Myriad Genetics, Inc.

1999 annual report

Myriad Genetics, Inc.,

is internationally known

for its discovery of genes

related to major diseases.

These discoveries have led to commercial opportunities in three areas:

1

developing new drugs with

pharmaceutical companies;

2

developing novel therapies through

Myriad Pharmaceuticals, Inc.

3

and providing physicians and

health care centers with innovative

molecular diagnostic services through

Myriad Genetic Laboratories, Inc.

Table of Contents

Peter D. Meldrum, President and CEO and John J. Horan, Chairman

fiscal 1999 proved to be a highly rewarding year for Myriad Genetics, Inc. While the Company made news on a number of fronts, the high point was undoubtedly the April 1999 establishment of Myriad Pharmaceuticals, Inc. This wholly-owned Myriad subsidiary will develop pre-clinical therapeutic compounds for common diseases with large potential markets that are not presently being adequately served. Our new subsidiary is designed to capitalize on Myriad's internationally recognized ProNet™ technology for drug target discovery while providing an additional near-term revenue source.

During the year, we also broadened our research base by extending our collaborative agreement with Bayer Corporation and established new relationships with Schering AG, Germany, and Monsanto Company. Our Schering alliance included a landmark 50/50 profit-sharing provision on drugs developed as a result of the collaboration. This agreement is exceptional in our industry. The three collaborations, taken together, add $78 million in research and potential milestone payments to Myriad.

Myriad Pharmaceuticals

The establishment of Myriad Pharmaceuticals maximizes our gene discovery pipeline and enhances our ability to respond to market forces. Based on gene targets identified and validated by ProNet™ and internal research, Myriad Pharmaceuticals is taking drug development one step closer to clinical trials by developing fully-validated lead compounds which include data on safety, efficacy, toxicology, and pharmaco-dynamics. Once a drug lead is validated, Myriad plans to partner with major pharmaceutical companies to move the compound through clinical trials.

Myriad Pharmaceuticals is initially targeting therapeutics for cancer, inflammatory diseases such as rheumatoid arthritis, central nervous system disorders, and heart disease, and has a number of ProNet™-originated drug targets currently under-going screening.

Myriad Genetic Laboratories

Molecular diagnostic revenues continued their upward trend during the year, with a 136 percent increase in sales over last year. The BRACAnalysis™ test is being firmly embraced by both physicians and insurers, and acceptance by the nation's cancer centers has been highly rewarding—over 350 U.S.

medical centers have used the test to date. Insurance reimbursement for testing is surpassing our expectations. In a recent study by the Company of patients requesting insurance coverage for testing over a three-month period, an exceptional 94.3 percent received insurance reimbursement. In 1999, we solidified the gains made in this area, signing a multi-year agreement with Aetna U.S. Healthcare to make available BRACAnalysis™ testing to their high-risk members. Aetna has over 23 million subscribers in the United States and contracts with over 100,000 independent physicians.

Research and Pharmaceutical Collaborations

We expanded our original alliance with Bayer in December 1998 to continue our gene discovery research in the areas of asthma, osteoporosis and obesity. The two-year, $12 million extension takes the collaboration through September 2002, and raises the total potential research and milestone revenue from the Bayer collaborations to $137 million.

Our new partnership with Schering AG allows the pharmaceutical organization to employ Myriad's proprietary ProNet™ technology for drug discovery and development. The five-year Schering AG alliance is potentially worth $51 million, plus 50 percent profit sharing on the North American sales of any drug developed using ProNet.™

ProNet™ was also at the heart of our November 1998 agreement with Monsanto. The $15 million, 15-month project has an initial focus on two important human diseases and could be expanded to include the identification of drug targets in additional diseases.

At the beginning of fiscal 1999, the Company's ongoing research included collaborations with Schering-Plough to identify genes involved in prostate and brain cancers; Novartis Pharmaceuticals Corporation for genes associated with certain types of cardiovascular disease; and Bayer Corporation for genes involved in depression and dementia. The Company is actively pursuing new strategic alliances in areas that will leverage Myriad's technologies.

Throughout the year, Myriad continued the leading-edge research that has resulted in some of the most important disease gene discoveries to date. Myriad received a number of U.S. and foreign patents and applied for 60 more patents on genes, proteins and their interactions during fiscal 1999.

Financial Results

Myriad continued its steady growth in financial areas during fiscal 1999. Revenues for the year amounted to $25,313,406, up 9 percent from the $23,210,581 for fiscal 1998. The Company derives revenues primarily from gene discovery and disease pathway research and genetic testing sales. Collaborative agreements provide funds to underwrite the major portion of the Company's research operations, and the Company recognizes research revenue as it incurs related costs. As a result, revenues and costs increase or decrease proportionately.

Molecular diagnostic revenue reached $5,220,349 in 1999, a 136 percent increase over the previous year's $2,210,983. The Company's net loss for fiscal 1999 amounted to $9,995,453 or $1.06 per share, essentially unchanged from the net loss of $1.05 per share in 1998.

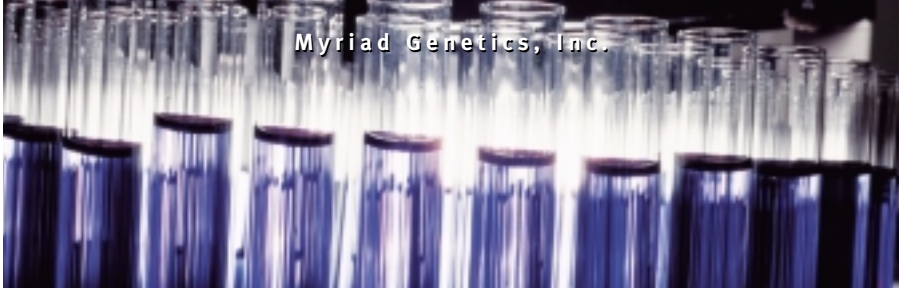
The Future

The addition of Myriad Pharmaceuticals will capture a larger share of the value of new drug development, creating new opportunities for Myriad shareholders. Gene and drug target collaborations are progressing at a healthy rate, and eight drug candidates developed as a result of gene discoveries made under our collaborations are now in active pre-clinical drug development. These candidates represent exciting medical advances and hold the additional promise of royalty revenue for Myriad once they pass clinical trials, receive FDA approval, and reach the market.

Myriad Genetics is positioned to confidently enter the next millennium, and we look forward to fiscal 2000 as a year of exciting possibilities and even greater rewards.

John J. Horan
Chairman

Peter D. Meldrum
President and CEO



From its creation in 1991, beginning as a research and development organization focused on identifying genes associated with disease, Myriad Genetics, Inc., has built a dynamic company that capitalizes on its technologies to create and market innovative new therapeutic and molecular diagnostic products. The Company's three centers of activity are: drug development and gene discovery partnerships with pharmaceutical companies; the development of therapeutic compounds for diseases with large underserved markets; and the development and marketing of novel molecular diagnostic products.

In fiscal 1999, the Company's core business remained the discovery of genes and disease pathways for drug development through the powerful research partnerships that Myriad has formed with leading-edge pharmaceutical companies. Myriad discovers genes associated with specific diseases and identifies the genes with which they interact to cause disease in order to understand the disease pathway and discover novel drug targets. This essential data is used to discover new therapeutic compounds at Myriad Pharmaceuticals, Inc. Additionally, Myriad's pharmaceutical partners use this information to create new drugs that will safely and effectively treat major diseases.

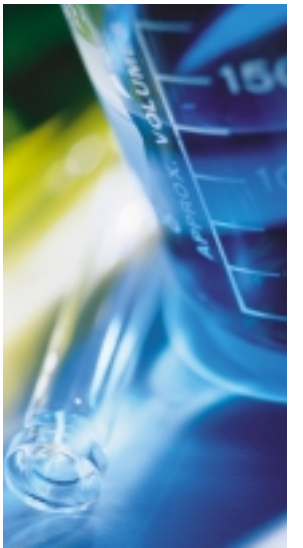
To identify and analyze gene and protein interactions, the Company has developed proprietary technologies collectively called ProNet.™ ProNet™ can identify high-quality drug targets within narrowly defined disease areas or, alternatively, the technology can locate the highest priority drug target opportunities across the full range of disease indications in its massive database.

Organization Structure

Myriad Genetics, Inc.

Myriad Pharmaceuticals, Inc.

Myriad Genetic Laboratories, Inc.



Q How is Myriad different from other genomics companies?

