UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended June 30, 1999
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from_____to_____

Commission file number: 0-26642

MYRIAD GENETICS, INC.
(Exact name of registrant as specified in its charter)

Delaware	87-0494517
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

320 Wakara Way, Salt Lake City, UT	84108
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (801) 584-3600

Securities registered pursuant to Section 12(b) of the Exchange Act: None

Securities registered pursuant to Section 12(g) of the Exchange Act:
Common Stock, $.01 Par Value Per Share
(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [_]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [_]

The aggregate market value of the registrant's voting stock held by non-affiliates of the registrant (without admitting that any person whose shares are not included in such calculation is an affiliate) on August 27, 1999 was $107,387,088, based on the last sale price as reported by The Nasdaq Stock Market.

As of September 20, 1999 the registrant had 9,438,989 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents (or parts thereof) are incorporated by reference into the following parts of this Form 10-K: Certain information required in Part III of this Annual Report on Form 10-K is incorporated from the Registrant's Proxy Statement for the Annual Meeting of Stockholders to be held on November 10, 1999.

PART I

Item 1. BUSINESS

General

Myriad Genetics, Inc. ("Myriad" or the "Company") is a genomics company focused on the development of therapeutic and diagnostic products based on the discovery of major common human disease genes and their biological pathways. The Company utilizes analyses of extensive family histories and genetic material, as well as a number of proprietary technologies, to identify inherited gene mutations which increase the risk to individuals of developing these diseases. The Company has also developed ProNet(TM), a proprietary high-throughput assay to identify protein-protein interactions. The Company believes that the application of these technologies may provide new insights into protein function and cellular organization which may lead to the identification of novel therapeutic targets. The discovery of disease-predisposing genes and their biochemical pathways provides the Company with three significant commercial opportunities: (i) the development of therapeutic products for the treatment and prevention of major diseases associated with these genes and their biochemical pathways; (ii) the marketing of subscriptions to the ProNet(TM) database of protein interactions; and (iii) the development and marketing of molecular diagnostic and information services for the identification of individuals who are genetically predisposed to developing a particular disease. The Company has established two wholly-owned subsidiaries-- Myriad Pharmaceuticals, Inc. ("Myriad Pharmaceuticals") which develops therapeutic lead compounds and expects to market them to pharmaceutical companies, and Myriad Genetic Laboratories ("Myriad Labs") which develops and markets proprietary molecular diagnostic products in the areas of predictive medicine and personalized medicine. The Company intends to pursue the development of therapeutic products either in conjunction with its strategic partners such as Bayer Corporation ("Bayer"), Eli Lilly and Company ("Lilly"), Monsanto Company ("Monsanto"), Novartis Corporation ("Novartis"), Schering Corporation ("Schering"), and Schering AG, Germany ("Schering AG"), or independently through Myriad Pharmaceuticals.

Since its inception in 1991, the Company has discovered and sequenced, with its academic collaborators, the following major genes: BRCA1, BRCA2, CHD1, MMAC1, MMSC1, MMSC2, CtIP, p16, p19, and MTS2. In addition, the Company has located a number of genes that interact in the biochemical pathways of its gene discoveries and discovered the chromosomal location of additional genes involved in heart disease, asthma, cancer, osteoporosis, obesity, and depression.

Myriad has achieved the following major milestones during the fiscal year ended June 30, 1999:

- Announced the formation of Myriad Pharmaceuticals, a wholly owned subsidiary established to develop therapeutic lead compounds for selected common diseases with large potential markets that are under-served by current medical options.

- Entered into a five-year, $51 million collaboration with Schering AG to utilize ProNet(TM) for drug discovery and development.

- Expanded its strategic alliance with Bayer for an additional two years. Under this extension, the Company may receive up to $12 million in additional research funding and milestone payments, with the research term ending in September 2002. The Company also delivered four drug targets to Bayer for studies which may lead to drug candidate screening.

- Entered into a $15 million collaboration with Monsanto to utilize ProNet(TM) for drug discovery and development.

In order to accelerate its gene discovery and therapeutic target identification programs, the Company employs three synergistic sets of technologies: (i) the genetic analysis of large Utah families performed by the Company's

scientists and collaborators; (ii) the Company's advanced, proprietary bioinformatic gene mapping, sequencing, and cloning technologies; and (iii) the Company's advanced protein interaction and functional genomics technologies -- ProNet(TM). The Company uses proprietary gene mapping and DNA sequencing technologies to identify a narrow chromosomal region, to isolate candidate gene sequences and, ultimately, to identify the actual DNA sequence comprising the disease-predisposing gene. Once an important disease-predisposing gene has been identified, the Company uses advanced protein interaction technologies to identify genes that are upstream and downstream in the biochemical pathways from the gene discovered in order to understand the biochemical pathways involved in the disease process. This enables Myriad and its corporate partners to select promising points of therapeutic intervention along the biochemical pathway.

Myriad's business strategy has five primary components: (i) to expand the Company's leadership position in discovering and sequencing genes; (ii) based on its gene discoveries, to identify potential therapeutic targets by understanding the biochemical pathways related to common diseases; (iii) to capitalize on strategic alliances with corporate partners which provide financing for a major portion of the Company's research and to commercialize certain therapeutic products for the treatment and prevention of disease; (iv) to discover and develop therapeutic products independently based on its gene discoveries and protein interactions; and (v) to build the Company's molecular diagnostic and information services business.

The Company has begun commercialization of its gene discoveries by providing genetic tests for individuals to determine whether or not they have inherited genetic mutations which may increase their risk for specific diseases. In 1996, Myriad introduced BRACAnalysis(TM), an important genetic test for women who have been diagnosed with breast or ovarian cancer and women who are at risk for hereditary breast and ovarian cancer. Women who may benefit from BRACAnalysis(TM) include: women with a diagnosis of breast or ovarian cancer, especially premenopausal breast cancer; women with a family history of breast or ovarian cancer, and women with a blood relative who is known to have a mutation in BRCA1 or BRCA2. In January 1998, the Company introduced its second genetic test, CardiaRisk(TM). The Company believes that the test, which identifies a mutation in the Angiotensinogen gene ("AGT"), will assist physicians both in identifying which hypertensive patients are at a significantly increased risk of developing cardiovascular disease, and identifying which patients are likely to respond to low salt diet therapy and antihypertensive drug therapy.

Myriad has developed a highly automated molecular diagnostic platform which the Company believes will enable it, once it has discovered and sequenced a gene, to develop a test for genetic predisposition relatively quickly and economically. The Company believes that the information gained from tests that confirm genetic predisposition has potential value to individuals and their health care providers in the following areas: (i) proactive health care and lifestyle decisions that may delay or prevent the onset of disease; (ii) early detection of disease; and (iii) selection of the most appropriate treatment. Through Myriad Labs, the Company has established a molecular diagnostic testing laboratory which has received federal certification under the Clinical Laboratory Improvement Amendments of 1988 ("CLIA") and State of New York approval from the New York Department of Health.

During the fiscal years ended 1997, 1998, and 1999 revenues from Myriad's research segment accounted for $14,732,054, $20,999,598, and $20,093,057, or approximately 97%, 91%, and 80% of the Company's revenues, respectively. During the fiscal years ended 1997, 1998, and 1999, Bayer, Novartis, and Schering each accounted for more than 10% of the Company's revenue. During the fiscal years ended 1997, 1998, and 1999 revenues from Myriad's molecular diagnostics segment accounted for $504,045, $2,210,983, and $5,220,349, or approximately 3%, 9%, and 20% of the Company's revenue, respectively. All of the Company's revenues are derived from research and testing performed in the United States. See Note 11 of Notes to Financial Statements for additional industry segment information.

Myriad's Genomics Strategy

Myriad believes that the Company's strategy of combining the three major approaches to the discovery and sequencing of genes (positional cloning, high speed DNA sequencing and protein interaction network analysis) greatly increases the probability that the genes found will be of diagnostic and therapeutic importance. The focused and direct application of these three approaches at the appropriate stage of the gene discovery process enables the Company to discover and sequence important disease-related genes relatively quickly and economically. Starting with a disease target, the Company first utilizes positional cloning, having determined in advance of sequencing that the gene being sought in fact contributes to a substantial percentage of incidence of a particular disease and thus may have significant commercial potential. The Company's positional cloning strategy is based on the presence of a specific disease-related chromosomal fragment shared by many individuals within a multi-generational family.

Myriad has developed proprietary high-speed DNA sequencing technologies that enable the Company to efficiently and rapidly obtain sequences from the chromosomal region and sequence the entire gene once it has been identified. Following the identification of the disease-related gene, the Company uses protein interaction technologies to identify other related genes that may yield additional diagnostic or therapeutic opportunities. Myriad identifies genes that interact with the disease-predisposing gene in order to understand the biochemical pathway associated with the disease. The success of the Company's approach is demonstrated by its discovery and complete sequencing of a number of major genes and the identification of numerous genes along their biochemical pathways.

All stages of the gene discovery process generate a vast amount of information. Accordingly, the Company has designed a proprietary bioinformatics system which provides significant analytical and data management capabilities which are integral to genetic and molecular analysis. The system is based on integrated, protocol-driven database management software which is utilized to track experiments and collect the data generated. The system incorporates data on DNA samples, genetic markers, maps, DNA clones and DNA sequences which are generated during the gene discovery process. Further, the system directs the genetic analysis, fine structure mapping, generation of candidate genes and mutation screening. It allows the automation of labor intensive steps in the analysis of DNA sequences, and incorporates Myriad's expert system for detecting coding regions in random DNA sequences. Proprietary software methods have also been developed by scientists at the Company which significantly accelerate mutation screening.

The discovery of disease-causing genes leads directly to two important commercial opportunities for the Company: (i) therapeutic products for treatment or prevention of disease and (ii) molecular diagnostic products and services such as BRACAnalysis(TM) and CardiaRisk(TM).

Myriad's Gene Discovery Programs

Myriad's research programs are focused on the discovery of disease-related genes which predispose individuals to cancer, cardiovascular diseases and other common diseases. The Company's gene discovery and development programs in cancer, cardiovascular diseases and other major diseases are described below.

Cancer

Scientists and physicians understand that cancer and other common disorders have a strong hereditary component. These diseases involve genetic changes that affect millions of individuals. Individuals genetically predisposed to cancer have a disease-related mutation in one of the two copies of a gene they inherit from their parents. Thus, one step that can lead to cancer has already occurred in every cell of that individual.

BRCA1 Breast and Ovarian Cancer Gene. The Company and its collaborators reported the discovery of the BRCA1 breast and ovarian cancer predisposing gene in the October 7, 1994 issue of the journal Science. In 1999, it is estimated that approximately 175,000 women in the United States will be diagnosed with breast cancer and an

additional 25,000 women will be diagnosed with ovarian cancer. During the same period, an estimated 43,000 women will die from breast cancer (the second highest cancer mortality rate among women) and an estimated 14,500 women will die of ovarian cancer. BRCA1 appears to be responsible for approximately half of the early onset hereditary breast cancer cases in an international study of breast cancer conducted by the Breast Cancer Linkage Consortium. Hereditary breast cancer is believed to account for approximately 10% of all cases of breast cancer. A study of women in the United States published in the American Journal of Human Genetics indicates that a woman with a BRCA1 mutation has an 86% risk of developing breast cancer by age 80 as compared to a general population risk of 10%. Additionally, according to a recent study published in Lancet, the risk to a woman with a BRCA1 mutation of developing ovarian cancer by age 70 is approximately 44%, compared to a general population risk of approximately 1%.

