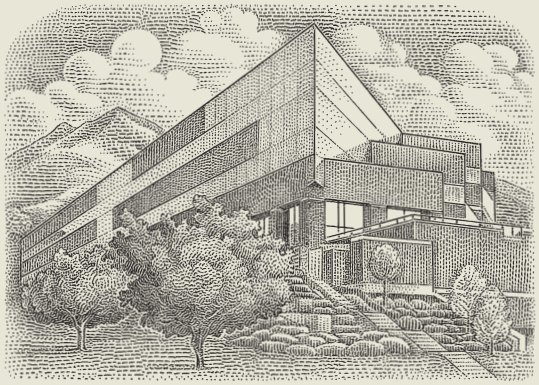
MYRIAD

Building on Our Success in Cancer Predictive Medicine

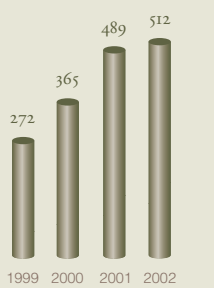


Myriad is the world leader in cancer predictive medicine. We are developing drugs to prevent and treat cancer and viral diseases to help people live longer, healthier lives.

TOTAL REVENUE

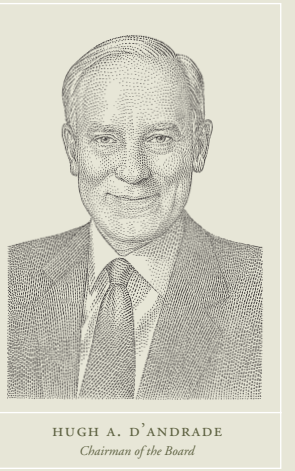
GROSS PROFIT MARGIN

NUMBER OF EMPLOYEES



To Our Shareholders

We are pleased to report that 2002 was a successful year for Myriad Genetics. It was a year in which we made great strides in both our therapeutic development programs and our predictive medicine business. Your company achieved each of the major goals it set out for itself during the year, an accomplishment that builds upon our past track record of achievement of such milestones. Myriad is in strong financial condition as well. Our predictive medicine revenue was approximately $27 million, an increase of 57% over the 2001 level. We continue to maintain a low cash burn, with a loss for fiscal year 2002 of just $13.9 million. We finished the year with over $124 million in cash and investments and no debt, providing a solid foundation for aggressively advancing our new therapies into the clinic and introducing products to the market.



HUGH A. D'ANDRADE
Chairman of the Board

Among the many highlights of 2002, your company initiated a human clinical trial with Flurizan™ for the treatment of prostate cancer. Flurizan holds promise for the treatment of prostate cancer and other cancers. Myriad is preparing to enter human clinical trials with Flurizan in the prevention of precancerous polyps in the colon. We believe that prevention of polyps effectively prevents colon cancer. The Flurizan program paves the way for a series of other new clinical studies with compounds discovered and developed at Myriad in the areas of cancer, HIV infection, Alzheimer's disease and other major diseases.

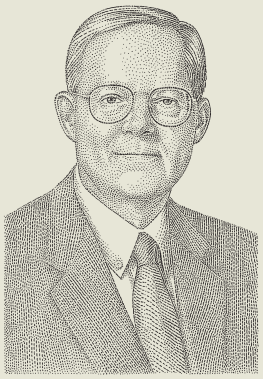
Our pipeline of drug candidates has become deeper with new opportunities in cancer and anti-virals such as HIV and Hepatitis C. In October 2001, we announced the discovery of an exciting new cancer compound. This compound, MPI-176716, selectively kills cancer cells by causing them to commit suicide, thus preventing them from becoming immortal, a hallmark of cancer. This drug candidate continues to look promising in our pre-clinical development studies.

Outside of the therapeutic fields of cancer and viral diseases upon which Myriad focuses most of its attention, we intend to seek pharmaceutical partners for development of our discoveries. Myriad scientists have discovered a number of interesting drug candidates that have the potential for the treatment of important medical problems, including blood clotting resulting from orthopedic surgery, rheumatoid arthritis and cardiovascular disease. In these therapeutic areas, relatively larger, lengthier and more expensive trials are generally required, making them ideal for partnering to realize their potential.

Our predictive medicine business continued to prosper in 2002. Not only did we achieve strong revenue growth on current products, but we also extended our cancer prediction franchise with two new product introductions during the fiscal year. MELARIS,™ which identifies individuals at high risk of melanoma skin cancer, was introduced in the fall of 2001 and has been well received by oncologists and dermatologists. That introduction was followed in the spring by COLARIS AP,™ which complements another Myriad product, COLARIS,® in the prediction of hereditary colon cancer. The gross profit

margins of our predictive medicine products exceeded 60% this year.

Strategic alliances serve multiple purposes to your company. They validate its technology by demonstrating its acceptance by third parties and they enable us to maintain our technology leadership. Several key alliances were formed this year that build potential for future growth. We established a collaboration with Abbott Laboratories to discover and develop drugs to treat depression. Shortly thereafter, Myriad and DuPont formed a genomics alliance that will allow us to improve DNA sequencing quality and efficiency that is already second-to-none. We also formed a marketing alliance that we believe will help us reach the many thousands of men and women at serious risk of cancer. Along with Myriad's professional oncology sales force, Laboratory Corporation of America will now call on primary-care physicians to help identify individuals with a family history of breast, ovarian, colon, endometrial or skin cancer. This large at-risk population of individuals is the greatest opportunity for us as a company to make an impact in delaying the onset or potentially even preventing cancer.



PETER D. MELDRUM
President and CEO

In the present business environment of apparent corporate greed and an erosion of business ethics, in which investors have come to mistrust corporate management, we at Myriad pledge to maintain the highest standards of integrity. Our financial statements accurately present the financial condition and results of operations of Myriad and are prepared under GAAP, the generally accepted accounting principles.

The synergy between predictive medicine and disease prevention is more widely recognized than ever. To prevent disease, a high-risk population must be identified and a therapy developed to specifically address that risk. As well as being efficacious, the therapy must be extremely safe, since there will be no present disease. Myriad is developing such therapies today, building upon our success with the identification of people at high risk of cancer. One day soon we hope to identify risk, treat and prevent cancer, all with Myriad developed products.

This dedication to a greater purpose is what motivates the more than 500 Myriad employees. They are the reason that we will succeed. They have the faith in our vision of the future, the confidence in our ability to prevail, and the excitement of moving toward a common goal every day.

Sincerely,

Hugh A. D'Andrade
Chairman of the Board

Peter D. Meldrum
President and Chief Executive Officer

Myriad Pharmaceuticals

At Myriad, our mission is to discover and develop a new generation of products in predictive and therapeutic medicines with a particular focus on saving lives through the prevention and treatment of cancer and viral diseases.

The genomic and proteomic tools we have developed to accomplish this goal have also brought us additional opportunities outside our primary therapeutic focus areas. It is our strategy to partner these opportunities with major pharmaceutical organizations and leverage their expertise in drug development and marketing. Our own pipeline for internal pharmaceutical development is filled with potential.

ADRIAN N. HOBDEN, PH.D.
President, Myriad Pharmaceuticals, Inc.

Anti-Cancer Programs

Flurizan,™ our lead drug candidate, is in an advanced clinical trial for prostate cancer. This 65-center trial is scheduled to enroll approximately 400 prostate cancer patients, focusing on disease progression. Flurizan has potential beyond prostate cancer as well. Although the prostate cancer indication for Flurizan was the first to reach advanced human clinical trials, it may be overtaken on the road to the market by another indication. We are preparing for a Phase II clinical trial with Flurizan, in pre-cancerous colon polyp prevention.

Our newest cancer program is MPI-176716. It is a small molecule drug candidate that kills cancer cells by selectively forcing them to commit suicide. The mechanism has not yet been published or divulged, but our analysis leads us to believe that it should affect cancer cells of most types, including solid tumors and blood cancers, preventing them from growing or spreading to other areas of the body. MPI-176716 is in late-stage preclinical testing and is a potential candidate for human clinical trials in the near term.

Our cancer program area has several additional compounds in development, including MPI-42511 for later stage colon cancer. This molecule acts through a mechanism that is unrelated to that of Flurizan.

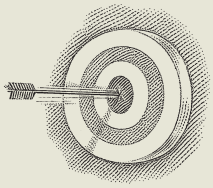
Anti-Viral Programs

One of the most exciting developments for Myriad in the antiviral therapeutic area was the publication of the discovery of a novel aspect of HIV replication in the scientific journal *Cell*. The October 5, 2001 issue featured on its cover the work of Myriad and collaborator, Professor Wesley Sundquist of the University of Utah, on HIV budding and the basis for an entirely new approach to stopping the spread of the AIDS virus. The work has continued at Myriad and has led to the identifi-

cation of several drug targets and a candidate drug series with an exctiting lead compound that shows great promise against HIV in vitro. Anti-viral work is flourishing at Myriad, including advancement of the Hepatitis C development program.