A *Myriad has mapped a route to profitability intended to occur well before its downstream drug royalties and profit-sharing deals begin generating revenues. Sales of molecular diagnostic products, currently in the market, produce recurring revenue. In fiscal 1999, Myriad Genetic Laboratories' molecular diagnostic revenue reached over $5.2 million, more than double the previous year's level. In the intermediate time-frame, Myriad is developing therapeutic lead compounds for sale to pharmaceutical company partners that are expected to generate up-front fees as well as future royalties or profits.*

Research and Molecular Diagnostic Revenue

Year	Total Revenue
1999	$25,313,406
1998	23,210,581
1997	15,236,099
1996	6,628,624

Q What is the financial position of Myriad Genetics?

A *Myriad is set upon a solid financial foundation. The Company has consistently kept its burn rate under $10 million per year. During the Company's history, cash has been conserved, invested and replenished through sales of genetic testing products and fees from collaborative research partners to maintain the Company's core financial strength. As of August 31, 1999, Myriad had approximately $48 million in cash and investments to finance its operations.*

toward 2000

In April 1999, Myriad formed a new subsidiary, Myriad Pharmaceuticals, Inc., to develop therapeutic compounds for common diseases with large potential markets that are underserved by current medical options. Myriad Pharmaceuticals will significantly enhance the Company's therapeutic product development capabilities by creating an entire program focused on generation of high-quality lead compounds.

The Company's strategy for developing novel pre-clinical therapeutic compounds begins with the ProNet™ drug target identifying capabilities. This technology dramatically increases the number of validated targets and allows Myriad researchers to screen the best targets for drug activity. The Company intends to investigate large numbers of potential drug targets, while limiting the per-target spending, to ensure that resources are dedicated only to the best of the newly discovered targets. Targets lacking high-quality hits from high-throughput screening will be discarded. High-quality hits generated in the screening process will be developed into lead compounds with the same focused, results-oriented scrutiny that will not tolerate waste of resources, while building a full pipeline of drug candidates.

Myriad Pharmaceuticals plans to take compounds through the drug development process to the human clinical trials stage, reducing the development time and cost for its future pharmaceutical company partners, while endeavoring to create a substantial, new, near-term revenue source. Once Myriad researchers identify a promising pre-clinical compound, the Company expects to partner with a pharmaceutical organization to move the drug into the human clinical testing phases.

Q How can Myriad Pharmaceuticals compete with large pharmaceutical companies?

A *Myriad Pharmaceuticals intends to concentrate in areas not heavily influenced by size. Highly competitive areas with a significant research effort by large pharmaceutical companies can be avoided, leaving many interesting and significant market opportunities. Myriad's ProNet™ technology provides the ability to discover new targets before they are known to large pharmaceutical companies and Myriad will move quickly to identify small-molecule drugs acting on these targets.*

Lead Compound *Development Status*	
ProNet™	32 drug candidates screened
Drug Targets	6 target assays completed
High Throughput Screening	3 drug targets in screening
Lead Compounds	

Q What makes Myriad Pharmaceuticals different from the drug development efforts at other biotechnology companies?

A *Myriad Pharmaceuticals was not founded to exploit a single disease area or a small handful of drug targets. When a limited number of targets are the basis of a company's strategy, that company becomes married to those targets regardless of their safety or efficacy. The target identification resources of ProNet™ provide a multitude of novel drug targets. This allows an approach based on screening a large number of targets during a short, focused period. When the screening generates a small-molecule drug with a good safety and efficacy profile and no toxicology, solubility, or bio-availability problems, it is pursued, but if even a small concern is discovered, the target and/or compound is quickly discarded so as not to unnecessarily tie-up resources.*

Pharmaceutical Collaborations

During fiscal 1999, Myriad continued to expand existing research partnerships and cultivate new partners. In October 1998, the Company and Schering AG signed a landmark $51 million agreement granting Schering the right to use ProNet™ for drug discovery and development. Under the contract, Myriad receives the right to co-promote any new products developed from ProNet™ in North America and will receive 50 percent of the profits from the sale of these products.

On November 12, 1998, the Company signed an agreement with Monsanto Company for a ProNet™ project that focuses on two specific diseases and could result in several targets for drug development in each disease field. Under the contract, Monsanto can extend the 15-month-long, $15 million collaboration to include other disease areas. Myriad identified and mapped novel proteins involved in these two disease pathways in less than one year using ProNet™.

The value of Myriad's partnership with Bayer Corporation rose to a potential $137 million in December 1998 when Bayer extended an existing agreement to September 2002. The two-year extension recognizes the significant progress Myriad researchers have made toward isolating disease-causing genes associated with asthma, osteoporosis, and obesity.

In May 1999, Myriad delivered four potential dementia drug targets to Bayer as part of its second collaboration with the pharmaceutical company. This second collaboration, worth $54 million in research and milestone revenue, was signed in November 1997. This collaboration focuses on the discovery of genes for depression and dementia and includes the discovery of disease pathways using ProNet™.

Genomic Sequencing

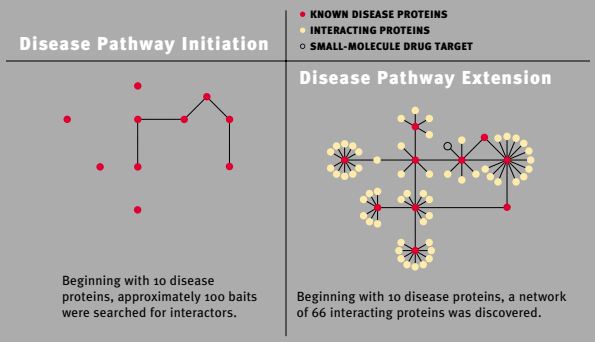
In September 1999, Myriad announced a $33.5 million collaboration with Novartis Agricultural Discovery Institute to study the genomic structure of cereal crops. Myriad's first agricultural partnership firmly establishes a new business based on one of the Company's core strengths—high-quality, high-throughput capillary DNA sequencing. Myriad's ultra high-throughput genomic sequencing capability enables DNA sequencing of genomes of any size. The Company will seek further genome sequencing opportunities in the areas of model organisms for drug discovery and microorganisms such as bacteria, viruses and fungi.

Strategic Alliances

Partner	Disease Focus	Potential Contract Value
Novartis	Heart disease	$60 million plus royalties
Schering-Plough	Prostate and other cancers	$60 million plus royalties
Bayer I	Asthma, obesity and osteoporosis	$83 million plus royalties
Bayer II	Depression and dementia, ProNet™	$54 million plus royalties
Schering AG	ProNet	$51 million plus 50% profit sharing
Monsanto	ProNet	$15 million plus royalties
Novartis	Agriculture	$33 million plus 50% profit sharing
Total		$356 million plus royalties or profit sharing

Q Where will future growth come from?

A *The Company expects to realize substantial revenue in the near-term through the sale of therapeutic compounds developed by Myriad Pharmaceuticals and molecular diagnostic products developed by Myriad Genetic Laboratories. Myriad is positioned to garner an increasing percentage of the estimated $2 billion worldwide market in molecular diagnostics. Additionally, the Company has substantial long-term revenue potential from profit-sharing and royalties associated with drugs developed through pharmaceutical collaborations. Because it concentrates research resources on society's predominant diseases, the novel drugs and diagnostic tests Myriad and its partners develop hold broad market potential.*



Beginning with 10 disease proteins, approximately 100 baits were searched for interactors.

Beginning with 10 disease proteins, a network of 66 interacting proteins was discovered.

Q What is the value of ProNet™?

A *ProNet™ is in essence a therapeutic target discovery engine. The technology identifies proteins that operate in specific biochemical disease processes, establishing a link between individual proteins and the disease pathway. This information allows pharmaceutical companies to develop drugs that target specific proteins in an effort to prevent or inhibit the disease progress.*

toward 2001

Myriad's routes to commercialization of gene discoveries also include the development of molecular diagnostic products that determine whether individuals have inherited gene mutations which may increase their risk for specific diseases and that predict how patients will respond to medical treatment. Myriad Genetic Laboratories' predictive diagnostics provide physicians with the ability to create personalized treatment plans tailored to a patient's genetic make up. Myriad's accurate genetic risk profiles can result in preventive action, earlier diagnosis, better treatment, and ultimately, improved patient survival.

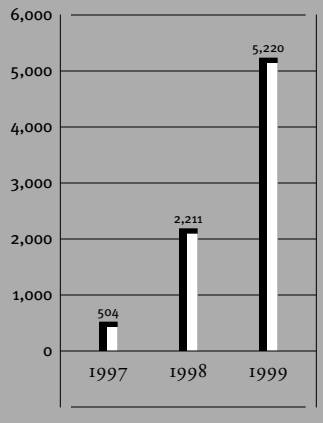
In fiscal 1999, molecular diagnostic revenues continued their substantial growth while margins improved to 48 percent in the fourth quarter of fiscal 1999. This growth is providing Myriad with a revenue and profit stream that makes a significant contribution to the sustained future development of novel molecular diagnostic products.