BRCA2 Breast Cancer Gene. In December 1995, Myriad and its collaborators announced the discovery of the complete sequence of BRCA2, a second hereditary breast cancer gene which was found to be responsible for the majority of the remaining cases of inherited breast cancer, as reported in the journal Nature Genetics. BRCA2 mutations are thought to account for a large proportion of the remaining early onset hereditary female breast cancers which are not accounted for by BRCA1, as well as most hereditary male breast cancers. Women with BRCA2 mutations have approximately the same risk of breast cancer as BRCA1 mutation carriers; the risk of ovarian cancer is also increased, although not as much as in those with BRCA1 mutations. Myriad has developed a genetic test for this gene which has been combined with the test for BRCA1 to form a comprehensive integrated test for hereditary breast and ovarian cancer.

MMAC1 Mutated Multiple Advanced Cancer Gene. In January 1997, the Company announced the identification of a major gene responsible for glioma, a form of brain cancer that is a leading killer of children with cancer. In March 1997, the Company further announced that the identified gene was found to be associated with other advanced cancers of the prostate, breast, kidney, and skin. MMAC1 was located through a collaborative effort by scientists at the Company and the University of Texas M.D. Anderson Cancer Center. It is anticipated that the location of MMAC1 will accelerate development of new diagnostic and therapeutic approaches to brain, prostate, breast, kidney, and skin cancers. There can be no assurance, however, that the identification of this gene will lead to the development of diagnostic tests or therapeutic products.

MMSC1 Scaffold Gene. In January 1998, the Company announced the discovery of MMSC1, a gene which appears to interact directly with the MMAC1 brain and prostate cancer gene. MMSC1 is expected to provide a superior target for possible small molecule therapeutic intervention. There can be no assurance, however, that the identification of this gene will lead to the development of therapeutic products. Analysis of the MMSC1 gene and its biological pathway is in progress through the Myriad/Schering collaboration.

p16 Tumor Suppressor Gene. The Company's first major discovery was the involvement of the p16 gene in the formation of many types of cancer including melanoma, lymphoma, leukemia and cancers of the lung, breast, brain, bone, bladder, kidney and ovary. The role of p16 as a tumor suppressor was discovered by Myriad and was reported in the April 15, 1994 issue of the journal Science. When p16 is mutated, its function as a molecular brake during a key step in the cell division process is lost and uncontrollable cell growth may take place. Myriad has shown that p16 is deleted or mutated in approximately half of all tumor cell lines tested. Because p16 is one of the most commonly mutated or deleted tumor suppressor genes discovered to date, Myriad believes that it is a promising candidate for the development of new anti-cancer therapies. The p16 gene may also have value in monitoring disease progression.

Myriad also discovered that abnormal p16 genes can be inherited and predispose individuals to melanoma. The Company's discovery of the p16 predisposition to melanoma was reported in the September 1994 issue of the journal Nature Genetics. Melanoma is lethal in 86% of cases where it has metastasized (spread to another site in the body). However, when melanoma is diagnosed at an early stage, less than 10% of patients die within 5 years. Since the early 1970s, the incidence of melanoma has increased at about 4% per year and melanoma has become one of the fastest growing cancers in the United States. In 1999 it is estimated that approximately 44,000 Americans will be

diagnosed with melanoma. The Company believes that approximately 10% of melanoma cases are hereditary. The Company and its collaborators have substantial expertise in the genetic analysis of melanoma and have begun to identify important disease-predisposing p16 mutations.

MTS2 and p19 Cell Cycle Genes. Myriad scientists located p16 on a narrow region of chromosome 9. Further analysis of this region yielded two other novel genes involved in cell growth and cell cycle control, MTS2 and p19. Although other researchers sequenced a portion of MTS2, the Company discovered that MTS2's expression levels increased during DNA replication and cell division. Myriad also discovered MTS2's potential involvement in cancer and is investigating its specific potential role in several types of cancer. Myriad's discovery of the p19 gene has led to a new area of research in cell division and its possible role in the regulation of another important tumor suppressor gene, p53.

Other Cancer Genes. The Company also has active research programs to identify additional genes believed to be implicated in cancer. Studies by the Company and its collaborators are focused on major cancer sites including prostate cancer, colorectal cancer, lung cancer, brain cancer, leukemia and lymphoma, all of which have a strong hereditary component.

Cardiovascular Diseases

Scientists recognize that cardiovascular diseases represent a group of related disorders that are highly familial and result from both genetic and environmental risk factors. Genetic predisposition to cardiovascular diseases involves a number of familial risk factors including, among others, abnormal levels of triglycerides (fats used for storage and energy), cholesterol, angiotensinogen (a protein involved in the regulation of salt and water retention), and homocysteine (an amino acid involved in blood coagulation), all of which may interact with environmental risk factors, such as the level of physical activity, stress, smoking and diet.

AGT Hypertension Gene. Hypertension (high blood pressure) is a complex disorder which is believed to have a number of causes, including: excess weight, atherogenesis (formation of fat deposits on the interior walls of arteries), and salt sensitivity. Approximately 50 million people in the United States are hypertensive. Hypertension has a significant genetic component and is a major risk factor for cardiovascular disease, kidney failure and stroke. The angiotensinogen ("AGT") gene is believed to be involved in salt-dependent hypertension. Certain mutations in the AGT gene are believed to cause individuals to retain excessive amounts of salt, thus increasing their risk for hypertension. The Company has an agreement with the University of Utah and the Institue National de la Sente et de la Recherche Medicale, pursuant to which it has a co-exclusive license to develop diagnostic products from the genetic mutations of AGT associated with hypertension, and an exclusive license to develop therapeutic products from such genetic mutations of AGT.

CHD1 Heart Disease Gene. Heart disease is the leading cause of death in the United States and is believed to have a significant genetic component. Each year, an estimated 1.1 million Americans will have a new or recurrent myocardial infarctions (heart attack). Approximately one-third of these attacks will be fatal. In March 1998, Myriad and Novartis announced the discovery of a novel gene that is believed to play an important role in cardiovascular disease. The gene, named CHD1 for Coronary Heart Disease 1, encodes a novel protein that may lead to a new class of therapies for cardiovascular disease. The Company has filed U.S. Patent applications, jointly prepared with Novartis, on the CHD1 gene and its protein as well as its use in diagnostic and therapeutic applications. The Company believes that a genetic test for familial cardiovascular disease would be of value to predisposed individuals, who could benefit from regular monitoring.

Other Major Diseases

HOB1 and HOB2 Human Obesity Genes. There are approximately 34 million adult Americans who are classified as obese. The mechanisms of fat storage and energy balance have a substantial hereditary component. The

Company believes that a gene or combination of genes is likely to be responsible for a significant percentage of obesity. It has not been established that the human counterparts of the rare obesity genes recently discovered in mice play a significant role in common human obesity. Myriad believes that its collaborator's collection of DNA from members of extended families with obesity give it a competitive advantage in the search for human obesity genes. Myriad's scientists have determined the chromosomal locations of two significant obesity genes, HOB1 and HOB2. The Company believes that the HOB1 and HOB2 genes are important in human obesity and may be responsible for a majority of hereditary obesity.

OS1 Osteoporosis Gene. Osteoporosis is a disorder of decreasing bone mass affecting approximately one quarter of women over age 60, nearly half of all women over 75, and approximately 25 million individuals in the United States. Osteoporosis is the most significant underlying cause of skeletal fractures among late middle-aged and elderly women. Early detection of a predisposition to osteoporosis is important because nutritional and therapeutic intervention can delay the onset and reduce the severity of the disease. Myriad had determined the chromosomal location of a significant gene involved in osteoporosis, OS1. The Company believes that the OS1 gene plays an important role in the pathogenesis of osteoporosis.

ASM1 Asthma Gene. It is estimated that between 10 and 15 million people in the United States have asthma and there is strong evidence supporting the existence of a genetic component to asthma. Deaths from severe asthma attacks have been increasing in the United States and now number approximately 5,000 per year. Detailed case reviews suggest that many deaths from asthma could have been prevented by earlier and more intensive medical care. There is currently no laboratory test which can establish a diagnosis of asthma. Myriad and its collaborators have begun systematic collection of data from asthma families with a history of asthma and have determined the location of a significant gene involved in asthma, ASM1, and have narrowed the ASM1 gene to a small region of the chromosome.

Depression and Bipolar Disease Genes. There are approximately 13 million people in the United States that are affected by major depression and an additional approximately 4 million in the United States with bipolar disorders or manic depression. In June 1996, the Company entered into a research collaboration with IHC Health Services, Inc. ("IHC") to link IHC's medical data and patient records of individuals with disorders of the central nervous system with the Company's proprietary database of families.

Myriad's Product Development Programs

The Company has identified three commercial opportunities arising from the discovery of genes which predispose individuals to common diseases: (i) the development of therapeutic products for the treatment and prevention of major diseases; (ii) the marketing of subscriptions to the ProNet(TM) database of protein interactions, and (iii) the development and marketing of molecular diagnostic and information services for the identification of individuals who are genetically predisposed to developing a particular disease, such as its BRACAnalysis(TM) and CardiaRisk(TM) tests.

Therapeutic Products

The Company believes that, to a large extent, the future of medicine will be in the combination of new drugs which either prevent disease from initially developing or prevent disease from progressing, and in diagnostic tests that will determine which patients should receive these new drugs. The Company believes it can capture a greater portion of the value of new drugs by initiating drug discovery within Myriad Pharmaceuticals. The Company's proprietary database, ProNet(TM), contains information on a large number of protein networks and the association of these networks with human diseases. While the Company has partnerships that allow its collaborators to look at parts of this database, the majority of the information is freely available for Myriad to use independently. Myriad Pharmaceuticals has identified genes within the ProNet(TM) database which it believes are key regulators of several important and common human diseases.

Through Myriad Pharmaceuticals, the Company is building drug discovery screens for a number of diseases for which a large and unmet medical need exists, such as cancer, rheumatoid arthritis, chronic pain, and diseases of the central nervous system. Myriad Pharmaceuticals has recruited a group of experienced scientists who will assist in the design, construction and operation of drug discovery screens. These screens will be used to discover small molecular weight compounds which can be used as the starting points for the design of effective new medicines. The Company anticipates that Myriad Pharmaceuticals will identify a number of compounds that show some benefit in use against the target genes. However, as is the case for all drug discovery programs, many of these compounds will not be of long-term interest because of lack of selectivity, toxicity or problems with metabolism. The Company will seek to identify and cease development work on these compounds early in the development process and only proceed with the best candidate molecules. It is the intention of the Company that Myriad Pharmaceuticals will test its drug candidates in a variety of pre-clinical assays in order to establish their efficacy and safety and then, where possible, partner the drug candidates with major pharmaceutical companies.

ProNet(TM) Database

ProNet(TM) is a proprietary database of human proteins, the proteins they interact with and their biochemical pathways. Each protein and its interacting partners form a network, which reads like a map positioning the protein in the disease pathway and tracing the protein's role in that pathway. The Company believes that since virtually all cellular processes are controlled by proteins, including important disease processes, knowledge of how proteins interact can be extremely valuable in the identification of drug targets for novel therapeutic development.