Strategic Partnering for Development

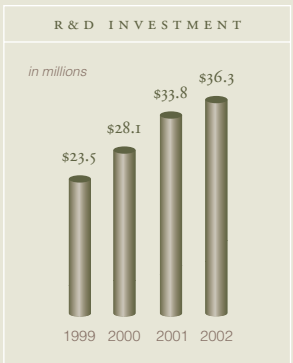
As Myriad fills its internal drug discovery and development pipelines with exciting opportunities, collaborations take on a different role. The great value to Myriad in discovering and validating drug targets for partners comes in developing opportunities known to Myriad in areas that are outside our corporate focus on cancer and anti-viral disease. Additional value is derived from using these programs to advance our leadership in technology and to maintain a reduced level of research and development expense. An example of one such partnership is our collaboration with Abbott Laboratories. Myriad and Abbott formed a $34 million collaboration to discover and develop novel drug targets for the treatment of depression. The collaboration will merge Myriad's integrated drug target identification and validation technologies with Abbott's drug development expertise.

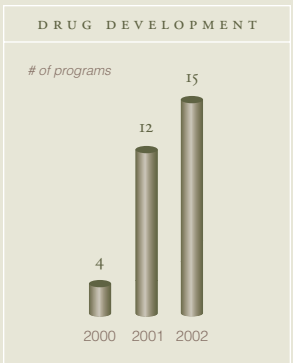


The key to reducing the cost and the risk in drug development lies in choosing high potential validated drug targets. Myriad has developed an integrated set of technologies to choose innovative targets, screen them against diverse molecular libraries and validate active compounds with multiple corroborating biological measures.

Acute Thrombosis

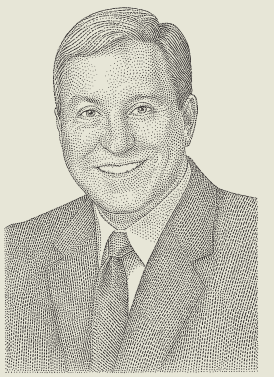
Acute thrombosis is a therapeutic area that is underserved by currently marketed drugs and Myriad has a preclinical program that addresses it directly. MPC-1203 is designed to stop excessive blood clotting following major surgery such as hip replacement or open-heart surgery, and has potential in patients undergoing chemotherapy as well. The compound has progressed well and is a candidate for near-term clinical study. Myriad intends to partner the drug in later stage clinical development. Additional drug development partnership opportunities are being developed in heart disease, obesity, rheumatoid arthritis and depression.





Myriad Genetic Laboratories

Two product introductions during 2002 served to further our worldwide leadership position in cancer predictive medicine. Myriad's product range now covers breast cancer, ovarian cancer, colon cancer, endometrial cancer and melanoma skin cancer.



GREGORY C. CRITCHFIELD, M.D.
President, Myriad Genetic Laboratories

We are developing products today that will extend this range, and include prostate cancer, which will leave only lung cancer to address among the major hereditary cancers of the Western world.

Our predictive medicine business is growing vigorously and we believe that it has only just begun to realize its true potential. We have built a solid base of knowledge among cancer specialists and have earned a reputation for the highest quality and professionalism. We are off to a great start, but to fully realize the potential to prevent cancer, we must identify those individuals at high risk that have not developed the disease. These men and women do not visit oncologists, so to raise awareness among them we have to reach their primary care physicians and work with these physicians to identify patients with a family history of cancer. By the time you are reading this, we will have begun a campaign to address this population through a pilot program of direct to consumer advertising. This campaign marks a milestone in the development of the predictive medicine field as our BRACAnalysis® test becomes broadly available as the first product of its kind to be marketed directly to individuals.

Myriad's predictive medicine products provide their greatest benefit among people who have a history of cancer in their family, but have not themselves been diagnosed with the disease. To address this important market, Myriad and LabCorp have forged a combined force of over 700 professional sales representatives. Myriad's own 100-plus member sales group will continue to call on cancer specialists, while LabCorp will call on its client population of over 200,000 physicians, addressing the primary care market. Patients at high-risk of cancer due to a family history, are a large and important market for Myriad's predictive medicine products. The greatest potential of predictive medicine is realized when our products are used to identify patients who are at high risk, so they can take action to delay the onset or even prevent cancer from occurring.

COLARIS AP

There are two types of hereditary colon cancer responsible for the majority of inherited colon cancer. The first is characterized by the development of a modest number of colon polyps

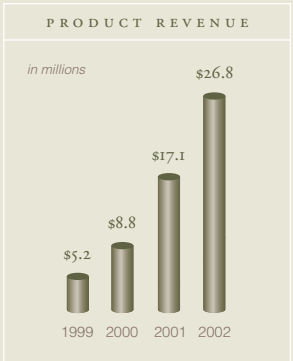
Prevention is the goal of predictive medicine. To realize this potential, individuals at presumed high risk need positive risk identification and the ability to reduce their risk through proven measures. Myriad has initiated an intensive advertising campaign to raise awareness among women at high risk that there are demonstrated options available today that reduce the risk of cancer and save lives.

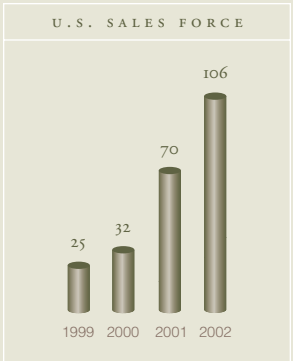
that progress to full-blown colon cancer. The second is associated with the development of a very large number of colon polyps, in some cases hundreds or even thousands of polyps. The addition of Myriad's latest predictive medicine product, COLARIS AP, which addresses patients with greater numbers of polyps, means that Myriad now provides a comprehensive evaluation of risk for these colon cancer syndromes. Colon cancer is in large part a highly preventable disease. It is primarily the failure to identify colon cancer at an early stage that contributes to its high death rate. With the identification of high-risk individuals through COLARIS AP, and early intervention strategies including removal of pre-cancerous polyps, death from colon cancer may be reduced significantly.

MELARIS

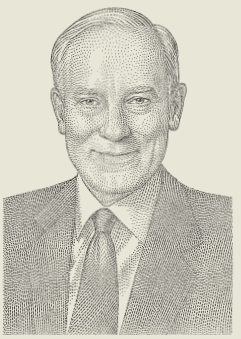
Individuals who carry a mutation in the p16 gene, resulting in a positive MELARIS test, have an estimated lifetime risk that is more than 76 times higher than the risk for those in the general population. Prevention of melanoma is the goal of the MELARIS predictive medicine product. Melanoma is lethal in 86% of cases in which it has spread to other sites in the body, but when diagnosed early, melanoma patients have a survival rate of better than 90%. Frequent surveillance along with the removal of suspicious moles and pre-cancerous lesions can often delay the onset or prevent melanoma altogether.

The market is ready. The hurdles have been surmounted. Early concerns that were voiced as we pioneered this new medical paradigm have been addressed. Health insurers pay for our tests and they do not discriminate against individuals who have been tested. There are now good options that have been demonstrated effective for the prevention of cancer among high-risk individuals. Therapies are available that can reduce the risk of breast cancer by 50% and the risk of ovarian cancer by 60%. Surgical procedures such as removal of the ovaries can reduce the risk of ovarian cancer by more than 90% and reduce the breast cancer risk by 50% at the same time. Because our predictive medicine products help save lives, it is now imperative that people know it and have the opportunity to take advantage of the vital knowledge we provide.