In the three years since the BRACAnalysis™ test for predisposition to breast and ovarian cancer was introduced, over 700 papers on the BRCA1 and BRCA2 breast cancer genes have been published in medical and scientific journals. A solid clinical utility profile has emerged, and the test has been embraced by physicians and insurers alike. Physician societies such as the American College of Medical Genetics and the American Society of Clinical Oncology have endorsed the use of genetic testing for patients at risk of hereditary breast and ovarian cancer. Over 94 percent of patients seeking insurance reimbursement are successful and over 350 medical centers take advantage of the power of the BRACAnalysis™ test for their patients at risk of breast and ovarian cancers. Importantly, patients themselves recognize benefits. A recent scientific study found that 95 percent of the women tested by BRACAnalysis,™ regardless of receiving a positive or negative test result, indicated they were happy that they were tested because they were able to use the information to make choices that could improve their healthcare. Significantly, no participant in the study reported any insurance discrimination.

Q Can molecular diagnostics save lives?

A *The ultimate goal of molecular diagnostics is the absolute prevention of disease. Over the last several years, great strides have been made towards this goal. Following the introduction of Myriad's breast and ovarian cancer test, studies have shown that breast and ovarian cancers can be prevented in a large proportion of the women who have been shown to have mutations in one of the two genes. Early detection of cancer, as a result of molecular diagnostics, is also an important key to effective treatment and longer patient survival. Individuals at great risk receive customized surveillance procedures aimed at eliminating their cancer before it takes hold or spreads to other areas. The knowledge from BRACAnalysis™ testing is saving the lives of real patients today.*

Molecular Diagnostic
Revenues
(thousands of dollars)



Q How is Myriad's molecular diagnostic business different from other diagnostic product businesses?

A *Myriad's molecular diagnostics are proprietary, high-value, high-quality services. They assess an individuals risk of contracting a serious disease before it affects their lives. The tests are high-margin products, unlike routine diagnostic tests. Myriad's products represent concrete progress towards the new medical paradigm focused on disease prevention, not just treatment of the symptoms of disease.*

Officers and Directors

John J. Horan
Chairman of the Board
Former Chairman and CEO
Merck & Co., Inc.

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

Peter D. Meldrum
Director
President and CEO
Myriad Genetics, Inc.

Michael Berendt, Ph.D.
Director
Sr. Vice President,
Pharmaceutical Research
Bayer Corporation

Arthur H. Hayes, Jr., M.D.
Director
Former FDA Commissioner
and President
MediScience Associates

Alan J. Main, Ph.D.
Director
Sr. Vice President
Novartis Corporation

Mark H. Skolnick, Ph.D.
Director
Chief Scientific Officer and
Executive Vice President,
Research and Development
Myriad Genetics, Inc.

Dale A. Stringfellow, Ph.D.
Director
President
Berlex Biosciences

Gregory C. Critchfield, M.D.
President
Myriad Genetic
Laboratories, Inc.

Adrian N. Hobden, Ph.D.
President
Myriad Pharmaceuticals, Inc.

James S. Kuo, M.D.
Vice President,
Business Development
Myriad Genetics, Inc.

Jay Moyes
Chief Financial Officer
and Vice President, Finance
Myriad Genetics, Inc.

Arnold Oliphant, Ph.D.
Vice President,
Functional Genomics
Myriad Genetics, Inc.

Christopher L. Wight
Vice President,
General Counsel and
Corporate Secretary
Myriad Genetics, Inc.

Financial Section

The following table sets forth consolidated financial data with respect to the Company as of and for each of the five years ended June 30, 1999. The selected consolidated financial data as of and for each of the five years ended June 30, 1999 have been derived from the consolidated financial statements of the Company. The consolidated financial statements and the report thereon for the year ended June 30, 1999 are included elsewhere in this 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, 1999, 1998, 1997, 1996, and 1995

	1999	1998	1997	1996	1995
Consolidated Statement of Operations Data:					
Research revenue	$ 20,093,057	$ 20,999,598	$ 14,732,054	$ 6,628,624	$ 1,294,500
Molecular diagnostic revenue	5,220,349	2,210,983	504,045	–	–
Total revenues	25,313,406	23,210,581	15,236,099	6,628,624	1,294,500
Costs and expenses:					
Molecular diagnostic cost of revenue	3,066,354	1,391,368	340,461	–	–
Research and development	23,452,220	23,002,340	18,580,229	12,990,566	5,161,978
Selling, general and administrative	11,105,520	11,807,023	8,755,217	2,525,814	1,788,247
Total costs and expenses	37,624,094	36,200,731	27,675,907	15,516,380	6,950,225
Operating loss	(12,310,688)	(12,990,150)	(12,439,808)	(8,887,756)	(5,655,725)
Other income (expense):					
Interest income	2,348,827	3,223,683	3,414,379	3,173,749	458,353
Interest expense	(6,278)	(32,681)	(66,661)	(97,414)	(71,011)
Other	(27,314)	2,113	(114,190)	(86,052)	–
Net loss	$ (9,995,453)	$ (9,797,035)	$ (9,206,280)	$ (5,897,473)	$ (5,268,383)
Basic and diluted net loss per share	$ (1.06)	$ (1.05)	$ (1.03)	$ (0.78)	$ (1.19)
Basic and diluted weighted average shares outstanding	9,391,122	9,289,481	8,903,918	7,608,548	4,427,095

As of June 30, 1999, 1998, 1997, 1996, and 1995

	1999	1998	1997	1996	1995
Consolidated Balance Sheet Data:					
Cash, cash equivalents and marketable investment securities	$ 38,926,459	$ 53,109,493	$ 63,077,439	$ 70,002,780	$ 16,140,935
Working capital	8,348,224	21,806,290	38,796,960	41,665,513	13,784,051
Total assets	53,550,940	67,391,972	76,063,331	79,607,497	19,744,451
Notes payable less current portion	–	–	128,844	471,640	780,261
Stockholders' equity	48,215,736	57,481,013	66,178,975	70,185,747	16,256,165

Overview

Since inception, the Company has devoted substantially all of its resources to maintaining its research and development programs, establishing and operating a molecular diagnostic laboratory, supporting collaborative research agreements, and more recently establishing a high throughput screening and drug development facility. Revenues received by the Company primarily have been payments pursuant to collaborative research agreements, upfront fees, milestone payments, and sales of genetic tests. The Company has been unprofitable since its inception and, for the year ended June 30, 1999, the Company had a net loss of $9,995,453 and as of June 30, 1999 had an accumulated deficit of $43,939,880.

In April 1995, the Company commenced a five-year collaborative research and development arrangement with Novartis Corporation ("Novartis"). This collaboration may provide the Company with an equity investment, research funding and potential milestone payments of up to $60,000,000. The Company is entitled to receive royalties from sales of therapeutic products sold by Novartis.

In September 1995, the Company commenced a five-year collaborative research and development arrangement with Bayer Corporation ("Bayer"). This collaboration provides the Company with an equity investment, research funding and potential milestone payments of up to $71,000,000. In November 1997 and again in December 1998, the Company announced expansions of its collaborative research and development arrangement with Bayer. The expanded collaboration may provide the Company with additional research funding and potential milestone payments of up to $137,000,000. The Company is entitled to receive royalties from sales of therapeutic products sold by Bayer.

In October 1996, the Company announced the introduction of BRACAnalysis,™ a comprehensive BRCA1 and BRCA2 gene sequence analysis for susceptibility to breast and ovarian cancer. In January 1998, the Company announced the introduction of CardiaRisk™ which may assist physicians both in (i) identifying which hypertensive patients are at a significantly increased risk of developing cardiovascular disease and (ii) identifying which patients are likely to respond to low salt diet therapy and antihypertensive drug therapy. The Company, through its wholly owned subsidiary Myriad Genetic Laboratories, Inc., recognized molecular diagnostic revenues, primarily from BRACAnalysis,™ of $5,220,349 for the year ended June 30, 1999.

In April 1997, the Company commenced a three-year collaborative research and development arrangement with Schering Corporation ("Schering"). The three-year term may be extended for two additional one-year periods. This collaboration provides the Company with an equity investment, license fees, research funding and potential milestone payments totalling up to $60,000,000. The Company is entitled to receive royalties from sales of therapeutic products sold by Schering.

