
Available-for-sale:				
U.S. government obligations	$ 9,609,981	$ —	$ (13,333)	$ 9,596,648
Mortgage-backed securities	1,337,514	—	(46,305)	1,291,209
Corporate bonds and notes	3,511,553	—	(26,350)	3,485,203
Certificates of deposit and domestic bank obligations	975,197	548	—	975,745
	$ 15,434,245	$ 548	$ (85,988)	$ 15,348,805

Maturities of debt securities classified as available-for-sale and held-to-maturity are as follows at June 30, 2001:

	Amortized Cost	Fair Value
Held-to-maturity:		
Due within one year	$ 6,601,324	$ 6,607,283
Due after one year through three years	3,759,543	3,765,728
	$ 10,360,867	$ 10,373,011
Available-for-sale:		
Due within one year	$ 84,323,177	$ 84,681,157
Due after one year through three years	14,970,524	14,976,127
	$ 99,293,701	$ 99,657,284

(3) Leases

The Company leases office and laboratory space and equipment under three noncancelable operating leases. Future minimum lease payments under these leases as of June 30, 2001 are as follows:

Fiscal year ending:	
2002	$ 4,538,928
2003	4,889,759
2004	3,879,429
2005	2,966,871
2006	2,966,871
Thereafter	16,468,357
	$ 35,710,215

Rental expense was $4,447,203 in 2001, $3,777,738 in 2000, and $1,855,679 in 1999.

(4) Stock-Based Compensation

Prior to 1992, the Company granted nonqualified stock options to directors, employees, and other key individuals providing services to the Company. In 1992, the Company adopted the "1992 Employee, Director, and Consultant Stock Option Plan" and has reserved 6,000,000 shares of common stock for issuance upon the exercise of options that the Company plans to grant from time to time under this plan. The exercise price of options granted in 2001, 2000, and 1999 is equivalent to the estimated fair market value of the stock at the date of grant. The number of shares, terms, and exercise period are determined by the Board of Directors on an option-by-option basis. Options generally vest ratably over four or five years and expire ten years from date of grant. As of June 30, 2001, 14,407 shares are reserved for future grant under the 1992 plan. For financial statement presentation purposes, the Company has recorded as deferred compensation the excess of the deemed value of the common stock at the date of grant over the exercise price. All deferred compensation was amortized ratably over the vesting period. Amortization expense was $0, $247,774, and $230,610, for the years ended June 30, 2001, 2000, and 1999, respectively.

A summary of activity is as follows:

	2001		2000		1999	
	Number of Shares	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Exercise Price
Options outstanding at beginning of year	3,826,748	$ 16.48	3,909,582	$ 6.32	3,284,954	$ 9.24
Plus options granted	1,299,784	71.03	1,286,850	36.51	2,155,186	5.31
Less:						
Options exercised	(805,528)	6.36	(1,007,232)	5.92	(137,654)	3.14
Options canceled or expired	(265,443)	46.17	(362,452)	7.24	(1,392,904)	11.98
Options outstanding at end of year	4,055,561	$ 34.03	3,826,748	$ 16.48	3,909,582	$ 6.32
Options exercisable at end of year	1,039,248	$ 14.14	1,093,510	$ 6.17	1,444,960	$ 5.67
Weighted-average fair value of options granted during the year		$ 56.35		$ 27.51		$ 3.00

The following table summarizes information about fixed stock options outstanding at June 30, 2001:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at June 30, 2001	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Excercisable at June 30, 2001	Weighted-Average Exercise Price
$ 1.75 – 5.56	1,090,530	6.44	$ 4.70	459,412	$ 4.09
5.69 – 25.06	1,381,025	7.62	17.77	500,426	14.76
30.78 – 70.13	900,625	9.52	61.48	41,000	57.50
$ 72.13 – 93.81	683,381	9.42	77.54	38,410	80.04
	4,055,561	8.03	$ 34.03	1,039,248	$ 14.14

The Company accounts for these plans under APB Opinion No. 25, under which no compensation cost has been recognized for those options granted whose exercise price was equivalent to the estimated fair market value at the date of grant. Had compensation cost for these plans been determined consistent with SFAS 123, the Company's net loss and loss per share would have been the following pro forma amounts:

		2001	2000	1999
Net Loss	As reported	$ 7,174,493	$ 8,722,102	$ 9,995,453
	Pro forma	19,400,559	13,565,122	14,585,479
Basic and diluted loss per share	As reported	$ 0.31	$ 0.43	$ 0.53
	Pro forma	0.85	0.67	0.78

The fair value of each option grant is estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted-average assumptions used for grants in 2001, 2000, and 1999, respectively: risk-free interest rates of 5.2 percent, 6.3 percent, and 4.8 percent; expected dividend yields of zero percent for all years; expected lives of 6.3 years, 5.4 years, and 4.3 years; and expected volatility of 93 percent, 89 percent, and 69 percent.