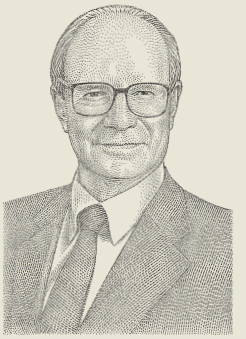




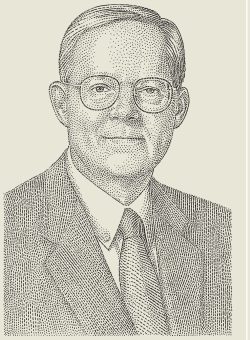
Officers and Directors



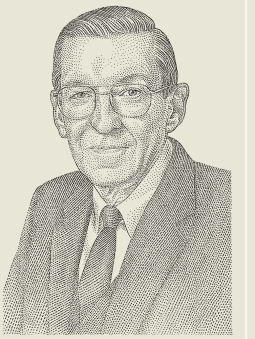
HUGH A. D'ANDRADE
Chairman of the Board
Former Vice Chairman, Schering-Plough Corporation



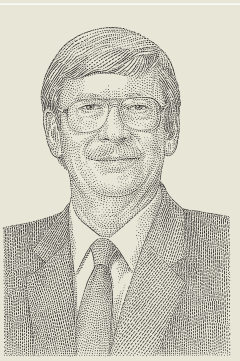
WALTER GILBERT, PH.D.
Vice Chairman of the Board
Carl M. Loeb University Professor, Harvard University



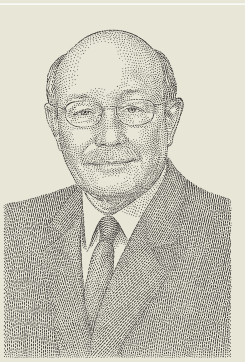
PETER D. MELDRUM
President and CEO



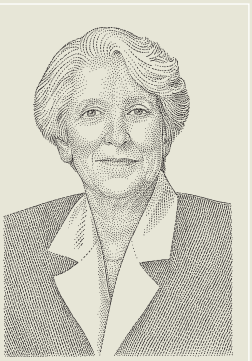
ARTHUR H. HAYES, JR., M.D.
Director
President, MediScience Associates



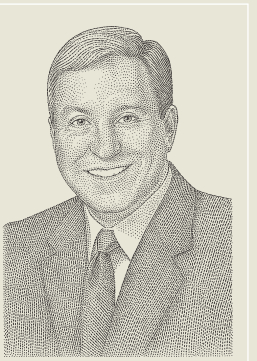
MARK H. SKOLNICK, PH.D.
Chief Scientific Officer, Director



DALE A. STRINGFELLOW, PH.D.
Director
President and CEO, Berlex Laboratories, Inc.



LINDA S. WILSON, PH.D.
Director
President Emerita, Radcliffe College



GREGORY C. CRITCHFIELD, M.D.
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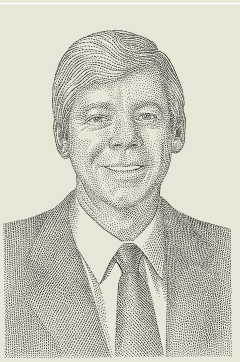
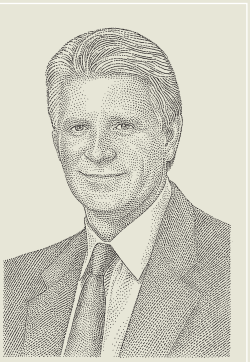
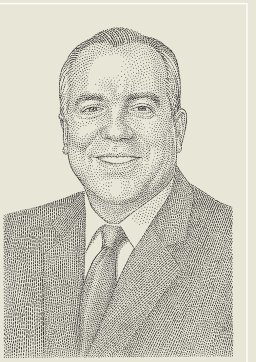


ADRIAN N. HOBDEN, PH.D.
President, Myriad Pharmaceuticals, Inc.

WILLIAM A. HOCKETT, III
Vice President, Corporate Communications



JAY M. MOYES
Chief Financial Officer, Vice President of Finance



S. GEORGE SIMON
Vice President, Business Development

Consolidated Financial Statements

Selected Consolidated Financial Data

The following table sets forth our consolidated financial data as of and for each of the five years ended June 30, 2002. The selected consolidated financial data as of and for each of the five years ended June 30, 2002 have been derived from our consolidated financial statements. The consolidated financial statements and the report thereon for the year ended June 30, 2002 are included elsewhere in this Annual Report. 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,	2002	2001	2000	1999	1998
Consolidated Statement of Operations Data:					
Research revenue	$ 27,015,167	$ 28,071,252	$ 25,219,766	$ 20,093,057	$ 20,999,598
Predictive medicine revenue	26,821,332	17,091,139	8,793,272	5,220,349	2,210,983
Total revenues	53,836,499	45,162,391	34,013,038	25,313,406	23,210,581
Costs and expenses:					
Predictive medicine cost of revenue	10,716,761	7,402,906	3,986,473	3,066,354	1,391,368
Research and development expense	36,294,669	33,818,144	28,098,769	23,452,220	23,002,340
Selling, general and administrative expense	25,484,836	17,077,846	13,474,923	11,105,520	11,807,023
Total costs and expenses	72,496,266	58,298,896	45,560,165	37,624,094	36,200,731
Operating loss	(18,659,767)	(13,136,505)	(11,547,127)	(12,310,688)	(12,990,150)
Other income (expense):					
Interest income	5,384,802	6,850,479	3,208,506	2,348,827	3,223,683
Interest expense	—	—	—	(6,278)	(32,681)
Other	(214,405)	(305,134)	(383,481)	(27,314)	2,113
Loss before income taxes	(13,489,370)	(6,591,160)	(8,722,102)	(9,995,453)	(9,797,035)
Income taxes	500,000	583,333	—	—	—
Net loss	$ (13,989,370)	$ (7,174,493)	$ (8,722,102)	$ (9,995,453)	$ (9,797,035)
Basic and diluted net loss per share	$ (0.59)	$ (0.31)	$ (0.43)	$ (0.53)	$ (0.53)
Basic and diluted weighted average shares outstanding	23,660,127	22,815,035	20,220,446	18,782,244	18,578,962

As of June 30,	2002	2001	2000	1999	1998
Consolidated Balance Sheet Data:					
Cash, cash equivalents and marketable investment securities	$ 124,242,908	$ 145,954,968	$ 88,655,844	$ 38,926,459	$ 53,109,493
Working capital	56,833,907	104,615,236	57,263,118	8,348,224	21,806,290
Total assets	157,390,080	172,145,355	106,375,305	53,550,940	67,391,972
Stockholders' equity	128,869,500	139,561,798	77,706,647	48,215,736	57,481,013

Quarterly Financial Data
(UNAUDITED)

Quarters ended	June 30, 2002	March 31, 2002	December 31, 2001	September 30, 2001
Consolidated Statement of Operations Data:				
Research revenue	$ 6,431,912	$ 5,803,255	$ 7,107,309	$ 7,672,691
Predictive medicine revenue	7,680,539	7,255,065	6,368,132	5,517,596
Total revenues	14,112,451	13,058,320	13,475,441	13,190,287
Costs and expenses:				
Predictive medicine cost of revenue	3,031,148	2,848,591	2,565,334	2,271,689
Research and development expense	10,680,968	8,739,952	8,612,388	8,261,360
Selling, general and administrative expense	7,867,977	5,911,925	6,080,473	5,624,462
Total costs and expenses	21,580,093	17,500,468	17,258,195	16,157,511
Operating loss	(7,467,642)	(4,442,148)	(3,782,754)	(2,967,224)
Other income (expense):				
Interest income	958,656	1,076,435	1,418,554	1,931,156
Other	(214,190)	(5,655)	29,491	(24,050)
Loss before income taxes	(6,723,176)	(3,371,368)	(2,334,709)	(1,060,118)
Income taxes	125,000	125,000	125,000	125,000
Net loss	$ (6,848,176)	$ (3,496,368)	$ (2,459,709)	$ (1,185,118)
Basic and diluted net loss per share	$ (0.29)	$ (0.15)	$ (0.10)	$ (0.05)
Basic and diluted weighted average shares outstanding	23,790,574	23,763,165	23,607,694	23,482,735

Quarters ended	June 30, 2001	March 31, 2001	December 31, 2000	September 30, 2000
Consolidated Statement of Operations Data:				
Research revenue	$ 5,661,695	$ 6,652,289	$ 7,988,017	$ 7,769,251
Predictive medicine revenue	5,160,282	4,914,950	3,965,898	3,050,009
Total revenues	10,821,977	11,567,239	11,953,915	10,819,260
Costs and expenses:				
Predictive medicine cost of revenue	2,221,517	2,149,029	1,726,998	1,305,362
Research and development expense	7,247,908	8,428,402	9,351,036	8,790,797
Selling, general and administrative expense	4,806,659	4,247,554	4,080,244	3,943,390
Total costs and expenses	14,276,084	14,824,985	15,158,278	14,039,549
Operating loss	(3,454,107)	(3,257,746)	(3,204,363)	(3,220,289)
Other income (expense):				
Interest income	1,372,919	2,057,167	2,022,100	1,398,293
Other	(22,021)	(27,465)	(7,183)	(248,465)
Loss before income taxes	(2,103,209)	(1,228,044)	(1,189,446)	(2,070,461)
Income taxes	83,333	500,000	—	—
Net loss	$ (2,186,542)	$ (1,728,044)	$ (1,189,446)	$ (2,070,461)
Basic and diluted net loss per share	$ (0.09)	$ (0.07)	$ (0.05)	$ (0.09)
Basic and diluted weighted average shares outstanding	23,323,937	23,219,841	22,698,098	22,032,596

Management's Discussion and Analysis of Financial Condition and Results of Operation

Overview

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

Myriad researchers have made important discoveries in the fields of cancer, viral diseases such as AIDS, and acute thrombosis. These discoveries point to novel disease pathways and have paved the way for the development of new drugs. Additionally, our pipeline of drug targets offers therapeutic opportunities for the treatment of diseases such as heart disease, rheumatoid arthritis, Alzheimer's disease and other central nervous system disorders. We have identified 871 drug targets to date. We have also established an extensive portfolio of drug candidates that are under development at Myriad. Fifteen of these drug candidates are in pre-clinical testing. Flurizan™, our lead therapeutic product for the treatment of prostate cancer, is currently in a large, multicenter human clinical trial. We also recently submitted an Investigational New Drug (IND) application for the evaluation of R-flurbiprofen (MPC-7869) for the treatment of Alzheimer's disease. We intend to independently develop and, subject to regulatory approval, market our therapeutic products, particularly in the area of cancer and infectious diseases.