In October 1998, the Company entered into a five-year collaboration with Schering AG, Germany ("Schering AG"), to utilize the Company's protein interaction technology ("ProNet™) for drug discovery and development. Under the agreement, the Company will have an option to co-promote all new therapeutic products in North America and receive 50 percent of the profits from North American sales of all new drugs discovered with ProNet.™ This collaboration may provide the Company with licensing fees, subscription fees, option payments and milestone fees with a value of up to $51,000,000. If the Company chooses to co-promote the drug as a 50 percent partner, the Company may be required to pay funds to Schering AG to establish equal ownership.

In November 1998, the Company entered into a 15 month collaboration with Monsanto Company ("Monsanto"), to utilize ProNet™ for drug discovery and development. Under the agreement, Monsanto has the option to extend the research term for an additional twelve months. If the anticipated milestones, option payments, license fees and upfront payments are achieved, the value of the agreement may reach up to $15,000,000. The Company will also receive royalties on worldwide sales of drugs resulting from the discovery of novel targets found through use of the ProNet™ technology.

The Company intends to enter into additional collaborative relationships to locate and sequence genes and discover protein networks associated with other common diseases as well as continuing to fund internal research projects. There can be no assurance that the Company will be able to enter into additional collaborative relationships on terms acceptable to the Company. The Company expects to incur losses for at least the next several years, primarily due to expansion of its research and development programs, increased staffing costs and expansion of its facilities. Additionally, the Company expects to incur substantial sales, marketing and other expenses in connection with building its molecular diagnostic business. The Company expects that losses will fluctuate from quarter to quarter and that such fluctuations may be substantial.

Results of Operations

Years ended June 30, 1999 and 1998.

Research revenues for the Company's fiscal year ended June 30, 1999 were $20,093,057 as compared to $20,999,598 for the fiscal year ended June 30, 1998. Greater research revenue recognized during the fiscal year ended June 30, 1998 versus the current fiscal year is the result of $3,950,000 in research milestones and contract expansion payments received by the Company in 1998. Excluding the milestone and contract expansion payments, the Company's ongoing research revenue increased $3,043,459 for the fiscal year ended June 30, 1999 versus fiscal 1998. Research revenue from the 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.

Molecular diagnostic revenues of $5,220,349 were recognized in the fiscal year ended June 30, 1999, an increase of 136% or $3,009,366 over the prior year. Molecular diagnostic revenue is comprised of sales of diagnostic tests resulting from the Company's discovery of disease genes. The test for genetic predisposition to breast and ovarian cancer was launched by the Company in October 1996 and the test for heart disease and hypertension risk was launched by the Company in January 1998. Sales and marketing efforts since that time have given rise to the increased revenues for the fiscal year ended June 30, 1999. There can be no assurance, however that molecular diagnostic revenues will continue to increase at the historical rate.

Research and development expenses for the year ended June 30, 1999 increased to $23,452,220 from $23,002,340 for the prior year. This increase was primarily due to an increase in research activities as a result of the Company's collaborations with Novartis, Bayer, Schering, Schering AG, and Monsanto, as well as those programs funded by the Company. The increased level of research spending includes ongoing development of the Company's ProNet™ and mutation screening technologies, third-party sponsored research programs, and the formation of Myriad Pharmaceuticals, Inc. ("Myriad Pharmaceuticals"). Myriad Pharmaceuticals, a wholly-owned subsidiary, was created to develop therapeutic lead compounds for selected common diseases with large potential markets that are under-served by current therapeutic options.

Selling, general and administrative expenses for the fiscal year ended June 30, 1999 decreased $701,503 from the fiscal year ended June 30, 1998. During the fiscal year ended June 30, 1998, the Company was pursuing a plan to dramatically increase its sales force. Start-up expenses for the sales staff included training, relocation, and sales supplies. For the fiscal year ended June 30, 1999, the Company maintained a steady, well-trained sales force which resulted in fewer selling expenses. In addition, during the fiscal year ended June 30, 1998, the Company incurred significant expenses in defense of its intellectual property, including the successful settlement of legal actions with OncorMed. Such expenses were drastically reduced during the fiscal year ended June 30, 1999. The Company expects its selling, general and administrative expenses will continue to fluctuate as needed in support of its molecular diagnostic business and its research and development efforts.

Interest income for the fiscal year ended June 30, 1999 decreased to $2,348,827 from $3,223,683 for the prior year. Cash, cash equivalents, and marketable investment securities were $38,926,459 at June 30, 1999 as compared to $53,109,493 at June 30, 1998. This decrease in cash, cash equivalents and marketable investment securities was attributable to expenditures incurred in the ordinary course of business and has resulted in reduced interest income. Interest expense for the year ended June 30, 1999, amounting to $6,278, was due entirely to borrowings under the Company's equipment financing facility.

Years ended June 30, 1998 and 1997.

Research revenues for the Company's fiscal year ended June 30, 1998 increased $6,267,544 from the prior year to $20,999,598. The increase was attributable primarily to the achievement of certain research milestones with Novartis and Schering and the Company's new and expanded corporate research collaboration agreements with Schering and Bayer. During the fiscal year ended June 30, 1998, the Company recognized $3,000,000 in research milestones consisting of $500,000 from Novartis and $2,500,000 from Schering. During the same period, the Company recognized $3,000,000 in research funding from Schering under an agreement initiated in April 1997. Research revenue from the research collaboration agreements is recognized as related costs are incurred. Consequently, as these programs progress and costs increase, revenues increase proportionately.

Molecular diagnostic revenues of $2,210,983 were recognized in the fiscal year ended June 30, 1998, an increase of 339% or $1,706,938 over the prior year. The test for genetic predisposition to breast and ovarian cancer was launched by the Company in October 1996 and the test for heart disease and hypertension risk was launched by the Company in January 1998. Sales and marketing efforts since that time have given rise to the increased revenues for the fiscal year ended June 30, 1998. There can be no assurance, however that molecular diagnostic revenues will continue to increase at the historical rate.

Research and development expenses for the fiscal year ended June 30, 1998 increased to $23,002,340 from $18,580,229 for the prior year. This increase was primarily due to an increase in research activities as a result of progress in the Company's collaborations with Novartis, Bayer and Schering as well as those programs funded by the Company. The increased level of research spending includes third-party research programs, increased depreciation charges related to purchasing of additional research equipment, the hiring of additional research personnel and the associated increase in use of laboratory supplies and reagents. The Company also incurred expenses related to milestones achieved by its academic collaborators. Such expenses will likely increase to the extent that the Company enters into additional research agreements with third parties.

Selling, general and administrative expenses for the fiscal year ended June 30, 1998 increased $3,051,806 from the fiscal year ended June 30, 1997. The increase was primarily attributable to costs associated with the ongoing promotion of BRACAnalysis™ and the launch of CardiaRisk,™ including the expansion of the Company's internal sales staff from 8 to 33 employees. Additionally, the Company expended significant amounts in the defense of its intellectual property, including the successful settlement of legal actions with OncorMed. The increase is also a result of additional administrative, marketing and education personnel, market research activities, educational material development, and facilities-related costs. The Company expects its selling, general and administrative expenses will continue to increase in support of its genetic predisposition testing business and its research and development efforts.

Interest income for the fiscal year ended June 30, 1998 decreased to $3,223,683 from $3,414,379 or 5.6% for the prior year. The Company has been able to maintain its cash reserves at a relatively constant level as a result of its ongoing collaborative research agreements, entering new collaborative agreements, achieving research milestones, and sales of its genetic tests. As a result, interest income has not changed significantly from the prior year. Interest expense for the fiscal year ended June 30, 1998, amounting to $32,681, was due entirely to borrowings under the Company's equipment financing facility.

Liquidity and Capital Resources

Net cash used in operating activities was $14,137,559 during the fiscal year ended June 30, 1999 as compared to $7,028,883 used during the prior year. Trade receivables increased $859,062 between June 30, 1998 and June 30, 1999. This increase is primarily attributable to the 136% increase in molecular diagnostic revenue during fiscal 1999. Trade receivables as a percentage of molecular diagnostic revenue continues to be in the 20-25% range for both June 30, 1999 and June 30, 1998. Other receivables increased $1,738,643 during the fiscal year ended June 30, 1999.

This increase is primarily the result of the Company recognizing revenue for it's collaborative research projects which exceed the cash which the Company has received. The Company receives funding from it's collaboration partners evenly over the life of each agreement while research revenue is recognized as expenses are incurred. In past years, as many of the collaborative projects were in their start-up phases, cash received exceeded the amount of revenue recognized, resulting in deferred revenue. Corresponding to the increase in other receivables, deferred revenue decreased $2,059,355 during the fiscal year ended June 30, 1999. Prepaid expenses increased $356,021 during the fiscal year ended June 30, 1999. The increase is primarily due to advance payments to purchase lab supplies at a discount, advanced royalties, and insurance premiums. Accounts payable and accrued expenses decreased by $2,387,557 during the fiscal year ended June 30, 1999 as a result of decreased accruals for unbilled work provided by the Company's research collaborators, a reduction in unbilled legal fees, and payments for lab supplies and equipment which were accrued into the prior fiscal year.