(5) Income Taxes

The Company recorded $583,333 of foreign income tax expense in 2001 and no income tax expense in 2000 or 1999. The difference between the expected tax benefit for all periods presented and the actual tax expense (benefit) is primarily attributable to the effect of net operating losses being offset by an increase in the Company's valuation allowance, plus the effect of foreign income taxes in 2001. The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at June 30, 2001 and 2000, are presented below:

	2001	2000
Deferred tax assets:		
Net operating loss carryforwards	$ 44,469,000	$ 27,109,000
Unearned revenue	7,402,000	7,274,000
Research and development credits	1,749,000	1,463,000
Accrued expenses and others	936,000	851,000
Capital loss carryforwards	34,000	28,000
Total gross deferred tax assets	54,590,000	36,725,000
Less valuation allowance	(54,138,000)	(36,123,000)
Net deferred tax assets	452,000	602,000
Deferred tax liability—equipment, principally due to differences in depreciation	452,000	602,000
Total gross deferred tax liability	452,000	602,000
Net deferred tax liability	$ —	$ —

The net change in the total valuation allowance for the years ended June 30, 2001 and 2000, was an increase of $18,015,000 and $15,114,000, respectively. Approximately $32,572,000 of deferred tax assets at June 30, 2001, if recognizable in future years, will be recognized as additional paid-in capital and the remainder will be allocated as an income tax benefit to be reported in the consolidated statement of operations.

At June 30, 2001, the Company had total tax net operating losses of approximately $119,219,000 and total research and development credit carryforwards of approximately $1,749,000, which can be carried forward to reduce federal income taxes. If not utilized, the tax loss and research and development credit carryforwards expire beginning in 2007 through 2021.

Under the rules of the Tax Reform Act of 1986, the Company has undergone changes of ownership and, consequently, the availability of the Company's net operating loss and research and experimentation credit carryforwards in any one year is limited. The maximum amount of carryforwards available in a given year is limited to the product of the Company's value on the date of ownership change and the federal long-term tax-exempt rate, plus any limited carryforward not utilized in prior years. Management believes that these limitations will not prevent these net operating losses from being utilized.

(6) Common Stock Warrants

During the year ended June 30, 2000 the Company completed private placements of common stock wherein the placement agents received warrants to purchase 65,500 shares of the Company's common stock through the year 2003 at a weighted average price of $22.51, of which 65,500 are still outstanding at June 30, 2001.

(7) Employee Deferred Savings Plan and Stock Purchase Plan

The Company has a deferred savings plan which qualifies under Section 401(k) of the Internal Revenue Code. Substantially all of the Company's employees are covered by the plan. The Company makes matching contributions of 50 percent of each employee's contribution with the employer's contribution not to exceed four percent of the employee's compensation. The Company's contributions to the plan were $531,174, $379,930, and $358,325 for the years ended June 30, 2001, 2000, and 1999, respectively.

The Company has an Employee Stock Purchase Plan (the Plan) which was adopted and approved by the Board of Directors and stockholders in December 1994, under which a maximum of 400,000 shares of common stock may be purchased by eligible employees. At June 30, 2001, 127,394 shares of common stock had been purchased under the Plan. Because the discount allowed to employees under the Plan approximates the Company's cost to issue equity instruments, the Plan is not deemed to be compensatory and, therefore, is excluded from the pro forma loss shown in note 4.

(8) Collaborative Research Agreements

In May 2000, the Company entered into a $26.0 million license agreement and research collaboration to utilize the Company's protein interaction technology (ProNet®). Under the agreement, the licensee will receive a nonexclusive, fully paid, worldwide license to utilize ProNet® and receive support and related upgrades from the Company on a when-and-if-available basis over the support period. Revenue related to the license agreement is being recognized ratably over the service period and revenue related to the research collaboration is being recognized as the costs of the contract are incurred on a percent complete basis.