Myriad's proprietary automation and sequencing capabilities developed for the Company's positional cloning and diagnostic efforts have been applied to the search process to allow high throughput processing of protein interactions. As Myriad's efforts to identify protein interactions progresses, the Company's elucidation of an ever increasing fraction of these interactions may enable researchers to identify functional complexes and trace pathways that are involved in disease progression. The Company believes that ProNet(TM) provides a significant opportunity to identify and develop novel drug targets and that the drug discovery efforts of pharmaceutical and biotechnology companies may benefit from ProNet(TM) in a number of ways:

- Information from ProNet(TM) may enable researchers to identify proteins involved in critical interactions. These proteins can be developed as targets for therapeutic intervention;

- Knowledge of interacting partners may aid in assigning proteins to biochemical or disease-related pathways;

- Analysis of ProNet(TM) may suggest functions for many novel proteins;

- Identification of new relationships may suggest novel roles for known proteins; and

- Selection of high-quality drug discovery targets from the numerous candidate genes involved in disease pathways may be possible.

On November 20, 1997, the Company and Bayer jointly announced a research collaboration focusing on the discovery of gene targets and the development of new therapeutics to treat dementia and depression. On October 6, 1998, the Company announced a five-year collaboration with Schering AG. Under the agreement, Myriad will have an option to co-promote all new therapeutic products in North America and receive 50 percent of the profits from North American sales of all new drugs discovered. On November 12, 1998, the Company announced a research collaboration with Monsanto which will initially focus on two major disease pathways, with Monsanto having the option to extend the research program to look at additional disease areas. Each of these research programs will utilize the Company's ProNet(TM) database to assist in locating drug targets.

Molecular Diagnostic Tests
BRACAnalysis(TM)

In 1996, the Company introduced BRACAnalysis(TM), a comprehensive BRCA1 and BRCA2 sequence analysis for susceptibility to breast and ovarian cancer. BRACAnalysis(TM) provides women and their family members who are at risk for hereditary breast and ovarian cancer with important information that the Company believes will help them and their physicians make better informed lifestyle, surveillance and treatment decisions.

BRACAnalysis(TM) is a fully automated testing platform that can deliver a direct full sequence analysis of BRCA1 and BRCA2 to women who seek knowledge of their predisposition to breast and ovarian cancer. The Company believes that women who may benefit from BRACAnalysis(TM) include: (i) women with a diagnosis of breast or ovarian cancer, especially premenopausal breast cancer; (ii) women with a family history of breast or

ovarian cancer; and (iii) women with a blood relative who is known to have a mutation in BRCA1 or BRCA2.

In order to have the test performed, an individual visits his or her physician or health care provider and a blood sample is obtained, placed in a bar coded test tube and forwarded to Myriad Labs for processing. Upon receipt by Myriad Labs, each sample is logged for sample tracking and is then handled by advanced robotic systems to process the sample and perform the genetic test. BRACAnalysis(TM) identifies mutations in the BRCA1 and BRCA2 genes through a process that involves the performance of over 80 separate PCR amplifications and the full sequencing of more than 35,000 DNA base pairs of the two genes from the individual's blood sample.

CardiaRisk(TM)

In 1998, the Company introduced CardiaRisk(TM). This test, like BRACAnalysis(TM), has been fully automated and is performed by Myriad Labs using DNA extracted from a patient's blood sample. There are approximately 50 million hypertensive patients in the United States. Therapy for these patients includes the use of a low-salt diet, other dietary regimens, and numerous drug therapies, including ACE inhibitors, to control the blood pressure. Although a low salt diet is frequently recommended for hypertensive patients, either alone or in combination with drug therapy, only an estimated 20%-30% of patients actually receive any benefit from a special low salt diet. Moreover, patients often have difficulty complying with the low salt diet.

Results of a recent study of 1,509 patients by the National Institutes of Health showed that of all patients placed on a low salt diet, only patients with the AGT mutation achieved a significant reduction in blood pressure over the three year course of the study. Hypertensive patients in this study with the variant form of the AGT gene were also found to be 42% more likely to progress beyond borderline hypertensive blood pressure levels, and their hypertension is more likely to occur earlier in life and become more severe. Additional clinical studies have shown that individuals with both copies of the variant form of the AGT gene have experienced greater reduction in blood pressure with ACE inhibitor therapy versus individuals with normal copies of the AGT gene.

CardiaRisk(TM) identifies patients who have a greater risk of myocardial infarction (heart attack) and coronary disease by determining the presence of a genetic variation of the AGT gene. In a study published in the June 24, 1995 issue of Lancet of 422 patients with documented coronary heart disease, those with two copies of the variant AGT gene had a 2.6 times greater risk of coronary heart disease and a 3.4 fold greater risk of myocardial infarction than those individuals with one or no copies of the variant.

The Company maintains a sales force with regional responsibilities for sales, promotion and education of physicians nationwide, and expects to expand its sales force over the next three years. Marketing and educational efforts initially have been directed to cancer centers, oncologists and managed care organizations as primary customers for BRACAnalysis(TM) and CardiaRisk(TM). Myriad also conducts educational symposia for physicians in conjunction with the major medical conferences across the country.

There can be no assurance that these tests or other similar tests developed by the Company in the future will achieve overall market acceptance. The degree of market acceptance will depend on a number of factors, including the availability of third-party reimbursement and demonstration to the medical community of the value, efficacy and cost-effectiveness of the tests to patients, payors and health care providers.

Myriad's Commercialization Strategy

Myriad's commercialization strategy is to focus on the development of therapeutic and diagnostic products based on the discovery of major common human disease genes and their biological pathways. In addition, the establishment of the ProNet(TM) database also gives the Company potential licensing and subscription revenues in the near term. The development of therapeutic treatments for major diseases will be pursued in collaboration with strategic partners and independently through Myriad Pharmaceuticals.

Therapeutic Product Development

Genes control all physiological processes through the expression of proteins. Genetic disease manifests itself when a gene produces a protein that causes a harmful effect or fails to produce a protein necessary for good health. For example, a mutated gene may express a protein that causes certain cells to proliferate without control, causing cancer. The Company believes that the technologies it has developed to identify genes and their biochemical pathways will enable it to identify important proteins for therapeutic intervention. Preventing or treating disease involves either (i) intervening, through the use of a drug, in the complex series of cellular processes (which may include a series of receptor, enzyme, hormone and other protein interactions in the biochemical pathway) that block the activity of a harmful protein or replace the function of a beneficial protein; (ii) blocking, replacing, modifying or regulating the gene responsible for a beneficial or harmful protein; or (iii) replacing a beneficial protein.

Myriad Pharmaceuticals was created to develop therapeutic lead compounds for selected common diseases with large potential markets that are under-served by current therapeutic options. Myriad Pharmaceuticals will use drug targets discovered with the Company's ProNet(TM) technology to identify candidates for pre-clinical development.

Myriad Pharmaceuticals has initiated its drug discovery programs, concentrating initially on therapeutics for cancer, inflammatory disorders and central nervous system disorders. The Company plans to develop drug targets into fully-validated lead candidates, ready for clinical trials. Taking the drug discovery process further along the development pathway, including data on safety, efficacy, toxicology and pharmacokenetics, should enable the Company to capture a greater portion of the value of new drugs. The company does not plan to perform clinical trials on the compounds it generates but expects to partner clinical development of its therapeutic candidates with major pharmaceutical companies. There can be no assurance that the Company will be successful in identifying or partnering lead compounds or, once partnered, that the selected compounds will prove efficacious for drug discovery.

ProNet(TM) Database Opportunity

ProNet(TM) is a powerful technology which the Company believes will aid major pharmaceutical collaborators in identifying the most appropriate targets for therapeutic interventions. Myriad intends to license non-exclusive access to the ProNet(TM) database to pharmaceutical companies for use in identifying novel proteins and their biochemical pathways for use in the development of new therapeutics. There can be no assurance that the Company will be able to obtain information on all of the proteins in the human body and their biochemical pathways or that the Company will successfully license rights to the database.

Molecular Diagnostic Business

Through Myriad Labs, the Company has established a central molecular diagnostic laboratory to provide genetic information services to health care providers based on the genes discovered or licensed by the Company. The Company is developing a clinical database of information on mutations of each gene discovered, including the frequencies of occurrence in different population groups and the clinical effect of these mutations. This database will permit Myriad Labs to provide health care professionals with detailed genetic information regarding the risk profile associated with an individual's genetic test results. Myriad Labs also provides educational and support services to physicians and health care professionals as part of its genetic information business.

By targeting its gene discovery efforts to the genetic predisposition components of major common diseases such as cancer and cardiovascular disease, the Company believes it will be able to assist health care providers in determining an individual's predisposition to such illnesses. The Company believes that genetic predisposition testing will be of great medical value to large segments of the population. Both affected individuals and those who are not currently affected but have a high risk of developing the disease in the future can benefit from the molecular diagnostic information which will enable them to make more informed decisions concerning selection of the most appropriate therapy, increased monitoring and preventive measures.

In the longer term, the Company believes that as more genes are added to its portfolio through discoveries by the Company and licenses of genes discovered by others, the Company may be positioned to offer an array of molecular diagnostics which cover a number of major diseases. The availability of a broad molecular diagnostic profile could lead to expanded markets encompassing substantial additional segments of the population who could benefit from knowing their risk of developing a variety of major diseases.

There are numerous difficulties and challenges associated with developing molecular diagnostics based on gene discoveries, as well as uncertainties in interpreting the results. A defective gene may malfunction in many ways, and the numerous mutations of the gene may make tests for the mutations difficult. In addition, even when a molecular diagnostic identifies the existence of a mutation in a particular individual, the interpretation of the molecular diagnostic results is limited to the identification of a statistical probability that the tested individual will develop the disease for which the test has been completed. There can be no assurance that the Company will be successful in developing molecular diagnostics in addition to BRACAnalysis(TM) and CardiaRisk(TM) or that BRACAnalysis(TM), CardiaRisk(TM), or any such tests will be able to be marketed at acceptable prices or will receive commercial acceptance in the markets that the Company expects to target.

Strategic Alliances

The Company seeks to obtain financing for a portion of its research and development activities through strategic alliances with corporate partners and endeavors to leverage its research efforts through collaborative agreements with academic institutions. Myriad has formed strategic alliances with six major pharmaceutical companies to date. The Company is collaborating with (i) Bayer, Monsanto and Schering AG to discover drug targets through the use of ProNet(TM); (ii) Schering to discover genes involved in prostate and other cancers; (iii) Novartis to discover genes involved in certain types of cardiovascular disease; (iv) Bayer to discover genes involved in obesity, osteoporosis, asthma, dementia, depression; and (v) Lilly on the discovery of the BRCA1 breast and ovarian cancer gene. The Company is actively pursuing potential strategic alliances with other partners in areas where it believes they may enhance the Company's ability to develop and exploit its technology. The material terms of the Company's current strategic alliances and collaborative agreements are described below.

Monsanto Company

In November 1998, the Company announced a collaboration with Monsanto to use Myriad's ProNet(TM) technology to discover and develop new therapeutic products. The 15 month collaboration will initially focus on two major disease pathways, with Monsanto having the option to extend their research program an additional 12 months to look at other disease areas. The agreement may provide up to $15 million to the Company including an upfront payment, option payments, license fees and milestone payments. The Company will also receive royalties on worldwide sales of drugs resulting from the discovery of novel targets found through use of the ProNet(TM) database.

Schering AG, Germany

In October 1998, the Company entered into a five-year collaboration with Schering AG to utilize ProNet(TM) to understand the biochemical pathways of major diseases that could ultimately lead to numerous potential therapeutic targets. This collaboration may provide the Company with licensing fees, subscription fees, option payments and milestone fees with a value of up to $51 million. Under the agreement, the Company will have an option to co-promote all new therapeutic products in North America and receive 50 percent of the profits from North American sales of all new drugs discovered with ProNet(TM). If the Company chooses to co-promote the drug as a 50 percent partner, the Company may be required to pay funds to Schering AG to establish equal ownership.