The Company's investing activities provided cash of $4,506,423 in the fiscal year ended June 30, 1999 and used cash of $2,681,493 in the fiscal year ended June 30, 1998. Investing activities were comprised primarily of capital expenditures for research equipment, office furniture, and facility improvements and marketable investment securities. During the fiscal year ended June 30, 1999, the Company shifted a portion of its investment in marketable securities to cash and cash equivalents from longer term investments in order to provide for ongoing corporate expenditures. During the same period, the Company entered into a leasing arrangement with General Electric Capital Corporation ("G.E. Capital"). Under this agreement, the Company sold equipment with a value, net of depreciation, of $3,551,784 ("net book value") to G.E. Capital. The Company received proceeds from G.E. Capital equal to the net book value of the equipment.

Financing activities provided $441,046 during the fiscal year ended June 30, 1999. The Company paid $128,843 in principal to retire its equipment financing facility. Payments on the financing facility were offset by proceeds of $569,889 from the exercise of options during the period. Financing activities provided $229,647 during the fiscal year ended June 30, 1998. During the fiscal year ended June 30, 1998, proceeds received by the Company of $572,444 from the exercise of options and warrants were offset by payments by the Company of $342,797 to reduce principal owing on its equipment financing facility.

The Company anticipates that its existing capital resources will be adequate to maintain its 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. The Company's future capital requirements will be substantial and will depend on many factors, including progress of the Company's research and development programs, the results and cost of clinical correlation testing of the Company's genetic tests, the costs of filing, prosecuting and enforcing patent claims, competing technological and market developments, payments received under collaborative agreements, changes in collaborative research relationships, the costs associated with potential commercialization of its gene discoveries, if any, including the development of manufacturing, marketing and sales capabilities, the cost and availability of third-party financing for capital expenditures, and administrative and legal expenses. Because of the Company's significant long-term capital requirements, the Company intends to raise funds when conditions are favorable, even if it does not have an immediate need for additional capital at such time.

Impact of the Year 2000 Issue

The Year 2000 Issue is the result of computer programs using a two-digit format, as opposed to four digits, to indicate the year. Any of the Company's computer programs or other information systems that have time-sensitive software or embedded microcontrollers may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in a system failure or miscalculations causing disruptions of operations.

During fiscal 1998, the Company completed an initial review ("Phase I") of its information and non-information technology systems. This review included its existing and planned computer software and hardware. The Company has made an initial determination, based on its Phase I review, that the costs and/or consequences associated with the Year 2000 issue are not expected to have a material effect on its business, operations or future financial condition.

A second, more in-depth analysis ("Phase II") is currently ongoing. Internally, Phase II will include the testing of internally developed systems. Although the internal portion of Phase II is substantially complete, it is not expected to be fully completed until September 1999. The Company presently believes that with modifications to existing software and conversions to new software and systems, the Year 2000 Issue will not pose significant operational problems for its computer and other information systems. If required, the Company will utilize both internal and external resources to reprogram, or replace, and test the software and systems for Year 2000 modifications. Externally, Phase II of the Company's preparations for the Year 2000 Issue consists of soliciting and obtaining certification of Year 2000 compliance from third-party software vendors and determining the readiness of its significant suppliers and customers.

If such modifications, conversions and/or replacements are not made, are not completed timely, or if any of the Company's suppliers or customers do not successfully deal with the Year 2000 Issue, the Year 2000 Issue could have a material impact on the operations of the Company. The Company could experience delays in receiving or sending its molecular diagnostic products that would increase its costs and that could cause the Company to lose business and even customers and could subject the Company to claims for damages. Problems with the Year 2000 Issue could also result in delays in the Company invoicing its genetics testing customers or in the Company receiving payments from them. In addition, the Company's research and development efforts which rely heavily on the storage and retrieval of electronic information could be interrupted resulting in significant delays in discovering genes, the loss of current collaborations, and the impairment of the Company's ability to enter into new collaborations. The severity of these possible problems would depend on the nature of the problem and how quickly it could be corrected or an alternative implemented,

which is unknown at this time. In the extreme, such problems could bring the Company to a standstill.

While management has not yet specifically determined the costs associated with its Year 2000 readiness efforts, monitoring and managing the Year 2000 Issue will result in additional direct and indirect costs to the Company. Direct costs include potential charges by third-party software vendors for product enhancements, costs involved in testing software products for Year 2000 compliance and any resulting costs for developing and implementing contingency plans for critical software products which are not enhanced. Indirect costs will principally consist of the time devoted by existing employees in monitoring software vendor progress, testing enhanced software products and implementing any necessary contingency plans. Such costs have not been material to date. Both direct and indirect costs of addressing the Year 2000 Issue will be charged to earnings as incurred.

After evaluating its internal compliance efforts as well as the compliance of third parties as described above, the Company will develop appropriate contingency plans to address situations in which various systems of the Company, or of third parties with which the Company does business, are not year 2000 compliant. Some risks of the Year 2000 Issue, however, are beyond the control of the Company and its suppliers and customers. For example, no preparations or contingency plan will protect the Company from a downturn in economic activity caused by the possible ripple effect throughout the entire economy caused by the Year 2000 Issue.

Subsequent Event

In July 1999, the Company entered into a two-year collaboration and license agreement with the Novartis Agricultural Discovery Institute, Inc. ("NADII"). The genomic collaboration will focus on the discovery of the genetic structure of cereal crops. The collaboration may provide the Company with an upfront payment and research funding of up to $33,500,000. Upon completion, NADII and the Company intend to jointly offer commercial access to the genomic databases and share equally in any resulting proceeds.

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 a separate component of stockholders' equity. 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, 1999, 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 financial statements as a whole.

Certain Factors That May Affect Future Results of Operations

The Company believes that this annual report contains certain forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Such statements are based on management's current expectations and are subject to a number of factors and uncertainties which could cause actual results to differ materially from those described in the forward-looking statements. The Company cautions investors that there can be no assurance that actual results or business conditions will not differ materially from those projected or suggested in such forward-looking statements as a result of various factors, including, but not limited to, the following: the timely implementation by the Company of its plan to prepare its computer systems for the Year 2000, the costs to the Company of such preparation, and the timely conversion by other parties on which the Company's business relies; intense competition related to the discovery of disease-related genes and the possibility that others may discover, and the Company may not be able to gain rights with respect to, genes important to the establishment of a successful molecular diagnostic business; difficulties inherent in developing genetic tests once genes have been discovered; the Company's limited experience in operating a molecular diagnostic laboratory; the Company's limited marketing and sales experience and the risk that tests which the Company has or may develop may not be able to be marketed at acceptable prices or receive commercial acceptance in the markets that the Company is targeting or expects to target; uncertainty as to whether there will exist adequate reimbursement for the Company's services from government, private health care insurers and third-party payers; and uncertainties as to the extent of future government regulation of the Company's business; uncertainties as to whether the Company and its collaborators will be successful in developing and obtaining regulatory approval for, and commercial acceptance of, therapeutics based on the discovery of disease-related genes and proteins; uncertainties as to the Company's ability to develop therapeutic lead compounds, which is a new business area for the Company; and the risk that markets will not exist for therapeutic lead compounds that the Company develops or if such markets exist, that the Company will not be able to sell compounds which it develops at acceptable prices. As a result, the Company's future development efforts involve a high degree of risk. For further information, refer to the more specific risks and uncertainties disclosed throughout Myriad's Annual Report to the Securities and Exchange Commission on Form 10-K for the year ended June 30, 1999.