In August 1999, and as expanded in December 2000, the Company entered into a two-year collaboration to perform research related to cereal crop genomics. The Company has received the full $33.5 million specified in the agreement. Revenue related to this research collaboration is being recognized as the research is performed on a percent complete basis.

In September 1995, the Company entered into a collaborative research and license agreement to perform various research for a pharmaceutical company. This agreement was expanded in 1997 and 1998. Under the agreement, as expanded, the Company expects to receive $42.7 million through December 2002, which is being recognized as revenue as the research is performed on a percent complete basis.

Under some agreements the Company may license to the collaborator certain rights to therapeutic applications. The Company is entitled to receive royalties from sales of therapeutic products made by its collaborators. Revenue from research collaborations is recognized as research is performed using the percentage-of-completion method based on costs incurred relative to total estimated contract costs.

Because the Company has granted therapeutic rights to some of its collaborative licensees, the success of the programs is partially dependent upon the efforts of the licensees. Each of the above agreements may be terminated early. If any of the licensees terminates the above agreements, such termination may have a material adverse effect on the Company's operations.

(9) Segment and Related Information

The Company's business units have been aggregated into two reportable segments: (i) research and (ii) predictive medicine. The research segment is focused on the discovery and sequencing of genes related to major common diseases, the discovery of proteins and their related biological pathways, and the development of therapeutic products for the treatment and prevention of major diseases. The predictive medicine segment provides testing to determine predisposition to common diseases.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies (note 1). The Company evaluates segment performance based on loss from operations before interest income and expense and other income and expense. The Company's assets are not identifiable by segment.

	Research	Predictive Medicine	Total
Year ended June 30, 2001			
Revenues	$ 28,071,252	$ 17,091,139	$ 45,162,391
Depreciation and amortization	2,597,297	1,131,266	3,728,563
Segment operating loss	7,460,775	5,675,730	13,136,505
Year ended June 30, 2000:			
Revenues	$ 25,219,766	$ 8,793,272	$ 34,013,038
Depreciation and amortization	2,494,333	790,401	3,284,734
Segment operating loss	5,373,891	6,173,236	11,547,127
Year ended June 30, 1999:			
Revenues	$ 20,093,057	$ 5,220,349	$ 25,313,406
Depreciation and amortization	2,262,503	961,276	3,223,779
Segment operating loss	6,315,948	5,994,740	12,310,688

	2001	2000	1999
Total operating loss for reportable segments	$ (13,136,505)	$ (11,547,127)	$ (12,310,688)
Unallocated amounts:			
Interest income	6,850,479	3,208,506	2,348,827
Interest expense	—	—	(6,278)
Other	(305,134)	(383,481)	(27,314)
Income taxes	(583,333)	—	—
Net loss	$ (7,174,493)	$ (8,722,102)	$ (9,995,453)

All of the Company's revenues were derived from research and testing performed in the United States. Additionally, all of the Company's long-lived assets are located in the United States. All of the Company's research segment revenue was generated from six, seven, and four collaborators in fiscal 2001, 2000, and 1999, respectively. Further, revenue from two of the seven collaborators was in excess of ten percent of the Company's consolidated revenues for each year presented.

(10) Investment in Myriad Proteomics, Inc.

In April 2001, the Company announced the formation of a new alliance with Hitachi, Ltd. (Hitachi), Friedli Corporate Finance A.G. (Friedli) and Oracle Corp. (Oracle) to map the human proteome. The newly-formed entity, Myriad Proteomics, Inc. (Myriad Proteomics), intends to market its proprietary database to pharmaceutical and biotechnology companies for therapeutic and diagnostic product development. The Company contributed technology to Myriad Proteomics in exchange for a 50% ownership interest and Hitachi, Friedli and Oracle contributed a combined $82 million in cash in exchange for the remaining 50% ownership in Myriad Proteomics.

The Company is accounting for its investment in Myriad Proteomics using the equity method. Because the Company's initial investment in Myriad Proteomics consisted of technology with a financial statement carrying value of $-0- on the Company's financial statements, and given the uncertainty of the realizability of the difference between the $82 million carrying amount and the Company's porportionate share of the net assets of Myriad Proteomics, the Company's initial investment in Myriad Proteomics was recorded as $-0-. The Company has allocated $41 million of this difference to technology and this amount is being reduced as the related technology charges, including in-process research and development, are incurred at Myriad Proteomics. At June 30, 2001, the remaining technology basis difference is estimated to be $18 million, and is dependent on the completion of a valuation study at Myriad Proteomics. The remaining $41 million of unallocated basis difference is being accreted to income over the period of expected benefit of 15 years.