Schering-Plough Corporation

In April 1997, the Company entered into a Collaborative Research and License Agreement and Stock Purchase Agreement with Schering with a value of up to $60 million. Under the agreements, Schering made a $4 million equity investment in the Company, a $4 million one-time license payment to the Company, and agreed to provide $9 million of funding over a three-year period to support the Company's research and development programs to identify and sequence certain genes involved in the field of prostate and other cancers. The three-year term of the agreement may be extended for two additional one-year periods with annual research and development funding of up to $4 million each additional year. In addition, the Company may receive future milestone payments up to $35 million and future royalty payments on therapeutic product sales.

In October 1997, the Company announced that Schering had licensed the therapeutic rights to the MMAC1 gene. In March 1998, the Company demonstrated the tumor-suppressor activity of the MMAC1 gene. Each event

triggered milestone payments from Schering to the Company.

Bayer Corporation

In September 1995, Myriad entered into a Collaborative Research and License Agreement and Stock Purchase Agreement with Bayer with a value of up to $71 million. Under the agreements, Bayer made a $10 million equity investment in the Company and agreed to provide $25 million of funding over a five-year period to support the Company's research and development programs to identify and sequence genes involved in the field of obesity, osteoporosis and asthma. In addition, the Company may receive future milestone payments up to $36 million and future royalty payments on therapeutic product sales.

In November 1997 and again in December 1998, the Company announced expansions of its collaborative research and development arrangement with Bayer. The expanded agreement will add dementia and depression to the fields of research and extend the collaborative effort until September 2002. The expanded collaboration provides the Company with additional research funding and potential milestone payments of up to $66.5 million or a total potential of up to $137 million.

Novartis Corporation

In April 1995, Myriad entered into a Collaborative Research and License Agreement and Stock Purchase Agreement with Novartis. Under the agreements, Novartis made a $7 million equity investment in the Company and agreed to provide $25 million of funding over a five-year period to support the Company's research and development programs to identify and sequence certain genes involved in the field of cardiovascular disease. In addition, the Company may receive future milestone payments up to $28 million and future royalty payments on therapeutic product sales.

In March 1998, the Company announced that Novartis had licensed from the Company the therapeutic rights to the CHD1 gene which triggered a milestone payment from Novartis to the Company.

Eli Lilly and Company

In August 1992, the Company entered into a Research Collaboration and License Agreement with Lilly and its former subsidiary, Hybritech Incorporated (''Hybritech''), pursuant to which Lilly and Hybritech made an equity investment in the Company and provided funding over a three-year period to support the Company's research and development program to discover the BRCA1 gene. The Company may also receive future milestone payments and future royalty payments on therapeutic and diagnostic product sales. The Company granted to Lilly an exclusive, worldwide license to develop, manufacture and sell therapeutic products derived from the BRCA1 gene, and granted to Hybritech an exclusive, worldwide license to develop, manufacture and sell diagnostic kits derived from the BRCA1 gene. Royalties with respect to therapeutic and diagnostic products which may in the future be developed by Lilly and Hybritech will be payable on product sales in each country until the expiration of the last valid patent covering such products in that country. Under the agreement, the Company retained the exclusive, worldwide rights to provide molecular diagnostic services based on the BRCA1 gene.

Hybritech, a subsidiary of Beckman Instruments, Inc.

In March 1993, the Company and Hybritech entered into a related Collaborative Agreement which establishes certain rights and obligations of the Company and Hybritech with respect to Hybritech's development and sale of diagnostic kits. The agreement provides that Hybritech will have access to the BRCA1 mutation profile developed by the Company for use in connection with Hybritech's development of diagnostic kits. The agreement gives the Company the exclusive right to manufacture DNA or RNA-based reagents for use in Hybritech's diagnostic kits, should Hybritech elect to develop diagnostic kits based on such reagents. The agreement also requires Hybritech to make periodic milestone payments to the Company keyed to progress in the development of a diagnostic kit. The first of such milestones has been achieved and paid to the Company.

Aetna U.S. Healthcare

In addition to its collaborations with major pharmaceutical companies, Myriad, in order to facilitate patent access to its genetic predisposition testing, has entered into an agreement with Aetna. Under the agreement, Aetna will provide medical coverage for the Company's BRACAnalysis(TM) test for patients throughout their system who are

at hereditary risk for breast or ovarian cancer. Aetna serves the health insurance needs of approximately 23 million people nationwide. In addition, Aetna has contracts with more than 250,000 independent physicians and 2,300 hospitals from all 50 states. BRACAnalysis(TM) test information will be used by Aetna to provide improved healthcare management of their patients. No patient test result information will be provided to Aetna by the Company unless the patient specifically requests in writing that the information be released.

Academic Collaborations

The Company has a number of collaborative agreements with the University of Utah (the "University"), IHC, the University of Texas M.D. Anderson Cancer Center ("MDA"), and Valley Mental Health ("VMH") which represent important elements of the Company's research and development programs. The Company provides funding for its scientific collaborators at the University, IHC, MDA, and VMH to expand the development of databases of families, the collection of clinical information and the analysis of DNA samples relating to specific gene discovery projects targeted by the Company. The University, IHC, MDA, and VMH have granted the Company an exclusive, worldwide, royalty bearing license to any commercial application including all gene discoveries, inventions and improvements created or discovered during such research for use by the Company or its corporate partners for diagnostic and therapeutic purposes.

Collaborations Related to Cancer. The Company has entered into a research agreement and four related exclusive license agreements with the University in the field of cancer. The Company and University entered into an Exclusive License Agreement in October 1991, pursuant to which the Company was granted an exclusive, worldwide license to the University's patent rights arising out of the discovery of the BRCA1 breast and ovarian cancer gene for use in the diagnosis and treatment of breast cancer.

In December 1992, the Company entered into a Standard Research Agreement to provide funding to the University of Utah Center for Cancer Genetic Epidemiology for research projects directed to the isolation, sequencing and characterization of genes predisposing to cancer, including but not limited to colon cancer, lung cancer, prostate cancer and melanoma. Following the Company's discovery of the p16 gene, the Company entered into a second Exclusive License Agreement with the University in June 1994, pursuant to which the Company was granted an exclusive, worldwide license to discoveries and inventions arising out of research at the Center for Cancer Genetic Epidemiology related to germline mutations of the p16 gene and methods of detecting predisposition to cancer based on the p16 gene. In November 1994, the Company entered into a third Exclusive License Agreement with the University, pursuant to which it was granted an exclusive, worldwide license to discoveries and inventions arising out of research at the Center for Cancer Genetic Epidemiology directed to the localization, sequencing and characterization of the BRCA2 breast cancer predisposing gene.

In February 1997, the Company entered into a fourth Exclusive License Agreement with the University, pursuant to which the Company was granted an exclusive, worldwide license to the University's patent rights arising out of research directed to the isolation, sequencing and characterization of genes responsible for prostate cancer.

In July 1997, the Company entered into a Standard Research Agreement to provide supplemental funding to the University of Utah Center for Cancer Genetic Epidemiology for research projects directed to the isolation, sequencing and characterization of genes responsible for prostate cancer.

In September 1996, the Company entered into a Patent and License Technology Agreement with the University of Texas and MDA in connection with research directed to the isolation sequencing and characterization of genes involved in leukemia, pursuant to which the Company was granted an exclusive, worldwide license to any commercial application of leukemia genes discovered during such research. In December 1996, the Company entered into a second Patent and License Technology Agreement with the University of Texas and MDA in connection with research directed to the isolation sequencing and characterization of genes involved in glioma, prostate, and renal cancer, pursuant to which the Company was granted an exclusive, worldwide license to any commercial application

of glioma, prostate, and renal cancer genes discovered during such research.

Collaborations Related to Cardiovascular Disease , Diabetes and Obesity. In May and August 1995, as amended in December 1996, the Company entered into two Standard Research Agreements and two Exclusive License Agreements with the University under which the Company agreed to reimburse the University for research performed at its Cardiovascular Genetics Research Clinic on behalf of the Company in the fields of cardiovascular disease, diabetes and obesity. The University granted the Company exclusive, worldwide rights to use the database of families, clinical information and DNA samples for the discovery of genes for the diagnosis and treatment of cardiovascular disorders, diabetes and obesity. The research agreement covering cardiovascular disorders and diabetes terminates on April 30, 2000, while the obesity research agreement terminates on July 31, 2000.

Collaborations Relating to Chronic Obstructive Pulmonary Disease. In July 1998, the Company entered into a Standard Research Agreement with the University under which the Company agrees to reimburse the University for research performed on behalf of the Company in the field of chronic obstructive pulmonary disease.

Collaborations Relating to Asthma and Osteoporosis. In September 1995, the Company entered into a Standard Research Agreement with IHC under which the Company reimburses IHC for research used to develop a clinical database in the fields of asthma and osteoporosis, by linking IHC's database of patient records to the Company's genealogy database. IHC will also collect clinical information and DNA samples on selected patients. The Company and IHC will jointly own the clinical database, except that IHC may only use the database for educational and research purposes and to improve health care services to its patients and may not (i) use the clinical database to discover genes or develop products from the genes discovered or (ii) sell, license or furnish access to the database to any other party.

The Company has the exclusive rights to use the clinical database, clinical information and DNA samples for the discovery of genes and the development of products for the diagnosis, prevention and treatment of asthma and osteoporosis. The research agreement covering asthma and osteoporosis terminates on August 31, 2000.

Collaborations Relating to Central Nervous System ("CNS") Diseases. In June 1996 and September 1997, the Company entered into Standard Research Agreements with IHC and VMH, respectively. Under these agreements, the Company reimburses IHC and VMH for research used to develop clinical databases in the study of CNS disorders, such as depression, attention deficit hyperactivity disorder, addictive behavior, and obsessive-compulsive disorders, by linking IHC's and VMH's databases of patient records to the Company's genealogy database. IHC and VMH will also collect clinical information and DNA samples on selected patients. The Company and IHC will jointly own the IHC clinical database and the Company and VMH will jointly own the VMH database. IHC and VMH may only use the databases for educational and research purposes and to improve health care services to their patients and may not (i) use the clinical database to discover genes or develop products from the genes discovered or (ii) sell, license or furnish access to the databases to any other party.

The Company has the exclusive rights to use the clinical databases, clinical information and DNA samples for the discovery of genes and the development of products for the diagnosis, prevention and treatment of CNS disorders. The IHC and VMH research agreements covering CNS diseases terminate on April 30, 2001 and August 31, 2002, respectively.

Patents and Proprietary Rights

The Company intends to seek patent protection in the United States and major foreign jurisdictions for the genes it discovers, mutations and products of the genes and related processes, transgenic animals, and other inventions which it believes are patentable and where the Company believes its interests would be best served by seeking patent protection. The Company also intends to seek patent protection or rely upon trade secret rights to protect certain other technologies which may be used in discovering and characterizing new genes and which may be used in the development of novel diagnostic and therapeutic products. To protect its trade secrets and other proprietary

information, the Company requires that its employees and consultants enter into confidentiality and invention assignment agreements. There can be no assurance as to the protection that the confidentiality and invention assignment agreements will afford the Company. In addition, there can be no assurance that any such patents will issue, or that the breadth or the degree of protection of any claims of such patents will afford significant protection to the Company.