As of June 30, 1999 and 1998

	1999	1998
Assets		
Current assets:		
Cash and cash equivalents	$ 5,404,944	$ 14,595,034
Marketable investment securities (note 2)	4,477,138	16,267,156
Prepaid expenses	622,700	266,679
Trade accounts receivables, less allowance for doubtful accounts of $73,439 in 1999 and $66,000 in 1998	1,322,950	471,327
Other receivables	1,855,696	117,053
Total current assets	13,683,428	31,717,249
Equipment and leasehold improvements:		
Equipment	13,351,229	16,049,721
Leasehold improvements	3,520,253	2,288,241
	16,871,482	18,337,962
Less accumulated depreciation and amortization	6,871,981	5,902,926
Net equipment and leasehold improvements	9,999,501	12,435,036
Long-term marketable investment securities (note 2)	29,044,377	22,247,303
Other assets	823,634	992,384
	$ 53,550,940	$ 67,391,972
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 2,917,810	$ 5,121,279
Accrued liabilities	1,754,634	1,938,722
Deferred revenue	662,760	2,722,115
Current portion of notes payable (note 3)	–	128,843
	5,335,204	9,910,959
Commitments and contingencies (notes 4, 7, and 9)		
Stockholders' equity (notes 2, 5, 6, and 10):		
Preferred stock, $0.01 par value. Authorized 5,000,000 shares;		
No shares issued and outstanding	–	–
Common stock, $0.01 par value. Authorized 15,000,000 shares; issued and outstanding 9,428,732 shares in 1999 and 9,337,501 shares in 1998	94,287	93,375
Additional paid-in capital	92,377,949	91,907,034
Accumulated other comprehensive income (loss)	(68,846)	1,477
Deferred compensation	(247,774)	(576,446)
Accumulated deficit	(43,939,880)	(33,944,427)
Stockholders' equity	48,215,736	57,481,013
	$ 53,550,940	$ 67,391,972

See accompanying notes to consolidated financial statements.

Years ended June 30, 1999, 1998, and 1997

	1999	1998	1997
Research revenue	$ 20,093,057	$ 20,999,598	$ 14,732,054
Molecular diagnostic revenue	5,220,349	2,210,983	504,045
Total revenues	25,313,406	23,210,581	15,236,099
Costs and expenses:			
Molecular diagnostic cost of revenue	3,066,354	1,391,368	340,461
Research and development expense	23,452,220	23,002,340	18,580,229
Selling, general, and administrative expenses	11,105,520	11,807,023	8,755,217
Total costs and expenses	37,624,094	36,200,731	27,675,907
Operating loss	(12,310,688)	(12,990,150)	(12,439,808)
Other income (expense):			
Interest income	2,348,827	3,223,683	3,414,379
Interest expense	(6,278)	(32,681)	(66,661)
Other	(27,314)	2,113	(114,190)
	2,315,235	3,193,115	3,233,528
Net loss	$ (9,995,453)	$ (9,797,035)	$ (9,206,280)
Basic and diluted loss per common share	$ (1.06)	$ (1.05)	$ (1.03)
Basic and diluted weighted average shares outstanding	9,391,122	9,289,481	8,903,918

See accompanying notes to consolidated financial statements.

Years ended June 30, 1999, 1998, and 1997

	COMMON STOCK SHARES	COMMON STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	DEFERRED COMPENSATION	ACCUMULATED DEFICIT	COMPREHENSIVE INCOME (LOSS)	STOCKHOLDERS' EQUITY
Balances at June 30, 1996	8,702,215	$ 87,022	$ 87,015,215	$ (67,865)	$ (1,907,513)	$ (14,941,112)	$ –	$ 70,185,747
Issuance of common stock for cash upon exercise of options and warrants	386,007	3,860	625,802	–	–	–	–	629,662
Issuance of common stock for cash	4,665	47	99,722	–	–	–	–	99,769
Issuance of common stock for cash, net of issuance costs of $133,703 (note 9)	129,665	1,297	3,865,000	–	–	–	–	3,866,297
Amortization of deferred compensation	–	–	–	–	530,533	–	–	530,533
Net loss	–	–	–	–	–	(9,206,280)	(9,206,280)	(9,206,280)
Unrealized gains on marketable investment securities:								
Unrealized holding gains arising during period	–	–	–	–	–	–	27,819	–
Less: classification adjustment for losses included in net loss	–	–	–	–	–	–	45,428	–
Other comprehensive income	–	–	–	73,247	–	–	73,247	73,247
Comprehensive loss	–	–	–	–	–	–	(9,133,033)	–
Balances at June 30, 1997	9,222,552	92,226	91,605,739	5,382	(1,376,980)	(24,147,392)	–	66,178,975
Issuance of common stock for cash upon exercise of options and warrants	105,704	1,057	393,128	–	–	–	–	394,185
Issuance of common stock for cash	9,245	92	178,167	–	–	–	–	178,259
Amortization of deferred compensation	–	–	–	–	530,534	–	–	530,534
Forfeiture of deferred compensation	–	–	(270,000)	–	270,000	–	–	–
Net loss	–	–	–	–	–	(9,797,035)	(9,797,035)	(9,797,035)
Unrealized gains (losses) on marketable investment securities:								
Unrealized holding gains arising during period	–	–	–	–	–	–	13,064	–
Less: classification adjustment for gains included in net loss	–	–	–	–	–	–	(16,969)	–
Other comprehensive loss	–	–	–	(3,905)	–	–	(3,905)	(3,905)
Comprehensive loss	–	–	–	–	–	–	(9,800,940)	–
Balances at June 30, 1998	9,337,501	93,375	91,907,034	1,477	(576,446)	(33,944,427)	–	57,481,013
Issuance of common stock for cash upon exercise of options and warrants	68,827	688	365,607	–	–	–	–	366,295
Issuance of common stock for cash	22,404	224	203,370	–	–	–	–	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 losses on marketable investment securities:								
Unrealized holding losses arising during period	–	–	–	–	–	–	(115,287)	–
Less: classification adjustment for losses 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	9,428,732	$ 94,287	$ 92,377,949	$ (68,846)	$ (247,774)	$ (43,939,880)		$ 48,215,736

See accompanying notes to consolidated financial statements.

Years ended June 30, 1999, 1998, and 1997

	1999	1998	1997
Cash flows from operating activities:			
Net loss	$ (9,995,453)	$ (9,797,035)	$ (9,206,280)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	3,223,779	3,272,936	2,505,479
Loss (gain) on sale of equipment	(17,650)	14,856	68,762
Loss (gain) on sale of investment securities	44,964	(16,969)	45,428
Bad debt expense	7,439	66,000	–
Changes in operating assets:			
Trade receivables	(859,062)	(354,161)	(183,166)
Prepaid expenses	(356,021)	179,581	(357,837)
Other receivables	(1,738,643)	177,914	(215,901)
Other assets	–	(941,405)	(9,283)
Accounts payable and accrued expenses	(2,387,557)	3,346,712	733,213
Deferred revenue	(2,059,355)	(2,977,312)	38,051
Net cash used in operating activities	(14,137,559)	(7,028,883)	(6,581,534)
Cash flows from investing activities:			
Proceeds from sale of equipment	3,604,579	4,133	68,424
Capital expenditures	(3,975,813)	(3,185,906)	(4,727,121)
Purchase of investment securities held-to-maturity	(17,462,407)	(117,237,699)	(111,098,966)
Maturities of investment securities held-to-maturity	20,001,804	117,100,138	127,713,265
Purchase of investment securities available-for-sale	(274,244,194)	(723,380,886)	(471,745,972)
Sale of investment securities available-for-sale	276,582,454	724,018,727	472,924,917
Net cash provided by (used in) investing activities	4,506,423	(2,681,493)	13,134,547
Cash flows from financing activities:			
Payments of notes payable	(128,843)	(342,797)	(308,658)
Net proceeds from issuance of common stock	569,889	572,444	4,595,728
Net cash provided by financing activities	441,046	229,647	4,287,070
Net increase (decrease) in cash and cash equivalents	(9,190,090)	(9,480,729)	10,840,083
Cash and cash equivalents at beginning of year	14,595,034	24,075,763	13,235,680
Cash and cash equivalents at end of year	$ 5,404,944	$ 14,595,034	$ 24,075,763
Supplemental disclosure of cash flow information			
Interest paid	$ 6,278	$ 32,681	$ 66,678
Supplemental disclosures of noncash investing and financing activities			
Decrease in additional paid-in capital as a result of forfeitures of stock options	$ (98,062)	$ (270,000)	$ –
Fair value adjustment on marketable investment securities (charged) credited to stockholders' equity	(70,323)	(3,905)	73,247

See accompanying notes to consolidated financial statements.

June 30, 1999, 1998, and 1997

Note 1 Summary of Significant Accounting Policies

(A) ORGANIZATION AND BUSINESS DESCRIPTION

Myriad Genetics, Inc. (the Company) is a genomics company focused on the development of therapeutic and diagnostic products based on the discovery of major common human disease genes and their biological pathways. The Company utilizes analyses of extensive family histories and genetic material, as well as a number of proprietary technologies, to identify inherited gene mutations which increase the risk to individuals of developing these diseases. The discovery of disease-predisposing genes and their biochemical pathways provides the Company with three significant commercial opportunities: (i) the development and marketing of molecular diagnostic and information services, (ii) the marketing of subscriptions to the ProNet™ database of protein interactions, and (iii) the development of therapeutic products for the treatment and prevention of major diseases associated with these genes and their biochemical pathways. 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 $1,595,446 and $9,979,106 at June 30, 1999 and 1998, 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. Molecular diagnostic revenue is recognized upon completion of the test and communication of results. Payments received in advance of molecular diagnostic work performed are recorded as deferred revenue.