We also have developed and commercialized five innovative predictive medicine products: BRACAnalysis®, which is used to assess a woman's risk of developing breast and ovarian cancer, COLARIS® and COLARIS AP™, which are used to determine a person's risk of developing colon cancer, MELARIS™, which is used to determine a person's risk of developing malignant melanoma, and CardiaRisk®, which is used for therapeutic management of hypertensive patients. We market these products using our own internal 106 person sales force in the United States and we have entered into marketing collaborations with other organizations in Austria, Brazil, Canada, Germany, Japan, and Switzerland. Revenues from these proprietary products grew approximately 57% from the prior year to $26.8 million in the fiscal year ended June 30, 2002.

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

We have devoted substantially all of our resources to maintaining our research and development programs, undertaking drug discovery and development, and operating our predictive medicine business. Our revenues have consisted primarily of sales of predictive medicine products and research payments received pursuant to collaborative agreements, upfront fees, and milestone payments. We have yet to attain profitability and, for the year ended June 30, 2002, we had a net loss of $14.0 million and as of June 30, 2002 had an accumulated deficit of $73.8 million.

We have formed strategic alliances with 12 major pharmaceutical or multinational companies including Abbott Laboratories, Bayer Corporation, E.I. du Pont de Nemours and Company (DuPont), Eli Lilly and Company, Hitachi Ltd., Hoffmann-LaRoche Inc., Novartis Corporation, Oracle Corporation, Pharmacia Corporation, Schering AG, Schering-Plough Corporation, and Torrey Mesa Research Institute, a subsidiary of Syngenta. We intend to enter into additional collaborative relationships to discover genes, proteins, protein networks, and drug targets associated with common diseases as well as to continue to fund internal research projects. However, we may be unable to enter into additional collaborative relationships on terms acceptable to us.

In April 2001, we announced the formation of Myriad Proteomics, Inc., a new venture with Hitachi, Ltd. and Oracle Corporation to map the human proteome. Myriad Proteomics, which is 49 percent owned by the Company, intends to develop and market a proprietary map of the human proteome to pharmaceutical and biotechnology companies for therapeutic and diagnostic product development.

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

Critical Accounting Policies

Critical accounting policies are those policies which are both important to the portrayal of a company's financial condition and results and require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Our critical accounting policies are as follows:

- revenue recognition;
- investments in privately-held companies;
- investment in Myriad Proteomics, Inc.;

Revenue Recognition. We apply the provisions of Securities and Exchange Commission (SEC) Staff Accounting Bulletin No. 101, *Revenue Recognition* (SAB 101) to all our revenue transactions. Research revenues include revenues from research and technology licensing agreements. We recognize revenue from research contracts in accordance with the percentage-of-completion method of accounting and following the guidance in Statement of Position 81-1, *Accounting for Performance of Construction-Type and Certain Production-Type Contracts.* Percent complete is estimated based on costs incurred relative to total estimated contract costs. We make adjustments, if necessary, to the estimates used in the percentage-of-completion method of accounting as work progresses and we gain experience. Our estimates of total contract costs include assumptions, such as estimated research hours to complete, materials costs, and other direct and indirect costs. Actual results may vary significantly from our estimates. Revenues related to up-front payments and technology license fees when continuing involvement or research services are required of us are recognized over the period of performance.

Predictive medicine revenues include revenues from the sale of predictive medicine products and related marketing agreements. Predictive medicine revenue is recognized upon completion of the test and communication of results. Up-front payments related to marketing agreements are recognized ratably over the life of the agreement.

Investments in Privately-Held Companies. We review the valuation of our investments in privately-held biotechnology and pharmaceutical companies for possible impairment as changes in facts and circumstances indicate that impairment should be assessed. The amount of impairment, if any, and valuation of these investments are based on our estimates and, in certain circumstances, the completion of independent, third-party appraisals of the investments. Inherent in these estimates and appraisals are assumptions such as the comparability of the investee to similar publicly traded companies, the value of the investee's underlying research and development efforts, the likelihood that the investee's current research projects will result in a marketable product, and the investee's expected future cash flows. Accordingly, the amount recognized by us upon ultimate liquidation of these investments may vary significantly from the estimated fair values at June 30, 2002.

Investment In Myriad Proteomics. In April 2001, we announced the formation of a new alliance with Hitachi, Ltd. (Hitachi), Friedli Corporate Finance A.G. (Friedli), and Oracle Corporation (Oracle) to map the human proteome. The newly formed entity, Myriad Proteomics, Inc. (Myriad Proteomics) intends to develop and market its proprietary proteomic information to pharmaceutical and biotechnology companies for therapeutic and diagnostic product development.

As part of the formation of Myriad Proteomics we entered into administrative and scientific outsourcing agreements with Myriad Proteomics. These agreements expired on June 30, 2002 and new agreements covering subsequent limited outsourcing services have been established. Charges to Myriad Proteomics for services incurred related to the administrative and scientific outsourcing agreements were based on actual time and expenses that we incurred on behalf of Myriad Proteomics and were not recorded as revenues but as a contra research expense.

Results of Operations

Years ended June 30, 2002 and 2001

Research revenues for our fiscal year ended June 30, 2002 were $27.0 million compared to $28.1 million for the fiscal year ended June 30, 2001. Research revenue is comprised of research payments received pursuant to collaborative agreements, amortization of license fees and milestone payments. This decrease of 4% in research revenue is primarily attributable to greater emphasis on our internal research and drug development programs, performing research for Myriad Proteomics, and the successful completion of the Bayer and TMRI collaborations in December 2001. Partially offsetting the overall decrease in research revenue were revenues from our new collaborations with Abbott Laboratories and DuPont, both entered into in March 2002. Research revenue from our research collaboration agreements is generally recognized as related costs are incurred. Consequently, as these programs progress and costs increase or decrease, revenues increase or decrease proportionately.

Predictive medicine revenues for our fiscal year ended June 30, 2002 were $26.8 million, an increase of 57% or $9.7 million over the prior fiscal year. Predictive medicine revenue is comprised of sales of predictive medicine products and fees and royalties from our predictive medicine product marketing partners. Increased sales and marketing efforts and wider acceptance of our products by the medical community have resulted in increased revenues for the fiscal year ended June 30, 2002. However, there can be no assurance that predictive medicine revenues will continue to increase at historical rates.

Research and development expenses for the fiscal year ended June 30, 2002 were $36.3 million compared to $33.8 million for the prior fiscal year. The increase of 7% was primarily due to increased costs associated with our ongoing clinical trial for Flurizan™ and increased research spending for our ongoing drug discovery efforts in Myriad Pharmaceuticals. Research and development expenses were partially offset by reimbursement for research we performed for Myriad Proteomics as part of a scientific outsourcing agreement. For the fiscal year ended June 30, 2002, research and development expenses were reduced by $5.5 million as a result of these scientific outsourcing services.

Selling, general and administrative expenses for the fiscal year ended June 30, 2002 were $25.5 million compared to $17.1 million for the prior fiscal year. Selling, general and administrative expenses consist primarily of salaries, commissions and related personnel costs for sales, marketing, executive, legal, finance, accounting, human resources, information technology, and business development personnel, allocated facilities expenses and other corporate expenses. The increase of 49% was primarily attributable to increases in our sales force from 75 to 106 sales representatives, the launch of two new predictive medicine products, and marketing costs related to our direct-to-consumer campaign to support our predictive medicine business. We expect this larger sales force and related marketing efforts to enable us to increase awareness of our predictive medicine business. We expect our selling, general and administrative expenses will continue to fluctuate dependent on the number and scope of new product launches and our drug discovery and development efforts.

Cash, cash equivalents, and marketable investment securities decreased $21.7 million or 15% from $146.0 million at June 30, 2001 to $124.2 million at June 30, 2002. This decrease in cash, cash equivalents, and marketable investment securities is primarily attributable to increased expenditures for our internal drug development programs and other expenditures incurred in the ordinary course of business. As a result of the our decreased cash position and declining interest rates, interest income for the fiscal year ended June 30, 2002 was $5.4 million compared to $6.9 million for the fiscal year ended June 30, 2001, a decrease of 22%.