The Company owns or has licensed rights to 17 issued patents and numerous patent applications in the United States as well as numerous foreign patent applications relating to genes associated with cancer, heart disease, and hypertension; processes for identifying and sequencing genes, and other related gene discovery technologies. There can be no assurance, however, that any patent applications which the Company has filed or will file or to which the Company has licensed or will license rights will issue or that patents that do issue will contain commercially valuable claims. In addition, there can be no assurance that any patents issued to the Company or its licensors will afford meaningful protection for the Company's technology or products or will not be subsequently circumvented, invalidated or narrowed.

The Company's processes and potential products may also conflict with patents which have been or may be granted to competitors, academic institutions or others. As the biotechnology industry expands and more patents are issued, the risk increases that the Company's processes and potential products may give rise to interferences in the U.S. Patent and Trademark office, or to claims of patent infringement by other companies, institutions or individuals. Such entities or persons could bring legal actions against the Company claiming damages and seeking to enjoin clinical testing, manufacturing and marketing of the related product or process. If any such actions are successful, in addition to any potential liability for damages, the Company could be required to cease the infringing activity or obtain a license in order to continue to manufacture or market the relevant product or process. There can be no assurance that the Company would prevail in any such action or that any license required under any such patent would be made available on acceptable terms, if at all. Failure by the Company to obtain a license to any technology that it may require to commercialize its technologies or potential products could have a material adverse effect on the Company's business, financial condition and results of operations. There is also considerable pressure on academic institutions to publish discoveries in the genetic field. Such a publication by an academic collaborator of the Company prior to the filing date of the Company's application, if it covers a gene claimed in the application, may preclude the patent from issuing or the filing of foreign patent applications, or if a patent was issued, may invalidate the patent.

The Company also relies upon unpatented proprietary technology, and in the future may determine in some cases that its interests would be better served by reliance on trade secrets or confidentiality agreements rather than patents or licenses. These include the Company's positional cloning, protein interaction, robotics and bioinformatics technologies. There can be no assurance that the Company will be able to protect its rights to such unpatented proprietary technology or that others will not independently develop substantially equivalent technologies. If the Company is unable to obtain strong proprietary rights to its processes or products after obtaining regulatory clearance, competitors may be able to market competing processes and products.

Others may obtain patents having claims which cover aspects of the Company's products or processes which are necessary for or useful to the development, use or manufacture of the Company's services or products. Should any such other group obtain patent protection with respect to its discoveries, the Company's commercialization of molecular diagnostic services and potential therapeutic products could be limited or prohibited.

In addition, the Company is party to various license agreements which give it rights to use certain technology in its research, development and testing processes. There can be no assurance that the Company will be able to continue to license such technology on commercially reasonable terms, if at all. Failure by the Company to maintain rights to such technology could have a material adverse effect on the Company.

Competition

Competition in the Company's potential markets is intense. The technologies for discovering genes which

predispose individuals to major diseases and approaches for commercializing those discoveries are new and rapidly evolving. Rapid technological developments could result in the Company's potential services, products, or processes becoming obsolete before the Company recovers a significant portion of its related research and development costs and capital expenditures associated therewith. Competitors of the Company in the United States and abroad are numerous and include, among others, major pharmaceutical and diagnostic companies, specialized biotechnology firms, universities and other research institutions, including those receiving funding from the Human Genome Project. Many of the Company's potential competitors have considerably greater financial, technical, marketing and other resources than the Company, which may allow these competitors to discover important genes in advance of the Company. If the Company does not discover disease-predisposing genes, characterize their functions, develop genetic tests and related information services based on such discoveries obtain regulatory and other approvals, and launch such services or products before competitors, the Company could be adversely affected. In addition, any predisposing tests which the Company may develop, including the BRACAnalysis(TM) test and the recently introduced CardiaRisk(TM) test, could be made obsolete by less expensive or more effective tests or methods which may be developed in the future. The Company expects competition to intensify in the fields in which it is involved as technical advances in such fields are made and become more widely known.

The Company also expects to encounter significant competition with respect to any drugs that may be developed using its technologies. Companies that complete clinical trials, obtain required regulatory approvals and commence commercial sales of therapeutic products prior to the Company or its collabarative partners may achieve a significant competitive advantage. There can be no assurance, however, that the Company or its collaborative partners will be able to develop such products successfully or that such parties will obtain patents covering such products that provide protection against competitors. Moreover, there can be no assurance that the Company's competitors will not succeed in developing therapeutic products that circumvent the Company's products, that such competitors will not succeed in developing technologies or products that are more effective than those developed by the Company and its collaborative partners or that would render technologies or products of the Company and it collaborators less competitive or obsolete.

Government Regulation

Regulation by governmental authorities in the United States and foreign countries is a significant factor in the development, manufacture and marketing of the Company's proposed services and in its ongoing research and development activities. The Company's molecular diagnostic and information services, as well as any therapeutic products which may be developed, will require regulatory approval by governmental agencies prior to commercialization. The establishment and operation of a genetic laboratory requires regulatory approval and periodic compliance reviews. Various federal statutes and regulations also govern or influence the testing, manufacturing, safety, labeling, storage, record keeping, and marketing of such products. The process of obtaining these approvals and the subsequent compliance with applicable statutes and regulations require the expenditure of substantial time and financial resources. Any failure by the Company or its collaborators, licensors or licensees to obtain, or any delay in obtaining, regulatory approval could have a material adverse effect on the Company's business, financial condition or results of operations.

Therapeutics. Under the Company's current strategic alliances, the Company's partners have the right to develop certain therapeutic products based on the Company's gene discoveries. The Company also intends to develop independently therapeutic products based on gene discoveries that it has not licensed to partners. Such products, including any human gene therapy products, will be subject to regulation by the FDA and foreign regulatory authorities and require approval before they may be clinically tested and commercially marketed for human therapeutic use in the United States and other countries. The precise regulatory requirements with which the Company and its corporate partners will have to comply are undergoing frequent revisions and refinement due to the novelty of the human gene therapies being developed. Human gene therapy products are a new category of therapeutics, and there can be no assurance as to the length of the clinical trial period or the number of patients the FDA will require to be enrolled in the clinical trials in order to establish the safety, efficacy, and potency of human gene therapy products. It is uncertain that the clinical data generated in such studies will be acceptable to the FDA such that the FDA will approve the marketing of such products. In addition, obtaining FDA approval for therapeutic products is a costly and time consuming process.

The steps required before a pharmaceutical agent may be marketed in the United States include (a) preclinical laboratory, in vivo and formulation studies, (b) the submission to FDA of an Investigational New Drug application, which must become effective before human clinical trials may commence, (c) adequate and well-controlled human clinical trials to establish the safety and efficacy of the drug, (d) the submission of a New Drug Application ("NDA") to FDA and (e) FDA approval of the NDA, including approval of all product labeling and advertising. Failure to successfully develop therapeutic products could have a material adverse effect on the Company's business, financial results and results of operations.

Molecular Diagnostics. Myriad Labs is subject to government regulation at the federal, state, and local levels as a clinical laboratory. Myriad Labs has received CLIA certification from the Department of Health and Human Services. On the state level, only New York has implemented regulations concerning DNA-based diagnostic testing and the Company has received approval from the State of New York for both breast cancer susceptibility and hypertension/heart disease risk. The Company is aware of several other states that require licensing or registration of clinical laboratory activities. The Company believes that it has taken all steps required of it in such jurisdictions in order for Myriad Labs to conduct business in those jurisdictions. However, there can be no assurance that the Company will be able to maintain state level regulatory compliance in all states where Myriad Labs may do business. Failure to maintain state regulatory compliance, or changes in state regulatory schemes, could result in a substantial curtailment or even prohibition of Myriad Lab's clinical activities and could have a material adverse effect on the Company's business, financial condition and results of operations.

CLIA authorizes the Department of Health and Human Services to regulate clinical laboratories. These regulations, which affect the Company, mandate that all clinical laboratories be certified to perform testing on human specimens and provide specific conditions for certification. These regulations also contain guidelines for the qualification, responsibilities, training, working conditions and oversight of clinical laboratory employees. In addition, specific standards are imposed for each type of test which is performed in a laboratory. CLIA and the regulations promulgated thereunder are enforced through quality inspections of test methods, equipment, instrumentation, materials and supplies on a periodic basis. Any change in CLIA or these regulations or in the interpretation thereof could have a material adverse effect on the Company's business, prospects, financial condition or results of operations.

The Company's business is also subject to regulation under state and federal laws regarding environmental protection and hazardous substances control, including the Occupational Safety and Health Act, the Environmental Protection Act, and the Toxic Substance Control Act. The Company believes that it is in material compliance with these and other applicable laws and that its ongoing compliance therewith will not have a material adverse effect on its business. There can be no assurance, however, that statutes or regulations applicable to the Company's business will not be adopted which impose substantial additional costs to assure compliance or otherwise materially adversely affect the Company's operations.

Human Resources

As of September 15, 1999, Myriad had 244 full-time equivalent employees, including 33 persons holding doctoral degrees and four medical doctors. Most of the Company's employees are engaged directly in research development, production and marketing activities. The Company believes that the success of its business will depend, in part, on its ability to attract and retain qualified personnel.

The Company's employees are not covered by a collective bargaining agreement, and the Company considers its relations with its employees to be good.

Item 2. DESCRIPTION OF PROPERTY

The Company's headquarters are located in Salt Lake City, Utah. The Company currently leases a 92,000 square foot building dedicated to research and development, administration and laboratory space which has received federal certification under CLIA to serve as a genetic predisposition testing laboratory. Activity related to the Company's research and molecular diagnostics segments is performed at this location. Additionally, the Company leases 6,440 square feet for various research segment support functions. Leases are generally for terms of five to ten years, and usually provide renewal options for terms of up to five additional years.

The Company believes that its existing facilities and equipment are well maintained and in good working condition. The Company believes its current facilities will provide adequate capacity for the foreseeable future. The Company continues to make investments in capital equipment as needed to meet the research requirements of its collaborative agreements, its lead compound development requirements, and the anticipated demand for its molecular diagnostic tests.

Item 3. LEGAL PROCEEDINGS

The Company is not a party to any material legal proceedings.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted during the fourth quarter of the year ended June 30, 1999.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

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

	High	Low
Fiscal 1999:		
Fourth Quarter...	$12.375	$ 8.75
Third Quarter....	$ 11.50	$ 8.50
Second Quarter...	$ 12.50	$ 7.875
First Quarter....	$ 16.00	$ 5.75
Fiscal 1998:		
Fourth Quarter...	$23.625	$ 14.00
Third Quarter....	$25.625	$18.188
Second Quarter...	$ 30.00	$ 21.50
First Quarter....	$28.125	$ 22.75

As of August 4, 1999, there were approximately 186 stockholders of record of the Common Stock and, according to the Company's estimates, approximately 2,300 beneficial owners of the Common Stock. The Company has not paid dividends to its stockholders since its inception and does not plan to pay cash dividends in the foreseeable future. The Company currently intends to retain earnings, if any, to finance the growth of the Company.

Sale of Unregistered Securities

None.

Item 6. SELECTED CONSOLIDATED FINANCIAL DATA

The following table sets forth consolidated financial data with respect to the Company as of and for each of the five years ended June 30, 1999. The selected consolidated financial data as of and for each of the five years ended June 30, 1999 have been derived from the consolidated financial statements of the Company. The consolidated financial statements and the report thereon for the year ended June 30, 1999 are included elsewhere in this Annual Report on Form 10-K. The information below should be read in conjunction with the consolidated financial statements (and notes thereon) and "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in Item 7.