(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 and common-equivalent share the net loss and the weighted average common and common-equivalent shares outstanding were the same for both the basic and diluted calculation.

For the years ended June 30, 1999, 1998, and 1997, there were antidilutive potential common shares of 2,072,165, 2,068,720, and 1,390,917, 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 holdings 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, 1999, the book value 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 a purchased customer list, patent, and security deposits. The customer list and patent were acquired in fiscal year 1998 and are stated at cost. Amortization of the customer list and patents are computed using the straight-line method over the estimated useful lives of the related assets, which range from four to nine years. Accumulated amortization related to the patent and customer list totaled $189,844 and $21,094 at June 30, 1999 and 1998, respectively. On an ongoing basis, management reviews the valuation of the customer list and patent to determine possible impairment by comparing the carrying value to undiscounted estimated future cash flows from the related assets.

(M) OTHER RECEIVABLES

At June 30, 1999, other receivables are comprised of costs in excess of research payments received of $1,682,420 and nontrade receivables of $173,276. At June 30, 1998 the entire balance was comprised of nontrade receivables.

(N) ACCRUED LIABILITIES

At June 30, 1999, accrued liabilities are comprised of accrued payroll of $690,221, accrued vacation of $498,670, and other accrued liabilities of $565,743. At June 30, 1998, the balance was comprised of accrued payroll of $615,664, accrued vacation of $396,296, and other accrued liabilities of $926,762.

Note 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, 1999 and 1998, were as follows:

	AMORTIZED COST	GROSS UNREALIZED HOLDING GAINS	GROSS UNREALIZED HOLDING LOSSES	FAIR VALUE
At June 30, 1999				
Held-to-maturity:				
U.S. government obligations	$ 15,079,412	$ –	$ (153,713)	$ 14,925,699
Corporate bonds and notes	3,843,675	92	(1,266)	3,842,501
	$ 18,923,087	$ 92	$ (154,979)	$ 18,768,200
Available-for-sale:				
U.S. government obligations	$ 6,767,578	$ –	$ (20,233)	$ 6,747,345
Mortgage-backed securities	123,104	–	(607)	122,497
Corporate bonds and notes	7,590,354	561	(48,567)	7,542,348
Certificate of deposit	186,238	–	–	186,238
	$ 14,667,274	$ 561	$ (69,407)	$ 14,598,428
At June 30, 1998				
Held-to-maturity:				
U.S. government obligations	$ 13,605,683	$ 1,140	$ (21,591)	$ 13,585,232
Corporate bonds and notes	7,856,801	910	(10,113)	7,847,598
	$ 21,462,484	$ 2,050	$ (31,704)	$ 21,432,830
Available-for-sale:				
U.S. government obligations	$ 3,806,744	$ 1,460	$ –	$ 3,808,204
Domestic bank obligations	1,009,885	740	–	1,010,625
Foreign bank obligations	7,021,725	1,469	(602)	7,022,592
Mortgage-backed securities	979,672	–	(3,577)	976,095
Corporate bonds and notes	4,050,440	3,157	(1,170)	4,052,427
Certificate of deposit	182,032	–	–	182,032
	$ 17,050,498	$ 6,826	$ (5,349)	$ 17,051,975

Maturities of debt securities classified as available-for-sale and held-to-maturity are as follows at June 30, 1999. (Maturities of mortgage backed securities have been presented based upon estimated cash flows assuming no change in the current interest rate environment):

	AMORTIZED COST	FAIR VALUE
Held-to-maturity:		
Due within one year	$ 3,843,675	$ 3,842,501
Due after one year through five years	15,079,412	14,925,699
	$ 18,923,087	$ 18,768,200
Available-for-sale:		
Due within one year	$ 634,009	$ 633,463
Due after one year through five years	12,138,793	12,077,243
Due after 10 years	1,894,472	1,887,722
	$ 14,667,274	$ 14,598,428

Note 3 Notes Payable

During 1995, the Company entered into equipment financing agreements with two commercial financial institutions. Under the agreements, the Company borrowed $1,232,292, at an interest rate of approximately 10.5 percent. Monthly payments were made over 48 months. The term of the financing agreement ended during fiscal 1999.

Note 4 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, 1999 are as follows:

Fiscal year ending:	
2000	$ 2,851,580
2001	2,818,308
2002	2,818,308
2003	2,322,600
2004	1,826,891
Thereafter	6,582,136
	$ 19,219,823

Rental expense was $1,855,679 in 1999, $1,282,308 in 1998, and $1,014,931 in 1997.

The Company sold certain fixed assets for $3,551,784 in December of 1998. The assets were leased back from the purchaser over a period of four years. There was no gain or loss on this transaction and the resulting lease is being accounted for as an operating lease.

Note 5 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 Fixed Stock Option Plan" and has reserved 2,000,000 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 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 five years and expire ten years from date of grant. As of June 30, 1999, 17,373 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. The deferred compensation will be amortized ratably over the vesting period. Amortization expense was $230,610, $530,534, and $530,533 for the years ended June 30, 1999, 1998, and 1997, respectively.

A summary of activity is as follows:

	1999		1998		1997	
	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	1,642,477	$ 18.47	1,334,707	$ 17.08	1,288,925	$ 8.48
Plus options granted	1,077,593	10.62	492,600	19.82	486,156	28.82
Less:						
Options exercised	68,827	6.27	81,740	3.91	373,329	1.69
Options canceled or expired	696,452	23.95	103,090	18.67	67,045	18.17
Options outstanding at end of year	1,954,791	$ 12.64	1,642,477	$ 18.47	1,334,707	$ 17.08
Options exercisable at end of year	722,480	$ 11.33	582,934	$ 12.24	438,784	$ 6.84
Weighted—average fair value of options granted during the year		6.00		12.01		19.04

The following table summarizes information about fixed stock options outstanding at June 30, 1999:

RANGE OF EXERCISE PRICES	OPTIONS OUTSTANDING: NUMBER OUTSTANDING AT JUNE 30, 1999	OPTIONS OUTSTANDING: WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE	OPTIONS OUTSTANDING: WEIGHTED-AVERAGE EXERCISE PRICE	OPTIONS EXERCISABLE: NUMBER EXERCISABLE AT JUNE 30, 1999	OPTIONS EXERCISABLE: WEIGHTED-AVERAGE EXERCISE PRICE
$ .028 – 10.00	594,669	6.3	$ 6.25	364,517	$ 4.52
10.25 – 15.00	853,622	8.8	10.85	157,016	10.25
15.30 – 25.00	326,500	8.2	20.85	120,280	22.51
26.00 – 40.25	180,000	7.9	27.33	80,667	27.54
.028 – 40.25	1,954,791	7.8	12.64	722,480	11.33

The Company accounts for these plans under APB Opinion No. 25, under which no compensation cost has been recognized. Had compensation cost for these plans been determined consistent with SFAS 123, the Company's net loss and loss per share would have been changed to the following pro forma amounts:

		1999	1998	1997
Net loss	As reported	$ 9,995,453	$ 9,797,035	$ 9,206,280
	Pro forma	14,585,479	13,590,274	10,837,607
Basic and diluted loss per share	As reported	1.06	1.05	1.03
	Pro forma	1.55	1.46	1.22

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 1999, 1998, and 1997, respectively: risk-free interest rates of 4.8 percent, 5.5 percent, and 6.4 percent; expected dividend yields of 0 percent for all years; expected lives of 4.3 years, 5.6 years, and 5.5 years; and expected volatility of 69 percent, 63 percent, and 70 percent.

During the 1999 fiscal year, the Company issued options to purchase 223 shares of its wholly owned subsidiary Myriad Pharmaceuticals, Inc. to the president of that subsidiary. The exercise price was equal to the fair market value at the date of grant. The underlying shares are convertible to 75,024 shares of the Company's common stock.

On October 22, 1998, the Board of Directors authorized a stock option repricing amendment. Option holders electing to participate in the repricing of eligible options were required to surrender one option for every four options held. Under the repricing amendment, 589,194 options were surrendered in exchange for 441,962 repriced options. The exercise price of the repriced options is equal to the fair market value of the Company's common stock on October 22, 1998. Directors,' executive officers,' and outside consultants' options were excluded from the repricing.

Note 6 Common and Preferred Stock

In February 1995, the Company completed a private placement wherein the placement agents received warrants to purchase 31,572 shares of the Company's common stock through the year 2002 at a price of $15.40 of which 26,243 are still outstanding as of June 30, 1999.