Years ended June 30, 2001 and 2000

Research revenues for our fiscal year ended June 30, 2001 were $28.1 million compared to $25.2 million for the fiscal year ended June 30, 2000. The increase in our research revenue of 11% was primarily attributable to increased revenue recognized from both our Hitachi and TMRI collaborations. Research revenue from our research collaboration agreements is generally recognized as related costs are incurred. Consequently, as these programs progress and costs increase or decrease, revenues increase or decrease proportionately.

Predictive medicine revenues of $17.1 million were recognized in the fiscal year ended June 30, 2001, an increase of 94% or $8.3 million over the prior year. Predictive medicine revenue is comprised of sales of predictive medicine products resulting from our discovery of important disease genes. The successful launch of COLARIS®, as well as increased sales and marketing efforts, together with wider acceptance of our products by the medical community, gave rise to the increased revenues for the fiscal year ended June 30, 2001. However, there can be no assurance that predictive medicine revenues will continue to increase at historical rates.

Research and development expenses for the year ended June 30, 2001 increased to $33.8 million from $28.1 million for the prior year, an increase of 20%. This increase was primarily due to an increase in the drug discovery and drug development efforts of Myriad Pharmaceuticals, Inc., our wholly-owned subsidiary, as well as research activities relating to our strategic collaborations.

Selling, general and administrative expenses for the fiscal year ended June 30, 2001 were $17.1 million compared to $13.5 million for the fiscal year ended June 30, 2000. This increase of 27% was primarily attributable to costs associated with the ongoing promotion of our predictive medicine business, including the launch of COLARIS®, that was introduced in September 2000. We also bolstered our sales force to 75 full time employees, to allow us to increase awareness of our predictive medicine business through direct contact with health care professionals. We expect that our selling, general and administrative expenses will continue to fluctuate as needed in support of our predictive medicine business and our drug discovery and development efforts.

Cash, cash equivalents, and marketable investment securities increased $57.3 million, or 65%, from $88.7 million at June 30, 2000 to $146.0 million at June 30, 2001. This increase in our cash, cash equivalents and marketable investment securities was primarily attributable to the sale of approximately $68.6 million of our Common Stock in private placements during the year, as well as receipt of approximately $10 million from license fees and milestone payments. As a result of our increased cash position, interest income

for the fiscal year ended June 30, 2001 was $6.9 million compared to $3.2 million for the fiscal year ended June 30, 2000, an increase of 114%. The loss on disposition of assets of $0.3 million in the fiscal year ended June 30, 2001 was primarily the result of our retiring unproductive assets.

Liquidity and Capital Resources

Net cash used in operating activities was $16.3 million during the fiscal year ended June 30, 2002 compared to $3.8 million used in operating activities during the prior fiscal year. Trade receivables increased $3.8 million between June 30, 2001 and June 30, 2002, primarily due to the 57% increase in predictive medicine sales during the same period. Prepaid expenses increased $0.6 million between June 30, 2001 and June 30, 2002 due to advance payments to purchase lab supplies at a discount. Related party receivables decreased $1.8 million between June 30, 2001 and June 30, 2002, due to reimbursement for services provided to Myriad Proteomics. Other assets increased $0.6 million between June 30, 2001 and June 30, 2002, primarily due to the acquisition of patents. Related party payables increased $1.0 million between June 30, 2001 and June 30, 20002 due to equipment purchased from Myriad Proteomics. Deferred revenue, representing the difference in collaborative payments received and research revenue recognized, decreased by $5.4 million between June 30, 2001 and June 30, 2002.

Our investing activities provided cash of $38.1 million during the fiscal year ended June 30, 2002 and used cash of $85.1 million during the prior fiscal year. Investing activities were comprised primarily of changes to marketable investment securities and capital expenditures for research equipment. During the fiscal year ended June 30, 2002, we shifted a portion of our investments from marketable investment securities to cash and cash equivalents due to changes in interest rates. During the fiscal year ended June 30, 2002 other assets increased $2.5 million due to an investment in a privately held pharmaceutical company, and was partially offset $0.6 million due to the sale of part of our investment in a separate privately held biotechnology company. Additional investing activities included capital expenditures of $6.9 million for research equipment and facility improvements.

Financing activities provided $3.4 million during the fiscal year ended June 30, 2002, due to the exercise of stock options.

On November 9, 2001, we filed a Form s-3 shelf registration statement with the Securities and Exchange Commission for the sale of up to $250 million of various types of securities, which the SEC declared effective on November 21, 2001. The registered shares are available for sale at our discretion upon the filing of a prospectus supplement with the SEC.

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

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

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

Effects of Inflation

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

Quantitative and Qualitative Disclosures About Market Risk

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

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

The securities held in our investment portfolio are subject to interest rate risk. Changes in interest rates affect the fair market value of the marketable investment securities. After a review of our marketable securities as of June 30, 2002, we have determined that in the event of a hypothetical ten percent increase in interest rates, the resulting decrease in fair market value of our marketable investment securities would be insignificant to the consolidated financial statements as a whole.

Certain Factors That May Affect Future Results of Operations

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

Words such as "may," "anticipate," "estimate," "expects," "projects," "intends," "plans," "believes" and words and terms of similar substance used in connection with any discussion of future operating or financial performance, identify forward-looking statements. All forward-looking statements are management's present expectations of future events and are subject to a number of risks and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. These risks and uncertainties include, among other things: our inability to further identify, develop and achieve commercial success for new products and technologies; the possibility of delays in the research and development necessary to select drug development candidates and delays in clinical trials; the risk that clinical trials may not result in marketable products; the risk that we may be unable to successfully finance and secure regulatory approval of and market our drug candidates; our dependence upon pharmaceutical and biotechnology collaborations; the levels and timing of payments under our collaborative agreements; uncertainties about our ability to obtain new corporate collaborations and acquire new technologies on satisfactory terms, if at all; the development of competing systems; our ability to protect our proprietary technologies; patent-infringement claims; and risks of new, changing and competitive technologies and regulations in the United States and internationally. Please also see the discussion of risks and uncertainties under "Risk Factors" in Item 1 of this Report.

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

Consolidated Balance Sheets

As of June 30,	2002	2001
Assets		
Current assets:		
Cash and cash equivalents	$ 61,066,953	$ 35,936,817
Marketable investment securities	12,007,946	91,282,481
Prepaid expenses	4,826,825	4,219,037
Trade accounts receivable, less allowance for doubtful accounts of $505,000 in 2002 and $255,000 in 2001	7,233,162	3,634,370
Other receivables	219,601	314,571
Related party receivables	—	1,811,517
Total current assets	85,354,487	137,198,793
Equipment and leasehold improvements:		
Equipment	26,409,275	21,425,910
Leasehold improvements	5,383,989	3,721,345
	31,793,264	25,147,255
Less accumulated depreciation and amortization	16,360,166	12,416,209
Net equipment and leasehold improvements	15,433,098	12,731,046
Long-term marketable investment securities	51,168,009	18,735,670
Other assets	5,434,486	3,479,846
	$ 157,390,080	$ 172,145,355
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 9,461,575	$ 9,657,385
Related party payable	1,037,446	—
Accrued liabilities	3,591,189	3,082,799
Deferred revenue	14,430,370	19,843,373
Total current liabilities	28,520,580	32,583,557
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.01 par value. Authorized 5,000,000 shares; no shares issued and outstanding	—	—
Common stock, $0.01 par value. Authorized 60,000,000 shares; issued and outstanding 23,817,098 shares in 2002 and 23,441,659 shares in 2001	238,171	234,417
Additional paid-in capital	202,149,210	198,800,273
Accumulated other comprehensive income	307,964	363,583
Accumulated deficit	(73,825,845)	(59,836,475)
Total stockholders' equity	128,869,500	139,561,798
	$ 157,390,080	$ 172,145,355

See accompanying notes to consolidated financial statements.

Consolidated Statements of Operations

Years ended June 30,	2002	2001	2000
Research revenue	$ 27,015,167	$ 28,071,252	$ 25,219,766
Predictive medicine revenue	26,821,332	17,091,139	8,793,272
Total revenues	53,836,499	45,162,391	34,013,038
Costs and expenses:			
Predictive medicine cost of revenue	10,716,761	7,402,906	3,986,473
Research and development expense	36,294,669	33,818,144	28,098,769
Selling, general, and administrative expense	25,484,836	17,077,846	13,474,923
Total costs and expenses	72,496,266	58,298,896	45,560,165
Operating loss	(18,659,767)	(13,136,505)	(11,547,127)
Other income (expense):			
Interest income	5,384,802	6,850,479	3,208,506
Other	(214,405)	(305,134)	(383,481)
Loss before income taxes	(13,489,370)	(6,591,160)	(8,722,102)
Income taxes	500,000	583,333	—
Net loss	$ (13,989,370)	$ (7,174,493)	$ (8,722,102)
Basic and diluted loss per common share	$ (0.59)	$ (0.31)	$ (0.43)
Basic and diluted weighted average shares outstanding	23,660,127	22,815,035	20,220,446

See accompanying notes to consolidated financial statements.