	Years Ended June 30,				
	1999	1998	1997	1996	1995
Consolidated Statement of Operations Data:					
Research revenue	$ 20,093,057	$ 20,999,598	$ 14,732,054	$ 6,628,624	$ 1,294,500
Molecular diagnostic revenue	5,220,349	2,210,983	504,045	--	--
Total revenues	25,313,406	23,210,581	15,236,099	6,628,624	1,294,500
Costs and expenses:					
Molecular diagnostic cost of revenue	3,066,354	1,391,368	340,461	--	--
Research and development	23,452,220	23,002,340	18,580,229	12,990,566	5,161,978
Selling, general and administrative	11,105,520	11,807,023	8,755,217	2,525,814	1,788,247
Total costs and expenses	37,624,094	36,200,731	27,675,907	15,516,380	6,950,225
Operating loss	(12,310,688)	(12,990,150)	(12,439,808)	(8,887,756)	(5,655,725)
Other income (expense):					
Interest income	2,348,827	3,223,683	3,414,379	3,173,749	458,353
Interest expense	(6,278)	(32,681)	(66,661)	(97,414)	(71,011)
Other	(27,314)	2,113	(114,190)	(86,052)	--
Net loss	($9,995,453)	($9,797,035)	($9,206,280)	($5,897,473)	($5,268,383)
Basic and diluted net loss per share	($1.06)	($1.05)	($1.03)	($0.78)	($1.19)
Basic and diluted weighted average shares outstanding	9,391,122	9,289,481	8,903,918	7,608,548	4,427,095

	As of June 30,				
	1999	1998	1997	1996	1995
Consolidated Balance Sheet Data:					
Cash, cash equivalents and marketable investment securities	$ 38,926,459	$ 53,109,493	$ 63,077,439	$ 70,002,780	$ 16,140,935
Working capital	8,348,224	21,806,290	38,796,960	41,665,513	13,784,051
Total assets	53,550,940	67,391,972	76,063,331	79,607,497	19,744,451
Notes payable less current portion	--	--	128,844	471,640	780,261
Stockholders' equity	48,215,736	57,481,013	66,178,975	70,185,747	16,256,165

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

OVERVIEW

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

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

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

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

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

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

In November 1998, the Company entered into a 15 month collaboration with Monsanto Company ("Monsanto"), to utilize ProNet(TM) for drug discovery and development. Under the agreement, Monsanto has the

option to extend the research term for an additional twelve months. If the anticipated milestones, option payments, license fees and upfront payments are achieved, the value of the agreement may reach up to $15,000,000. The Company will also receive royalties on worldwide sales of drugs resulting from the discovery of novel targets found through use of the ProNet(TM) technology.

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

RESULTS OF OPERATIONS

Years ended June 30, 1999 and 1998.

Research revenues for the Company's fiscal year ended June 30, 1999 were $20,093,057 as compared to $20,999,598 for the fiscal year ended June 30, 1998. Greater research revenue recognized during the fiscal year ended June 30, 1998 versus the current fiscal year is the result of $3,950,000 in research milestones and contract expansion payments received by the Company in 1998. Excluding the milestone and contract expansion payments, the Company's ongoing research revenue increased $3,043,459 for the fiscal year ended June 30, 1999 versus fiscal 1998. Research revenue from the research collaboration agreements is generally recognized as related costs are incurred. Consequently, as these programs progress and costs increase or decrease, revenues increase or decrease proportionately.

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

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

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

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

Years ended June 30, 1998 and 1997.

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

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

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

Net cash used in operating activities was $14,137,559 during the fiscal year ended June 30, 1999 as compared to $7,028,883 used during the prior year. Trade receivables increased $859,062 between June 30, 1998 and June 30, 1999. This increase is primarily attributable to the 136% increase in molecular diagnostic revenue during fiscal 1999. Trade receivables as a percentage of molecular diagnostic revenue continues to be in the 20-25% range for both June 30, 1999 and June 30, 1998. Other receivables increased $1,738,643 during the fiscal year ended June 30, 1999. This increase is primarily the result of the Company recognizing revenue for it's collaborative research projects which exceed the cash which the Company has received. The Company receives funding from it's collaboration partners evenly over the life of each agreement while research revenue is recognized as expenses are incurred. In past years, as many of the collaborative projects were in their start-up phases, cash received exceeded the amount of revenue recognized, resulting in deferred revenue. Corresponding to the increase in other receivables, deferred revenue decreased $2,059,355 during the fiscal year ended June 30, 1999. Prepaid expenses increased $356,021 during the fiscal year ended June 30, 1999. The increase is primarily due to advance payments to purchase lab supplies at a discount, advanced royalties, and insurance premiums. Accounts payable and accrued expenses decreased by $2,387,557 during the fiscal year ended June 30, 1999 as a result of decreased accruals for unbilled work provided by the Company's research collaborators, a reduction in unbilled legal fees, and payments for lab supplies and equipment which were accrued into the prior fiscal year.

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

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

The Company anticipates that its existing capital resources will be adequate to maintain its current and planned operations for at least the next two years, although no assurance can be given that changes will not occur that would consume available capital resources before such time. The Company's future capital requirements will be substantial and will depend on many factors, including progress of the Company's research and development programs, the results and cost of clinical correlation testing of the Company's genetic tests, the costs of filing, prosecuting and enforcing patent claims, competing technological and market developments, payments received under collaborative agreements, changes in collaborative research relationships, the costs associated with potential commercialization of its gene discoveries, if any, including the development of manufacturing, marketing and sales capabilities, the cost and availability of third-party financing for capital expenditures, and administrative and legal expenses. Because of the Company's significant long-term capital requirements, the Company intends to raise funds when conditions are favorable, even if it does not have an immediate need for additional capital at such time.

Impact of the Year 2000 Issue

The Year 2000 Issue is the result of computer programs using a two-digit format, as opposed to four digits, to indicate the year. Any of the Company's computer programs or other information systems that have time-

sensitive software or embedded microcontrollers may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in a system failure or miscalculations causing disruptions of operations.

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

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

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

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

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

Subsequent Event

In July 1999, the Company entered into a two-year collaboration and license agreement with the Novartis Agricultural Discovery Institute, Inc. ("NADII"). The genomic collaboration will focus on the discovery of the

genetic structure of cereal crops. The collaboration may provide the Company with an upfront payment and research funding of up to $33,500,000. Upon completion, NADII and the Company intend to jointly offer commercial access to the genomic databases and share equally in any resulting proceeds.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

The securities held in the Company's investment portfolio are subject to interest rate risk. Changes in interest rates affect the fair market value of the available-for-sale securities. After a review of the Company's marketable securities as of June 30, 1999, the Company has determined that in the event of a hypothetical ten percent increase in interest rates, the resulting decrease in fair market value of the Company's marketable investment securities would be insignificant to the financial statements as a whole.

Certain Factors That May Affect Future Results of Operations

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

not exist for therapeutic lead compounds that the Company develops or if such markets exist, that the Company will not be able to sell compounds which it develops at acceptable prices. As a result, the Company's future development efforts involve a high degree of risk. For further information, refer to the more specific risks and uncertainties disclosed throughout this Annual Report on Form 10-K.

Item 8. FINANCIAL STATEMENTS

MYRIAD GENETICS, INC.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

Item 10. DIRECTORS AND OFFICERS OF THE REGISTRANT

The response to this item is incorporated by reference from the discussion responsive thereto under the captions "Management" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's Proxy Statement for the 1999 Annual Meeting of Stockholders.

Item 11. EXECUTIVE COMPENSATION

The response to this item is incorporated by reference from the discussion responsive thereto under the caption "Executive Compensation" in the Company's Proxy Statement for the 1999 Annual Meeting of Stockholders.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The response to this item is incorporated by reference from the discussion responsive thereto under the caption "Share Ownership" in the Company's Proxy Statement for the 1999 Annual Meeting of Stockholders.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The response to this item is incorporated by reference from the discussion responsive thereto under the caption "Executive Compensation--Employment Agreements, Termination of Employment and Change of Control Arrangements" in the Company's Proxy Statement for the 1999 Annual Meeting of Stockholders.

PART IV

Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

Item 14(a). The following documents are filed as part of this annual report on Form 10-K.

Item 14(a)(1). and (2) See "Index to Consolidated Financial Statements and Financial Statement Schedules" at and (2) Item 8 to this Annual Report on Form 10-K. Other financial statement schedules have not been included because they are not applicable or the information is included in the financial statements or notes thereto.

Item 14(a)(3) Exhibits

The following is a list of exhibits filed as part of this Annual Report on Form 10-K.

Exhibit Number		Description
(3.1)++	--	Restated Certificate of Incorporation of the Registrant (Filed as Exhibit 3.1)
(3.2)++	--	Restated By-Laws of the Registrant (Filed as Exhibit 3.2)
(4.1)++	--	See Exhibits 3.1, and 3.2 (Filed as Exhibit 4.1)
(4.2)*	--	Form of Common Stock Certificate (Filed as Exhibit 4.2)
(10.1)/\$	--	1992 Employee, Director and Consultant Stock Option Plan as amended and restated September 11, 1997 (Filed as Exhibit 10.1)
(10.2)*$	--	Employee Stock Purchase Plan (Filed as Exhibit 10.2)
(10.3)*$	--	Employment Agreement between Myriad Genetics, Inc., Myriad Genetic Laboratories, Inc. and Peter D. Meldrum, dated May 15, 1993 (Filed as Exhibit 10.3)
(10.4)*$	--	Employment Agreement between Myriad Genetics, Inc., Myriad Genetic Laboratories, Inc. and Mark H. Skolnick, Ph.D., dated January 1, 1994 (Filed as Exhibit 10.4)
(10.5)*$	--	Employment Agreement between Myriad Genetics, Inc., Myriad Genetic Laboratories, Inc. and Jay M. Moyes, dated July 12, 1993 (Filed as Exhibit 10.5)
(10.6)*	--	Form of Registration Agreement executed in connection with the private placement of Series A Preferred Stock (Filed as Exhibit 10.6)
(10.7)*	--	Stock Purchase Agreement for Series C Convertible Preferred Stock between the Registrant and Novartis Corporation, dated April 27, 1995 (Filed as Exhibit 10.7)
(10.8)*	--	Standstill Agreement between the Registrant and Novartis Corporation, dated April 27, 1995 (Filed as Exhibit 10.8)
(10.9)*	--	Voting Agreement between the Registrant and Novartis Corporation, dated April 27, 1995 (Filed as Exhibit 10.9)
(10.10)#	--	Collaborative Research and License Agreement between the Registrant and Novartis Corporation, dated April 27, 1995 (Cardiovascular Diseases) (Filed as Exhibit 10.10)
(10.11)#	--	Research Collaboration and License Agreement between the Registrant, Eli Lilly & Company and Hybritech Incorporated, dated August 1, 1992 (Breast Cancer--BRCA1) (Filed as Exhibit 10.11)
(10.12)#	--	Collaborative Agreement between the Registrant and Hybritech Incorporated, dated March 5, 1993 (BRCA1 Test Kits) (Filed as Exhibit 10.12)
(10.13)#	--	Exclusive License Agreement between the Registrant and the University of Utah Research Foundation, dated October 8, 1991, as amended (Breast Cancer--BRCA1) (Filed as Exhibit 10.13)