Note 7 License Agreements

The Company has entered into license agreements with certain organizations and academic institutions. The agreements granted the Company exclusive worldwide licenses to certain technologies and patent applications that the Company believes will be useful in the development of diagnostic and therapeutic products. In consideration for the licenses, the Company has paid $825,000, issued 28,416 shares of common stock, and granted 14,286 stock options which were exercised in 1997. The Company is also required to make future payments totaling $30,000 and may have to make milestone payments of $965,000 upon achievement of certain events. The Company is also required to make royalty payments based on net sales of products or services subject to a minimum royalty upon commencement of sales.

Note 8 Income Taxes

There was no income tax expense in 1999, 1998, or 1997 due to net operating losses. The difference between the expected tax benefit and the actual tax benefit is primarily attributable to the effect of net operating losses being offset by an increase in the Company's valuation allowance. The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at June 30, 1999 and 1998, are presented below:

	1999	1998
Deferred tax assets:		
Net operating loss carryforwards	$ 21,288,000	$ 16,737,000
Research and development credits	604,000	905,000
Accrued expenses	408,000	366,000
Unearned revenue	247,000	1,015,000
Total gross deferred tax assets	22,547,000	19,023,000
Less valuation allowance	(21,009,000)	(17,545,000)
Net deferred tax assets	1,538,000	1,478,000
Deferred tax liability—equipment, principally due to differences in depreciation	1,538,000	1,478,000
Total gross deferred tax liability	1,538,000	1,478,000
Net deferred tax liability	$ –	$ –

The net change in the total valuation allowance for the years ended June 30, 1999 and 1998, was an increase of $3,464,000 and $4,118,400, respectively. Of the subsequently recognized tax benefits relating to the valuation allowance for deferred tax assets as of June 30, 1999, approximately $5,072,000 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, 1999, the Company had total tax net operating losses of approximately $57,072,000 and total research and development credit carryforwards of approximately $604,000, 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.

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 otherwise being utilized.

Note 9 Collaborative Research Agreements

In October 1998, the Company entered into a five-year collaboration to utilize the Company's protein interaction technology (ProNet™) for drug discovery and development. Under the agreement, the Company will have an option to co-promote all new therapeutic products in North America and receive 50 percent of the profits from North American sales of all new drug discovered with ProNet.™ This collaboration may provide the Company with licensing fees, subscription fees, option payments, and milestone fees of up to $51,000,000. If the Company chooses to co-promote the drug as a 50 percent partner, the Company may be required to pay funds to the collaboration partner to establish equal ownership.

In November 1998, the Company entered into a 15 month collaboration to utilize ProNet™ for drug discovery and development. Under the agreement, the collaborative partner has the option to extend the research term for an additional twelve months. If the anticipated milestones, option payments, license fees, and upfront payments are achieved, the value of the agreement may reach up to $15,000,000. The Company will also receive royalties on worldwide sales of drugs resulting from the discovery of novel targets found through use of the ProNet™ technology.

In April 1997, the Company entered into a three-year collaborative research and license agreement and stock purchase agreement related to locating genes associated with prostate cancer and other cancers. Under the agreements, the Company may receive up to $60,000,000, excluding royalties. The Company received an equity investment of $4,000,000 in exchange for common stock. The Company also received a license fee of $4,000,000, which was recognized as revenue in 1997. The Company will receive $3,000,000 in annual research funding paid quarterly in advance for three years. The three-year term may be extended for two additional one-year periods. The Company may also receive up to $35,000,000 upon achievement of specified milestones, of which $2,500,000 was received and recognized as revenue in 1998. The Company retains all rights to diagnostic products and genetic testing services using the developed technology while licensing to the collaborator all rights to therapeutic applications. The Company is entitled to receive royalties from sales of therapeutic products made by the collaborator.

In September and April 1995, the Company entered into collaborative research and license agreements and stock purchase agreements with two pharmaceutical companies. In November 1997 and again in December 1998, the Company expanded one of these agreements. Under the agreements, the Company may receive up to $196,700,000. The Company received initial equity investments of $17,000,000 in exchange for Series D and Series C preferred stock, which were subsequently converted to common stock in conjunction with the Company's initial public offering. The Company may also receive $67,700,000 in annual research funding paid quarterly in advance for five years of which $42,000,000 has been received. The Company may also receive up to $112,300,000 upon achievement of specified milestones. The Company retains all rights to diagnostic products and genetic testing services using the developed technology while licensing to the collaborators all rights to therapeutic applications. The Company is entitled to receive royalties from sales of therapeutic products sold by the collaborators. The collaborations may be terminated if a steering committee comprised of an equal number of representatives of the Company and the collaborators determines that the research programs will not achieve their objectives in all areas.

Because the Company has granted therapeutic rights to its collaborative licensees as described above, 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 licenses terminates the above agreements, such termination may have a material adverse effect on the Company's operations.

Note 10 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 contribution to the plan was $358,325, $273,851, and $205,866 in 1999, 1998, and 1997, 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 200,000 shares of common stock may be purchased by eligible employees. At June 30, 1999, 37,912 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 5.

Note 11 Segment and Related Information

During fiscal 1999, the Company adopted Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information."

The Company's business units have been aggregated into two reportable segments: (i) research and (ii) molecular diagnostics. The research segment is focused on the discovery and sequencing of genes related to major common diseases, marketing of subscriptions to proprietary database information, and the development of therapeutic products for the treatment and prevention of major diseases. The molecular diagnostics 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.

All of the Company's revenues are 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 four collaborators in fiscal 1999 and three collaborators in fiscal 1998 and 1997. Additionally, revenues from three of the four collaborators was in excess of ten percent of the Company's consolidated revenues for each year presented. Costs in excess of research payments totaling $1,682,420 at June 30, 1999, were due from one collaborator and have been classified as an other receivable in the accompanying consolidated balance sheet. No such concentrations of costs in excess of research payments or receivables existed at June 30, 1998 and 1997.

	RESEARCH	MOLECULAR DIAGNOSTICS	TOTAL
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
Year ended June 30, 1998:			
Revenues	20,999,598	2,210,983	23,210,581
Depreciation and amortization	2,170,771	1,102,165	3,272,936
Segment operating loss	3,010,490	9,979,660	12,990,150
Year ended June 30, 1997:			
Revenues	14,732,054	504,045	15,236,099
Depreciation and amortization	1,623,018	882,461	2,505,479
Segment operating loss	3,196,058	9,243,750	12,439,808

	1999	1998	1997
Total operating loss for reportable segments	$ (12,310,688)	$ (12,990,150)	$ (12,439,808)
Unallocated amounts:			
Interest income	2,348,827	3,223,683	3,414,379
Interest expense	(6,278)	(32,681)	(66,661)
Other	(27,314)	2,113	(114,190)
Net loss	$ (9,995,453)	$ (9,797,035)	$ (9,206,280)

Note 12 Subsequent Event

In July 1999, the Company entered into a $33,500,000 collaboration and license agreement related to genomic research. Under the agreement, the Company will receive an upfront payment of $11,500,000 and an additional $22,000,000 over the two-year term. Upon completion of the project, the Company will share any profits from the sale of the discovered information equally with its collaborator.

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, 1999 and 1998, 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, 1999. 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 generally accepted auditing standards. 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, 1999 and 1998, and the results of their operations and their cash flows for each of the years in the three-year period ended June 30, 1999, in conformity with generally accepted accounting principles.

KPMG LLP

Salt Lake City, Utah
September 8, 1999

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." Prior to that date, there was no established trading market for the Common Stock. 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 1999:		
Fourth Quarter	$ 12.375	$ 8.75
Third Quarter	$ 11.50	$ 8.50
Second Quarter	$ 12.50	$ 7.875
First Quarter	$ 16.00	$ 5.75
Fiscal 1998:		
Fourth Quarter	$ 23.625	$ 14.00
Third Quarter	$ 25.625	$ 18.188
Second Quarter	$ 30.00	$ 21.50
First Quarter	$ 28.125	$ 22.75

As of August 4, 1999, there were approximately 186 stockholders of record of the Common Stock and, according to the Company's estimates, approximately 2,300 beneficial owners of 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

Corporate Office

320 Wakara Way
Salt Lake City, UT 84108
Phone: 801.584.3600
Fax: 801.584.3640

Legal Counsel

Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.
One Financial Center
Boston, MA 02111

Transfer Agent and Registrar

Chase Mellon
Shareholder Services
111 Founder's Plaza
Suite 1100
East Hartford, CT 06108

Independent Auditors

KPMG LLP
60 East South Temple
Suite 900
Salt Lake City, UT 84111

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 Wednesday, November 10, 1999, 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