Consolidated Statements of Stockholders' Equity and Comprehensive Loss

Years ended June 30, 2002, 2001, and 2000

	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, 1999	18,857,464	$ 188,575	$ 92,283,661	$ (68,846)	$ (247,774)	$(43,939,880)		$ 48,215,736
Issuance of common stock for cash upon exercise of options and warrants	1,092,958	10,930	6,525,622	—	—	—	—	6,536,552
Issuance of common stock for cash, net of offering costs	1,916,060	19,161	31,426,120	—	—	—	—	31,445,281
Amortization of deferred compensation	—	—	—	—	247,774	—	—	247,774
Net loss	—	—	—	—	—	(8,722,102)	(8,722,102)	(8,722,102)
Unrealized gains (losses) on marketable investment securities:								
Unrealized holding losses arising during year	—	—	—	—	—	—	(63,638)	—
Less classification adjustment for losses included in net loss	—	—	—	—	—	—	47,044	—
Other comprehensive loss	—	—	—	(16,594)	—	—	(16,594)	(16,594)
Comprehensive loss	—	—	—	—	—	—	$ (8,738,696)	—
Balances at June 30, 2000	21,866,482	218,666	130,235,403	(85,440)	—	(52,661,982)		77,706,647
Issuance of common stock for cash upon exercise of options and warrants	811,219	8,112	4,960,754	—	—	—	—	4,968,866
Issuance of common stock for cash, net of offering costs	763,958	7,639	63,604,116	—	—	—	—	63,611,755
Net loss	—	—	—	—	—	(7,174,493)	(7,174,493)	(7,174,493)
Unrealized gains (losses) on marketable investment securities:								
Unrealized holding gains arising during year	—	—	—	—	—	—	449,023	—
Less classification adjustment for losses included in net loss	—	—	—	—	—	—	—	—
Other comprehensive gain	—	—	—	449,023	—	—	449,023	449,023
Comprehensive loss	—	—	—	—	—	—	$ (6,725,470)	—
Balances at June 30, 2001	23,441,659	234,417	198,800,273	363,583	—	(59,836,475)		139,561.798
Issuance of common stock for cash	375,439	3,754	3,348,937	—	—	—	—	3,352,691
Net loss	—	—	—	—	—	(13,989,370)	(13,989,370)	(13,989,370)
Unrealized gains (losses) on marketable investment securities:								
Unrealized holding losses arising during period	—	—	—	—	—	—	(63,515)	—
Less classification adjustment for gains included in net loss	—	—	—	—	—	—	7,896	—
Other comprehensive loss	—	—	—	(55,619)	—	—	(55,619)	(55,619)
Comprehensive loss	—	—	—	—	—	—	$(14,044,989)	—
Balances at June 30, 2002	23,817,098	$ 238,171	$202,149,210	$ 307,964	$ —	$(73,825,845)		$128,869,500

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended June 30,	2002	2001	2000
Cash flows from operating activities:			
Net loss	$ (13,989,370)	$ (7,174,493)	$ (8,722,102)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	4,496,146	3,728,563	3,284,734
Loss on disposition/impairment of assets	222,301	305,134	383,481
Loss (gain) on sale of investment securities	(7,896)	—	47,044
Bad debt expense	250,000	110,000	71,561
Changes in operating assets:			
Trade receivables	(3,848,792)	(1,392,216)	(1,100,765)
Prepaid expenses	(607,788)	(1,540,053)	(2,056,284)
Other receivables	94,970	84,376	1,456,749
Related party receivables	1,811,517	(1,811,517)	—
Other assets	(670,154)	—	465,663
Accounts payable and accrued expenses	312,580	3,571,968	4,495,772
Related party payable	1,037,446	—	—
Deferred revenue	(5,413,003)	342,931	18,837,682
Net cash provided by (used in) operating activities	(16,312,043)	(3,775,307)	17,163,535
Cash flows from investing activities:			
Proceeds from sale of equipment	—	—	14,851
Capital expenditures	(6,852,742)	(5,255,213)	(4,617,196)
Investments in other companies	(2,482,243)	(2,700,000)	(750,000)
Proceeds from sale of investments in other companies	630,000	—	—
Purchases of investment securities held-to-maturity	(8,513,715)	(119,683,435)	(4,126,628)
Maturities of investment securities held-to-maturity	14,123,075	126,610,618	5,957,410
Purchases of investment securities available-for-sale	(81,243,183)	(129,650,517)	(19,857,144)
Sales of investment securities available-for-sale	122,428,296	45,595,314	19,043,131
Net cash provided by (used in) investing activities	38,089,488	(85,083,233)	(4,335,576)
Cash flows from financing activities:			
Net proceeds from issuance of common stock	3,352,691	68,580,621	37,981,833
Net cash provided by financing activities	3,352,691	68,580,621	37,981,833
Net increase (decrease) in cash and cash equivalents	25,130,136	(20,277,919)	50,809,792
Cash and cash equivalents at beginning of year	35,936,817	56,214,736	5,404,944
Cash and cash equivalents at end of year	$ 61,066,953	$ 35,936,817	$ 56,214,736
Supplemental disclosures of noncash investing and financing activities:			
Fair value adjustment on marketable investment securities charged to stockholders' equity	$ (55,619)	$ 449,023	$ (16,594)

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements
(JUNE 30, 2002, 2001 AND 2000)

Note 1 Summary of Significant Accounting Policies

(a) Organization and Business Description

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

(b) Principles of Consolidation

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

(c) Cash Equivalents

Cash equivalents of $48,101,712 and $15,376,672 at June 30, 2002 and 2001, 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) Impairment of Long-Lived Assets

The Company accounts for long-lived assets in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. This Statement requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

(f) 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.

(g) Revenue Recognition

Research revenues include revenues from research and technology licensing agreements. The Company recognizes revenue from research contracts in accordance with the percentage-of-completion method of accounting and following the guidance in Statement of Position 81-1, *Accounting for Performance of Construction-Type and Certain Production-Type Contracts*. Percent complete is estimated based on costs incurred relative to total estimated contract costs. The Company makes adjustments, if necessary, to the estimates used in the percentage-of-completion method of accounting as work progresses and the Company gains experience. 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. Revenues related to technology license fees when continuing involvement or research services by the Company are required are recognized over the period of performance.

Predictive medicine revenues include revenues from the sale of predictive medicine products and related marketing agreements. Predictive medicine revenue is recognized upon completion of the test and communication of results. Payments received in advance of predictive medicine work performed are recorded as deferred revenue. Up-front payments related to marketing agreements are recognized ratably over the life of the agreement.

Revenues are recognized in accordance with the provisions of Securities and Exchange Commission (SEC) Staff Accounting Bulletin No. 101, *Revenue Recognition*, (SAB 101). In December of 1999, the SEC staff released SAB 101 to provide guidance on the recognition, presentation and disclosure of revenue in financial statements. The Company adopted SAB 101 during the second quarter of fiscal 2001. The adoption of SAB 101 did not have an impact on the Company's results of operations or financial position.

(h) Net Loss per Common and Common Equivalent Share

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

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

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

For the years ended June 30, 2002, 2001, and 2000, there were antidilutive potential common shares of 4,176,135, 4,121,061, and 3,892,248, respectively. Accordingly, these potential common shares were not included in the computation of diluted loss per share for the years presented, but may be dilutive to future basic and diluted earnings per share.

(i) 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.

(j) Marketable Investment Securities

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

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

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

(k) Fair Value Disclosure

At June 30, 2002, the consolidated financial statements' carrying amount of the Company's financial instruments approximates fair value except as disclosed in note 2.

(l) Stock-Based Compensation

The Company has adopted the disclosure provisions of SFAS 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.

(m) Other Assets

Other assets are comprised of purchased intellectual property and investments in privately held biotechnology and pharmaceutical companies. The private biotechnology and pharmaceutical company investments are both accounted for under the cost method.

Management reviews the valuation of both investments for possible impairment as changes in facts and circumstances indicate that impairment should be assessed. For the year ended June 30, 2002, the Company recognized an impairment loss of $217,757 related to its investment in a privately held pharmaceutical company, which is included in other expenses in the accompanying consolidated statements of operations. The amount of impairment and valuation of this investment were based on management's estimates and the completion of an independent, third-party appraisal of the investment. Accordingly, the amount recognized by the Company upon the ultimate liquidation of this investment may vary significantly from the estimated fair value at June 30, 2002.