(10.14)#	--	Standard Research Agreement and Form of License Agreement between the Registrant and the University of Utah, effective January 1, 1993, as amended (Genes Predisposing to Cancer) (Filed as Exhibit 10.14)
(10.15)#	--	Exclusive License Agreement between the Registrant and the University of Utah Research Foundation, dated August 4, 1993 (Angiotensinogen Variants and Predisposition to Hypertension) (Filed as Exhibit 10.15)
(10.16)#	--	Exclusive License Agreement between the Registrant and the University of Utah Research Foundation, dated June 21, 1994 (MTS1 or p16) (Filed as Exhibit 10.16)
(10.17)#	--	Exclusive License Agreement between the Registrant and the University of Utah Research Foundation, dated November 23, 1994 (Breast Cancer--BRCA2) (Filed as Exhibit 10.17)
(10.18)#	--	Standard Research Agreement dated May 1, 1995 between the Registrant and the University of Utah (Cardiovascular Disorders and Coronary Heart Disease Database) (Filed as Exhibit 10.18)
(10.19)#	--	Exclusive License Agreement dated May 1, 1995 between the Registrant and the University of Utah Research Foundation (Cardiovascular Disorders and Coronary Heart Disease Database) (Filed as Exhibit 10.19)
(10.20)#	--	Standard Research Agreement dated July 31, 1995 between the Registrant and the University of Utah (Obesity Database) (Filed as Exhibit 10.20)
(10.21)#	--	Exclusive License Agreement dated July 31, 1995 between the Registrant and the University of Utah Research Foundation (Obesity Database) (Filed as Exhibit 10.21)
(10.22)#	--	Co-Exclusive License Agreement among the Registrant, the University of Utah Research Foundation and Institut National de la Sante et de la Recherche Medicale, dated October 6, 1993 (Angiotensinogen and Predisposition to Essential Hypertension) (Filed as Exhibit 10.22)
(10.23)#	--	License Agreement between the Registrant and California Institute of Technology, dated April 21, 1994 (MTS1 or p16) (Filed as Exhibit 10.23)
(10.24)*	--	Research Agreement between the Registrant and California Institute of Technology, dated June 3, 1994 (MTS1 or p16) (Filed as Exhibit 10.24)
(10.25)*	--	Stock Purchase Agreement for Series D Convertible Preferred Stock between the Registrant and Bayer Corporation, dated September 11, 1995 (Filed as Exhibit 10.25)
(10.26)*	--	Standstill Agreement between the Registrant and Bayer Corporation, dated September 11, 1995 (Filed as Exhibit 10.26)
(10.27)*	--	Voting Agreement between the Registrant and Bayer Corporation, dated September 11, 1995 (Filed as Exhibit 10.27)
(10.28)#	--	Collaborative Research and License Agreement between the Registrant and Bayer Corporation, dated September 11, 1995 (Filed as Exhibit 10.28)
(10.29)#	--	Standard Research Agreement between the Registrant and IHC Health Services, Inc., dated as of September 1, 1995 (Filed as Exhibit 10.29)
(10.30)@	--	Research Agreement between the Registrant and IHC Health Services, Inc., dated as of June 24, 1996
(10.31)(N)	--	Patent and Technology License Agreement dated September 26, 1996 among the Board of Regents of the University of Texas System, the University of Texas M.D. Anderson Cancer Center and the Registrant (Filed as Exhibit 10.1)
(10.32)(N)	--	Lease Agreement, dated October 12, 1995, between the Boyer Research Park Associates V, by its general partner, the Boyer Company and the Registrant (Filed as Exhibit 10.2)
(10.33)(N)	--	Amendment to Lease Agreement, dated March 29, 1996 between the Boyer Research Park Associates V, by its general partner, the Boyer Company and the Registrant (Filed as Exhibit 10.3)
(10.34)(N)	--	Letter Agreement, dated March 4, 1996, among the University of Utah, Genetic Epidemiology and the Registrant regarding Extension of Standard Research agreement and Form of License Agreement between the Registrant and the University of Utah, effective January 1, 1993, as amended (Genes Predisposing to Cancer) (Filed as Exhibit 10.4)

(10.35)+@	--	Patent and Technology License Agreement dated December 2, 1996 among the Board of Regents of the University of Texas System, the University of Texas M.D. Anderson Cancer Center and the Registrant (Filed as Exhibit 10.1)
(10.36)(S)@	--	Collaborative Research and License Agreement among the Registrant, Schering Corporation and Schering-Plough, Ltd., dated April 22, 1997 (Prostate and Other Cancers) (Filed as Exhibit 10.36)
(10.37)(S)	--	Standstill Agreement between the Registrant and Schering Corporation, dated April 22, 1997 (Filed as Exhibit 10.37)
(10.38)(S)	--	Stock Purchase Agreement for Common Stock between the Registrant and Schering Corporation, dated April 22, 1997 (Filed as Exhibit 10.38)
(10.39)(P)@	--	Standard Research Agreement between the Company and Valley Mental Health dated September 1, 1997 (central nervous system disorders) (Filed as Exhibit 10.1)
(10.40)(P)	--	International Swap Dealers Association, Inc. Master Agreement ("ISDA Master Agreement") between the Registrant and Swiss Bank Corporation, London Branch dated October 8, 1997 (Filed as Exhibit 10.2)
(10.41)(P)	--	Schedule to ISDA Master Agreement between the Registrant and Swiss Bank Corporation, London Branch dated October 8, 1997 (Filed as Exhibit 10.3)
(10.42)(P)	--	Confirmation for Contract A entered into pursuant to ISDA Master Agreement between the Registrant and Swiss Bank Corporation, London Branch dated October 8, 1997 (Filed as Exhibit 10.4)
(10.42)(P)	--	Confirmation for Contract B entered into pursuant to ISDA Master Agreement between the Registrant and Swiss Bank Corporation, London Branch dated October 8, 1997 (Filed as Exhibit 10.5)
(10.43)%@	--	Amendment and Supplement to Collaborative Research and License Agreement dated November 19, 1997 between Bayer Corporation and the Registrant (Filed as Exhibit 10.1)
(10.44)=	--	Lease Agreement-Research Park Building Phase II, dated March 6, 1998, between the Research Park Associated VI, by its general partner, the Boyer Company, L.C. and the Registrant
(10.45)&	--	Memorandum of Lease between the Company and Boyer Foothill Associates, Ltd. dated August 24, 1998 (Filed as Exhibit 10.1)
(10.46)&	--	Memorandum of Lease between the Company and Boyer Research Park Associates VI, L.C. dated August 24, 1998 (Filed as Exhibit 10.2)
(10.47)&	--	Subordination Agreement and Estoppel, Attornment and Non-Disturbance Agreement (Lease to Deed of Trust) between the Company and Wells Fargo Bank, National Association dated June 24, 1998 (Filed as Exhibit 10.3)
(10.48)!	--	Master Lease Agreement dated December 31, 1998 between General Electric Capital Corporation and the Company (Filed as Exhibit 10.1)
(10.49)!	--	Addendum No. 1 to Master Lease Agreement dated December 31, 1998 between General Electric Capital Corporation and the Company (Filed as Exhibit 10.2)
(10.50)!	--	Addendum No. 2 to Master Lease Agreement dated December 31, 1998 between General Electric Capital Corporation and the Company (Filed as Exhibit 10.3)
(10.51)!	--	Biotech Equipment Schedule Schedule No. 001 dated December 31, 1998 to Master Lease Agreement dated December 31, 1998 between General Electric Corporation and the Company (Filed as Exhibit 10.4)
(10.52)!	--	Annex A to Equipment Schedule No. 001 to Master Lease Agreement dated December 31, 1998 between General Electric Corporation and the Company (Filed as Exhibit 10.5)
(10.53)!	--	Annex B to Equipment Schedule No. 001 to Master Lease Agreement dated December 31, 1998 between General Electric Corporation and the Company (Filed as Exhibit 10.6)
(10.54)!	--	Addendum to Schedule No. 001 to Master Lease Agreement dated as of December 31, 1998 between General Electric Corporation and the Company (Filed as Exhibit 10.7)
(10.55)!@	--	Collaborative Research, License and Co-Promotion agreement dated as of October 5, 1998 between Schering Aktiengesellschaft and the Company (Filed as Exhibit 10.8)
(10.56)!@	--	Collaborative ProNet Research and License Agreement dated as of November 11, 1998 between Monsanto Company and the Company (Filed as Exhibit 10.9)

(10.57)!@	--	Letter Amendment to the Collaborative Research and License Agreement dated as of November 30, 1998 between Bayer Corporation and the Company (Filed as Exhibit 10.10)
(21.1)	--	Revised List of Subsidiaries of the Registrant
(23.1)	--	Consent of KPMG LLP
(27.1)	--	Financial Data Schedule

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* Previously filed with the Commission as Exhibits to, and incorporated herein by reference from, the Company's Registration Statement filed on Form S-1, File No. 33-95970

\# Previously filed with the Commission as Exhibits to, and incorporated herein by reference from, the Company's Registration Statement filed on Form S-1, File No. 33-95970, and for which Confidential Treatment has been granted by the Securities and Exchange Commission as to certain portions.

@ Confidential Treatment requested as to certain portions, which portions are omitted and filed separately with the Commission.

++ Previously filed and incorporated herein by reference from the Form 10-Q for the period ending September 30, 1995.

$ Management contract or compensatory plan or arrangement required to be filed as an exhibit to this Form 10-K pursuant to Item 14(c) of this report.

(N) Previously filed and incorporated herein by reference from the Form 10-Q for the period ending September 30, 1996.

\+ Previously filed and incorporated herein by reference from the Form 10-Q for the period ending December 31, 1996.

(S) Previously filed and incorporated herein by reference from the Form 10-K for the period ending June 30, 1997.

(P) Previously filed and incorporated herein by reference from the Form 10-Q for the period ending September 30, 1997.

% Previously filed and incorporated herein by reference from the Form 10-Q for the period ending December 31, 1997.

/\ Previously filed and incorporated herein by reference from the Company's Registration Statement filed on Form S-8, effective November 25, 1997, File No. 333-40961.

= Previously filed and incorporated herein by reference from the Form 10-K for the period ending June 30, 1998.

& Previously filed and incorporated herein by reference from the Form 10-Q for the period ending September 30, 1998.

! Previously filed and incorporated herein by reference from the Form 10-Q for the period ending December 31, 1998.

Where a document is incorporated by reference from a previous filing, the Exhibit number of the document in that previous filing is indicated in parentheses after the description of such document.

Item 14(b) Reports on Form 8-K

No reports on Form 8-K were filed during the last quarter of the year ended June 30, 1999.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in Salt Lake City, Utah on September 24, 1999.

MYRIAD GENETICS, INC.

By: /s/ Peter D. Meldrum

Peter D. Meldrum
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated below and on the dates indicated.

Signatures	Title	Date
By: /s/ Peter D. Meldrum Peter D. Meldrum	President and Chief Executive Officer and Director (principal executive officer)	September 24, 1999
By: /s/ Jay M. Moyes Jay M. Moyes	Vice President of Finance (principal financial and accounting officer)	September 24, 1999
By: /s/ John J. Horan John J. Horan	Chairman of the Board	September 24, 1999
By: /s/ Walter Gilbert Walter Gilbert, Ph.D.	Vice Chairman of the Board	September 24, 1999
By: /s/ Mark H. Skolnick Mark H. Skolnick, Ph.D.	Director	September 24, 1999
By: /s/ Arthur H. Hayes, Jr. Arthur H. Hayes, Jr., M.D.	Director	September 24, 1999
By: /s/ Dale A. Stringfellow Dale A. Stringfellow, Ph.D.	Director	September 24, 1999
By: /s/ Alan J. Main Alan J. Main, Ph.D.	Director	September 24, 1999
By: /s/ Michael J. Berendt Michael J. Berendt, Ph.D.	Director	September 24, 1999

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, 1999 and 1998, and the related consolidated statements of operations, stockholders' equity and comprehensive loss, and cash flows for each of the years in the three-year period ended June 30, 1999. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Myriad Genetics, Inc. and subsidiaries as of June 30, 1999 and 1998, and the results of their operations and their cash flows for each of the years in the three-year period ended June 30, 1999, in conformity with generally accepted accounting principles.