As part of the formation of Myriad Proteomics, the Company entered into administrative and scientific outsourcing agreements with Myriad Proteomics. These agreements expire on December 31, 2001 and may be extended thereafter on a month-to-month basis at the option of Myriad Proteomics.

Charges to Myriad Proteomics for services incurred related to the administrative and scientific outsourcing agreement are based on actual time and expenses incurred by the Company on behalf of Myriad Proteomics. During the year ended June 30, 2001, the Company provided $1,644,498 of administrative and scientific services and purchased equipment totaling $2,886,949 for Myriad Proteomics. As of June 30, 2001, the Company has received payments of $2,719,930 from Myriad Proteomics for these services and the remaining $1,811,517 is included in related party receivables on the accompanying consolidated balance sheet.

(11) Subsequent Events

On July 18, 2001 the Board of Directors adopted a stockholder rights plan and declared a dividend distribution of one preferred share purchase right for each outstanding share of the Company's common stock. Each right will entitle registered holders of the Company's common stock to purchase one one-hundredth of a share of a new series of junior participating preferred stock, designated as "Series A Junior Participating Preferred Stock". The rights generally will be exercisable only if a person (which term includes an entity) or group (i) acquires 15% or more of Myriad's common stock or (ii) announces a tender offer the consummation of which would result in ownership by that person or group of 15% or more of the common stock. Once exercisable, and in some circumstances if certain additional conditions are met, the rights plan allows Myriad stockholders (other than the acquiror) to purchase common stock in Myriad or in the acquiror at a substantial discount.

The Board of Directors and Stockholders
Myriad Genetics, Inc.:

We have audited the accompanying consolidated balance sheets of Myriad Genetics, Inc. and subsidiaries, as of June 30, 2001 and 2000, and the related consolidated statements of operations, stockholders' equity and comprehensive loss, and cash flows for each of the years in the three-year period ended June 30, 2001. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Myriad Genetics, Inc. and subsidiaries as of June 30, 2001 and 2000, and the results of their operations and their cash flows for each of the years in the three-year period ended June 30, 2001, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Salt Lake City, Utah
August 17, 2001

MARKET PRICE OF COMMON STOCK

The Company's Common Stock began trading on the Nasdaq National Market on October 6, 1995 under the symbol "MYGN". The following table sets forth, for the last two fiscal years, the high and low sales prices for the Common Stock, as reported by the Nasdaq National Market:

	High	Low
Fiscal 2001:		
Fourth Quarter	$ 79.85	$ 29.50
Third Quarter	$ 81.75	$ 31.25
Second Quarter	$ 138.00	$ 67.188
First Quarter	$ 92.813	$ 53.00
Fiscal 2000:		
Fourth Quarter	$ 76.063	$ 19.00
Third Quarter	$ 116.063	$ 21.313
Second Quarter	$ 25.375	$ 8.25
First Quarter	$ 9.75	$ 4.323

As of September 1, 2001, there were approximately 141 stockholders of record of the Common Stock and, according to the Company's estimates, approximately 13,762 beneficial owners of the Common Stock. The Company has not paid dividends to its stockholders since its inception and does not plan to pay cash dividends in the foreseeable future. The Company currently intends to retain earnings, if any, to finance the growth of the Company.

CORPORATE INFORMATION

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Independent Auditors

KPMG LLP
60 East South Temple
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Annual Meeting

The Annual Meeting of Shareholders will be held at the offices of Myriad Genetics, Inc., 320 Wakara Way, Salt Lake City, Utah, on Thursday, November 8, 2001, at 9:00 a.m.

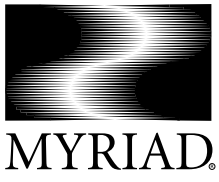
Form 10-K

A printed copy of the Company's Annual Report to the Securities and Exchange Commission on Form 10-K may be obtained by any shareholder without charge upon written request to:

Myriad Genetics, Inc.
Investor Relations
320 Wakara Way
Salt Lake City, UT 84108

Internet

The Company's Form 10-K can also be found on its website at www.myriad.com



Myriad Genetics, Inc., 320 Wakara Way, Salt Lake City, Utah 84108