(n) Recent Accounting Pronouncements

In May 2002, the Financial Accounting Standards Board (FASB) issued SFAS No. 145, *Rescission of FASB Statements Nos. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections* (SFAS 145). SFAS 145 eliminates Statement 4 (and Statement 64, as it amends Statement 4), which requires gains and losses from extinguishments of debt to be aggregated and, if material, classified as an extraordinary item, net of the related income tax effect. As a result, the criteria in APB Opinion No. 30 will now be used to classify those gains and losses. SFAS 145 amends FASB Statement No. 13 to require that certain lease modifications that have economic effects similar to sale-leaseback transactions are accounted for in the same manner as sale-leaseback transactions. In addition, SFAS 145 makes technical corrections to some existing pronouncements. The Company is required to adopt the provisions related to the rescission of Statements 4 and 64 on July 1, 2002, and for all transactions entered into beginning May 15, 2002, adopt the provision related to the amendment of Statement 13. The Company is currently evaluating this statement but does not expect that it will have a material effect on its business, results of operations, financial position, or liquidity.

In July 2002, the FASB issued SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* (SFAS 146). SFAS 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) No. 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)*. SFAS 146 requires recognition of a liability for a cost associated with an exit or disposal activity when the liability is incurred, as opposed to when the entity commits to an exit plan under EITF No. 94-3. The Company is required to adopt the provisions of SFAS 146 for exit or disposal activities that are initiated after December 31, 2002. The Company is currently evaluating this statement but does not expect that it will have a material effect on its business, results of operations, financial position, or liquidity.

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, 2002 and 2001 were as follows:

	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
At June 30, 2002				
Held-to-maturity:				
U.S. government obligations	$ 2,543,229	$ 3,675	$ —	$ 2,546,904
Corporate bonds and notes	2,208,278	22,208	—	2,230,486
	$ 4,751,507	$ 25,883	$ —	$ 4,777,390
Available-for-sale:				
Corporate bonds and notes	$ 51,852,191	$ 371,980	$ (78,546)	$ 52,145,625
Euro dollar bonds	6,264,293	22,720	(8,190)	6,278,823
	$ 58,116,484	$ 394,700	$ (86,736)	$ 58,424,448

	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
At June 30, 2001				
Held-to-maturity:				
Auction rate securities	$ 2,005,912	$ —	$ —	$ 2,005,912
U.S. government obligations	7,633,745	12,529	—	7,646,274
Corporate bonds and notes	721,210	—	(385)	720,825
	$ 10,360,867	$ 12,529	$ (385)	$ 10,373,011
Available-for-sale:				
Commercial paper	$ 39,103,968	$ 25,900	$ (2,165)	$ 39,127,703
Corporate bonds and notes	38,882,060	203,281	(20,748)	39,064,593
Certificates of deposit	6,013,253	433	(6,185)	6,007,501
Asset-backed securities	134,257	1,157	(4,108)	131,306
Euro dollar bonds	15,160,163	170,770	(4,752)	15,326,181
	$ 99,293,701	$ 401,541	$ (37,958)	$ 99,657,284

Maturities of debt securities classified as available-for-sale and held-to-maturity are as follows at June 30, 2002:

	Amortized Cost	Fair Value
Held-to-maturity:		
Due within one year	$ 1,475,711	$ 1,490,081
Due after one year through three years	3,275,796	3,287,309
	$ 4,751,507	$ 4,777,390
Available-for-sale:		
Due within one year	$ 10,475,005	$ 10,532,235
Due after one year through three years	47,641,479	47,892,213
	$ 58,116,484	$ 58,424,448

Note 3 Leases

The Company leases office and laboratory space and equipment under three noncancelable operating leases. Future minimum lease payments under these leases as of June 30, 2002 are as follows:

Fiscal year ending:	
2003	$ 4,964,082
2004	3,933,628
2005	3,018,926
2006	3,018,916
2007	2,313,059
Thereafter	14,104,933
	$ 31,353,544

Rental expense was $4,604,885 in 2002, $4,447,203 in 2001, and $3,777,738 in 2000.

Note 4 Stock-Based Compensation

Prior to 1992, the Company granted nonqualified stock options to directors, employees, and other key individuals providing services to the Company. In 1992, the Company adopted the "1992 Employee, Director, and Consultant Fixed Stock Option Plan" (subsequently renamed the 2002 Amended and Restated Employee, Director and Consultant Stock Option Plan) and has reserved 8,000,000 shares of common stock for issuance upon the exercise of options that the Company plans to grant from time to time under this plan. The exercise price of options granted in 2002, 2001, and 2000 is equivalent to the estimated fair market value of the stock at the date of grant. The number of shares, terms, and exercise period are determined by the board of directors on an option-by-option basis. Options generally vest ratably over four or five years and expire ten years from date of grant. As of June 30, 2002, 1,676,260 shares are reserved for future grant under the 2002 plan.

A summary of activity is as follows:

	2002		2001		2000	
	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	4,055,561	$ 34.03	3,826,748	$ 16.48	3,909,582	$ 6.32
Plus options granted	825,764	39.00	1,299,784	71.03	1,286,850	36.51
Less:						
Options exercised	(344,073)	7.40	(805,528)	6.36	(1,007,232)	5.92
Options canceled or expired	(426,617)	56.34	(265,443)	46.17	(362,452)	7.24
Options outstanding at end of year	4,110,635	$ 34.94	4,055,561	$ 34.03	3,826,748	$ 16.48
Options exercisable at end of year	1,526,064	25.45	1,039,248	14.14	1,093,510	6.17
Weighted average fair value of options granted during the year		$ 28.23		$ 56.35		$ 27.51

The following table summarizes information about fixed stock options outstanding at June 30, 2002:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at June 30, 2002	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at June 30, 2002	Weighted Average Exercise Price
$ 1.75 – 9.31	1,051,710	5.73	$ 5.47	586,680	$ 5.25
9.69 – 25.06	1,038,927	6.91	20.38	560,527	17.42
25.36 – 59.37	1,028,401	9.27	42.79	82,925	49.70
$ 59.74 – 93.81	991,597	8.49	$ 73.33	295,932	$ 73.93
	4,110,635			1,526,064	

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

	2002	2001	2000
Net loss:			
As reported	$ 13,989,370	$ 7,174,493	$ 8,722,102
Pro forma	35,067,233	19,400,559	13,565,122
Basic and diluted loss per share:			
As reported	$ 0.59	$ 0.31	$ 0.43
Pro forma	1.48	0.85	0.67

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 2002, 2001, and 2000, respectively: risk-free interest rates of 4.3%, 5.2%, and 6.3%, expected dividend yields of 0% for all years; expected lives of 6.0 years, 6.3 years, and 5.4 years, and expected volatility of 82%, 93%, and 89%, respectively.

Note 5 Income Taxes

The Company recorded $500,000 and $583,333 of foreign income tax expense in 2002 and 2001, respectively, and no income tax expense in 2000. The difference between the expected tax benefit for all periods presented and the actual tax expense is primarily attributable to the effect of net operating losses being offset by an increase in the Company's valuation allowance, plus the effect of foreign income taxes in 2002 and 2001.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at June 30, 2002 and 2001 are presented below:

	2002	2001
Deferred tax assets:		
Net operating loss carryforwards	$ 54,265,000	$ 44,469,000
Unearned revenue	5,383,000	7,402,000
Research and development credits	3,853,000	1,749,000
Accrued expenses and other	1,104,000	936,000
Capital loss carryforwards	34,000	34,000
Total gross deferred tax assets	64,639,000	54,590,000
Less valuation allowance	(63,718,000)	(54,138,000)
Net deferred tax assets	921,000	452,000
Deferred tax liability:		
Equipment, principally due to differences in depreciation	921,000	452,000
Total gross deferred tax liability	921,000	452,000
Net deferred tax liability	$ —	$ —

The net change in the total valuation allowance for the years ended June 30, 2002 and 2001 was an increase of $9,580,000 and $18,015,000, respectively. Approximately $35,947,000 of deferred tax assets at June 30, 2002, if recognizable in future years, will be recognized as additional paid-in capital, and the remainder will be allocated as an income tax benefit to be reported in the consolidated statement of operations.

At June 30, 2002, the Company had total tax net operating losses of approximately $145,482,000 and total research and development credit carryforwards of approximately $3,853,000, which can be carried forward to reduce federal income taxes. If not utilized, the tax loss and research and development credit carryforwards expire beginning in 2007 through 2022.

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 are 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.

Note 6 Common Stock Warrants

During the year ended June 30, 2000, the Company completed private placements of common stock wherein the placement agents received warrants to purchase 65,500 shares of the Company's common stock through the year 2003 at a weighted average price of $22.51, which are all still outstanding at June 30, 2002.

Note 7 Employee Deferred Savings Plan and Stock Purchase Plan

The Company has a deferred savings plan which qualifies under Section 401(k) of the Internal Revenue Code. Substantially all of the Company's employees are covered by the plan. The Company makes matching contributions of 50% of each employee's contribution with the employer's contribution not to exceed 4% of the employee's compensation. The Company's contributions to the plan were $703,530, $531,174, and $379,930 for the years ended June 30, 2002, 2001, and 2000, respectively.

The Company has an Employee Stock Purchase Plan (the Plan) which was adopted and approved by the board of directors and stockholders in December 1994, under which a maximum of 400,000 shares of common stock may be purchased by eligible employees. At June 30, 2002, 157,409 shares of common stock had been purchased under the Plan. Because the discount allowed to employees under the Plan approximates the Company's cost to issue equity instruments, the Plan is not deemed to be compensatory and, therefore, is excluded from the pro forma loss shown in note 4.

Note 8 Collaborative Research Agreements

In March 2002, the Company formed a $34 million drug discovery collaboration to identify novel drug targets for the diagnosis and treatment of depression. The collaboration will merge the Company's integrated drug target identification and validation technologies with the collaborator's drug discovery and development expertise. The agreement provides the collaborator with license rights and specifies an upfront payment to the Company, plus guaranteed research funding, potential milestones and royalties. Revenue related to the license agreement is being recognized ratably over the service period and revenue related to this research collaboration is being recognized as the research is performed on a percent-complete basis.

Also in March 2002, the Company formed a $24 million research collaboration whereby the Company will apply its high-speed genomic sequencing capability and bioinformatics expertise to deliver molecular genetic information to the collaborator. Revenue related to this research collaboration is being recognized as the research is performed on a percent-complete basis.

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

In August 1999, and as expanded in December 2000, the Company entered into a two-year collaboration to perform research related to crop genomics. The Company received $33.5 million from this collaboration, which was completed in December 2001. Revenue related to this research collaboration was recognized as the research was performed on a percent-complete basis.

In September 1995, the Company entered into a collaborative research and license agreement to perform various research for a pharmaceutical company. This agreement was expanded in 1997 and 1998. Under the agreement, as expanded, the Company received $38.7 million through December 2001 when the project was completed. Revenue related to this project was recognized as the research was performed on a percent-complete basis.

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

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

Note 9 Segment and Related Information

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

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

	Research	Predictive Medicine	Total
Year ended June 30, 2002			
Revenues	$ 27,015,167	$ 26,821,332	$ 53,836,499
Depreciation and amortization	2,894,434	1,601,712	4,496,146
Segment operating loss	14,244,330	4,415,437	18,659,767
Year ended June 30, 2001			
Revenues	$ 28,071,252	$ 17,091,139	$ 45,162,391
Depreciation and amortization	2,597,297	1,131,266	3,728,563
Segment operating loss	7,460,775	5,675,730	13,136,505
Year ended June 30, 2000			
Revenues	$ 25,219,766	$ 8,793,272	$ 34,013,038
Depreciation and amortization	2,494,333	790,401	3,284,734
Segment operating loss	5,373,891	6,173,236	11,547,127

	2002	2001	2000
Total operating loss for reportable segments	$ (18,659,767)	$ (13,136,505)	$ (11,547,127)
Unallocated amounts:			
Interest income	5,384,802	6,850,479	3,208,506
Other	(214,405)	(305,134)	(383,481)
Income taxes	(500,000)	(583,333)	—
Net loss	$ (13,989,370)	$ (7,174,493)	$ (8,722,102)

All of the Company's revenues were derived from research and testing performed in the United States. Additionally, all of the Company's long-lived assets are located in the United States. All of the Company's research segment revenue was generated from seven, six, and seven collaborators in fiscal 2002, 2001, and 2000, respectively. Further, revenue from two of the seven collaborators was in excess of 10% of the Company's consolidated revenues for each year presented.

Note 10 Investment in Myriad Proteomics, Inc.

In April 2001, the Company announced the formation of a new alliance with Hitachi, Ltd. (Hitachi), Friedli Corporate Finance A.G. (Friedli), and Oracle Corporation (Oracle) to map the human proteome. The newly formed entity, Myriad Proteomics, Inc. (Myriad Proteomics), will market its proprietary proteomic information to pharmaceutical and biotechnology companies for therapeutic and diagnostic product development. The Company contributed technology to Myriad Proteomics in exchange for a 49% ownership interest and Hitachi, Friedli, and Oracle contributed a combined $82 million in cash in exchange for the remaining 51% ownership in Myriad Proteomics.

The Company is accounting for its investment in Myriad Proteomics using the equity method. Because the Company's initial investment in Myriad Proteomics consisted of technology with a carrying value of $0 on the Company's consolidated financial statements, and given the uncertainty of the realizability of the difference between the $82 million carrying amount and the Company's proportionate share of the net assets of Myriad Proteomics, the Company's initial investment in Myriad Proteomics was recorded as $0. The Company allocated $41 million of this difference to technology and this amount is being reduced as the related technology charges, including in-process research and development, are incurred at Myriad Proteomics. At June 30, 2002, the remaining technology basis difference is estimated to be $14 million. The remaining $41 million of unallocated basis difference is being accreted to income over the period of expected benefit of 15 years.

As part of the formation of Myriad Proteomics, the Company entered into administrative and scientific outsourcing agreements with Myriad Proteomics. The original terms of these agreements expired on December 31, 2001, but were extended until June 30, 2002 at the option of Myriad Proteomics.

Charges to Myriad Proteomics for services incurred related to the administrative and scientific outsourcing agreements are based on actual time and expenses incurred by the Company on behalf of Myriad Proteomics. During the years ended June 30, 2002 and 2001, the Company provided $6,253,394 and $1,644,498, respectively, of administrative and scientific services to Myriad Proteomics. As of June 30, 2002, the Company has received all but $292,585 of payments from Myriad Proteomics for these outsourcing services. This amount has been recorded as a reduction of a $1,330,031 payable to Myriad Proteomics for equipment purchased by the Company from Myriad Proteomics, resulting in $1,037,446 included as a related party payable on the accompanying consolidated balance sheets.

Summarized balance sheet information as of June 30, 2002 and 2001 for Myriad Proteomics is as follows:

	2002 (UNAUDITED)	2001
Current assets	$ 50,703,000	$ 72,437,000
Noncurrent assets	62,301,000	65,758,000
Current liabilities	2,783,000	1,812,000
Noncurrent liabilities	18,575,000	20,697,000
Stockholders' equity	$ 91,646,000	$ 115,686,000

Summarized statement of operations information for Myriad Proteomics for the years ended June 30, 2002 and 2001 (the years in which the Company had an investment in Myriad Proteomics) is as follows:

	2002 (UNAUDITED)	2001
Total revenues	$ —	$ —
In-process research and development	—	46,316,000
Other operating costs and expenses	28,478,000	3,068,000
Net loss	$ 24,288,000	$ 48,205,000

Independent Auditors' Report

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, 2002 and 2001, 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, 2002. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Myriad Genetics, Inc. and subsidiaries as of June 30, 2002 and 2001, and the results of their operations and their cash flows for each of the years in the three-year period ended June 30, 2002, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Salt Lake City, Utah
August 23, 2002

Market Price of Common Stock

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

	High	Low
Fiscal 2002		
Fourth Quarter	$ 35.00	$ 16.30
Third Quarter	$ 53.20	$ 30.11
Second Quarter	$ 63.64	$ 28.70
First Quarter	$ 62.50	$ 24.75
Fiscal 2001		
Fourth Quarter	$ 79.85	$ 29.50
Third Quarter	$ 81.75	$ 31.25
Second Quarter	$ 138.00	$ 67.188
First Quarter	$ 92.813	$ 53.00

As of August 28, 2002, there were approximately 165 stockholders of record of the Common Stock and, according to our estimates, approximately 19,358 beneficial owners of the Common Stock. We have not paid dividends to our stockholders since our inception and we do not plan to pay cash dividends in the foreseeable future. We currently intend to retain earnings, if any, to finance our growth.

Corporate Information

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Legal Counsel

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

Transfer Agent and Registrar

American Stock Transfer & Trust Company
59 Maiden Lane
New York, NY 10038

Independent Auditors

KPMG LLP
15 West South Temple
Suite 1500
Salt Lake City, UT 84101

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 13, 2002, at 9:00 a.m.

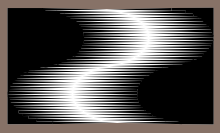
Form 10-K

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

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

Internet

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



MYRIAD GENETICS, INC., 320 WAKARA WAY, SALT LAKE CITY, UTAH 84108