KPMG LLP

Salt Lake City, Utah
September 8, 1999

MYRIAD GENETICS, INC.
AND SUBSIDIARIES

Consolidated Balance Sheets

Assets	June 30 1999	June 30 1998
Current assets:		
Cash and cash equivalents	$ 5,404,944	14,595,034
Marketable investment securities (note 2)	4,477,138	16,267,156
Prepaid expenses	622,700	266,679
Trade accounts receivables, less allowance for doubtful accounts of $73,439 in 1999 and $66,000 in 1998	1,322,950	471,327
Other receivables	1,855,696	117,053
Total current assets	13,683,428	31,717,249
Equipment and leasehold improvements:		
Equipment	13,351,229	16,049,721
Leasehold improvements	3,520,253	2,288,241
	16,871,482	18,337,962
Less accumulated depreciation and amortization	6,871,981	5,902,926
Net equipment and leasehold improvements	9,999,501	12,435,036
Long-term marketable investment securities (note 2)	29,044,377	22,247,303
Other assets	823,634	992,384
	$ 53,550,940	67,391,972
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 2,917,810	5,121,279
Accrued liabilities	1,754,634	1,938,722
Deferred revenue	662,760	2,722,115
Current portion of notes payable (note 3)	---	128,843
	5,335,204	9,910,959
Commitments and contingencies (notes 4, 7, and 9)		
Stockholders' equity (notes 2, 5, 6, and 10):		
Preferred stock, $0.01 par value. Authorized 5,000,000 shares; No shares issued and outstanding	---	---
Common stock, $0.01 par value. Authorized 15,000,000 shares; issued and outstanding 9,428,732 in 1999 and 9,337,501 shares in 1998	94,287	93,375
Additional paid-in capital	92,377,949	91,907,034
Accumulated other comprehensive income (loss)	(68,846)	1,477
Deferred compensation	(247,774)	(576,446)
Accumulated deficit	(43,939,880)	(33,944,427)
Stockholders' equity	48,215,736	57,481,013
	$ 53,550,940	67,391,972

See accompanying notes to consolidated financial statements.

MYRIAD GENETICS, INC.
AND SUBSIDIARIES

Consolidated Statements of Operations

	Years ended June 30,		
	1999	1998	1997
Research revenue	$ 20,093,057	20,999,598	14,732,054
Molecular diagnostic revenue	5,220,349	2,210,983	504,045
Total revenues	25,313,406	23,210,581	15,236,099
Costs and expenses:			
Molecular diagnostic cost of revenue	3,066,354	1,391,368	340,461
Research and development expense	23,452,220	23,002,340	18,580,229
Selling, general, and administrative expenses	11,105,520	11,807,023	8,755,217
Total cost and expenses	37,624,094	36,200,731	27,675,907
Operating loss	(12,310,688)	(12,990,150)	(12,439,808)
Other income (expense):			
Interest income	2,348,827	3,223,683	3,414,379
Interest expense	(6,278)	(32,681)	(66,661)
Other	(27,314)	2,113	(114,190)
	2,315,235	3,193,115	3,233,528
Net loss	$ (9,995,453)	(9,797,035)	(9,206,280)
Basic and diluted loss per common share	$ (1.06)	(1.05)	(1.03)
Basic and diluted weighted average shares outstanding	9,391,122	9,289,481	8,903,918

See accompanying notes to consolidated financial statements.

MYRIAD GENETICS, INC.
AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity and Comprehensive Loss

Years ended June 30, 1999, 1998, and 1997

	Common stock		Additional paid-in capital	Accumulated other comprehensive income (loss)	Deferred compensation	Accumulated deficit	Comprehensive income (loss)	Stockholders' equity
	Shares	Amount						
Balances at June 30, 1996	8,702,215	$87,022	87,015,215	(67,865)	(1,907,513)	(14,941,112)	--	70,185,747
Issuance of common stock for cash upon exercise of options and warrants	386,007	3,860	625,802	--	--	--	--	629,662
Issuance of common stock for cash	4,665	47	99,722	--	--	--	--	99,769
Issuance of common stock for cash, net of issuance costs of $133,703 (note 9)	129,665	1,297	3,865,000	--	--	--	--	3,866,297
Amortization of deferred compensation	--	--	--	--	530,533	--	--	530,533
Net loss	--	--	--	--	--	(9,206,280)	(9,206,280)	(9,206,280)
Unrealized gains on marketable investment securities:								
Unrealized holding gains arising during period	--	--	--	--	--	--	27,819	--
Less: classification adjustment for losses included in net loss	--	--	--	--	--	--	45,428	--
Other comprehensive income	--	--	--	73,247	--	--	73,247	73,247
Comprehensive loss	--	--	--	--	--		(9,133,033	--
Balances at June 30, 1997	9,222,552	92,226	91,605,739	5,382	(1,376,980)	(24,147,392)		66,178,975
Issuance of common stock for cash upon exercise of options and warrants	105,704	1,057	393,128	--	--	--		394,185
Issuance of common stock for cash	9,245	92	178,167	--	--	--		178,259
Amortization of deferred compensation	--	--	--	--	530,534	--		530,534
Forfeiture of deferred compensation	--	--	(270,000)	--	270,000	--		--
Net loss	--	--	--	--	--	(9,797,035)		(9,797,035)
Unrealized gains (losses) on marketable investment securities:								
Unrealized holding gains arising during period	--	--	--	--	--	--		--
Less: classification adjustment for gains included in net loss	--	--	--	--	--	--		--

Other comprehensive loss	--	--	--	(3,905)	--	--	(3,905)
Comprehensive loss	--	--	--	--	--	--	--
	---	---	---	---	---	---	---
							57,481,013

(Continued)

MYRIAD GENETICS, INC.
AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity and Comprehensive Loss

Years ended June 30, 1999, 1998, and 1997

	Common stock		Additional paid-in capital	Accumulated other comprehensive income (loss)	Deferred compensation	Accumulated deficit	Comprehensive income (loss)	Stockholders' equity
	Shares	Amount						
Issuance of common stock for cash upon exercise of options and warrants	68,827	688	365,607	---	---	---		366,295
Issuance of common stock for cash	22,404	224	203,370	---	---	---		203,594
Amortization of deferred compensation	---	---	---	---	230,610	---		230,610
Forfeiture of deferred compensation	---	---	(98,062)	---	98,062	---		---
Net loss	---	---	---	---	---	(9,995,453)	(9,995,453)	(9,995,453)
Unrealized losses on marketable investment securities:								
Unrealized holding losses arising during period	---	---	---	---	---	---	(115,287)	---
Less: classification adjustment for losses included in net loss	---	---	---	---	---	---	44,964	---
Other comprehensive loss	---	---	---	(70,323)	---	---	(70,323)	(70,323)
Comprehensive loss	---	---	---	---	---	---	(10,065,776)	---
Balances at June 30, 1999	9,428,732	$ 94,287	92,377,949	(68,846)	(247,774)	(43,939,880)		48,215,736

See accompanying notes to consolidated financial statements.

MYRIAD GENETICS, INC.
AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	Years ended June 30,		
	1999	1998	1997
Cash flows from operating activities:			
Net loss	$ (9,995,453)	(9,797,035)	(9,206,280)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	3,223,779	3,272,936	2,505,479
Loss (gain) on sale of equipment	(17,650)	14,856	68,762
Loss (gain) on sale of investment securities	44,964	(16,969)	45,428
Bad debt expense	7,439	66,000	---
Changes in operating assets:			
Trade receivables	(859,062)	(354,161)	(183,166)
Prepaid expenses	(356,021)	179,581	(357,837)
Other receivables	(1,738,643)	177,914	(215,901)
Other assets	---	(941,405)	(9,283)
Accounts payable and accrued expenses	(2,387,557)	3,346,712	733,213
Deferred revenue	(2,059,355)	(2,977,312)	38,051
Net cash used in operating activities	(14,137,559)	(7,028,883)	(6,581,534)
Cash flows from investing activities:			
Proceeds from sale of equipment	3,604,579	4,133	68,424
Capital expenditures	(3,975,813)	(3,185,906)	(4,727,121)
Purchase of investment securities held-to-maturity	(17,462,407)	(117,237,699)	(111,098,966)
Maturities of investment securities held-to-maturity	20,001,804	117,100,138	127,713,265
Purchase of investment securities available-for-sale	(274,244,194)	(723,380,886)	(471,745,972)
Sale of investment securities available-for-sale	276,582,454	724,018,727	472,924,917
Net cash provided by (used in) investing activities	4,506,423	(2,681,493)	13,134,547
Cash flows from financing activities:			
Payments of notes payable	(128,843)	(342,797)	(308,658)
Net proceeds from issuance of common stock	569,889	572,444	4,595,728
Net cash provided by financing activities	441,046	229,647	4,287,070
Net increase (decrease) in cash and cash equivalents	(9,190,090)	(9,480,729)	10,840,083
Cash and cash equivalents at beginning of year	14,595,034	24,075,763	13,235,680
Cash and cash equivalents at end of year	$ 5,404,944	14,595,034	24,075,763
Supplemental disclosure of cash flow information -			
Interest paid	$ 6,278	32,681	66,678
Supplemental disclosures of noncash investing and financing activities:			
Decrease in additional paid-in capital as a result of forfeitures of stock options	$ (98,062)	(270,000)	--
Fair value adjustment on marketable investment securities (charged) credited to stockholders' equity	(70,323)	(3,905)	73,247

See accompanying notes to consolidated financial statements.

(1) Summary of Significant Accounting Policies

(a) Organization and Business Description

Myriad Genetics, Inc. (the Company) is a genomics company focused on the development of therapeutic and diagnostic products based on the discovery of major common human disease genes and their biological pathways. The Company utilizes analyses of extensive family histories and genetic material, as well as a number of proprietary technologies, to identify inherited gene mutations which increase the risk to individuals of developing these diseases. The discovery of disease-predisposing genes and their biochemical pathways provides the Company with three significant commercial opportunities: (i) the development and marketing of molecular diagnostic and information services, (ii) the marketing of subscriptions to the ProNet(TM) database of protein interactions, and (iii) the development of therapeutic products for the treatment and prevention of major diseases associated with these genes and their biochemical pathways. The Company's operations are located in Salt Lake City, Utah.

(b) Principles of Consolidation

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

(c) Cash Equivalents

Cash equivalents of $1,595,446 and $9,979,106 at June 30, 1999 and 1998, respectively, consist of short-term securities. The Company considers all highly liquid debt instruments with maturities at date of purchase of 90 days or less to be cash equivalents.

(d) Equipment and Leasehold Improvements

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

(e) Income Taxes

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

(f) Revenue Recognition

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

(g) Net Loss Per Common and Common Equivalent Share

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

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

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

For the years ended June 30, 1999, 1998, and 1997, there were antidilutive potential common shares of 2,072,165, 2,068,720, and 1,390,917, respectively. Accordingly, these potential common shares were not included in the computation of diluted earnings per share, for the years presented, but may be dilutive to future basic and diluted earnings per share.

(h) Use of Estimates

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

(i) Marketable Investment Securities

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

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

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

(j) Fair Value Disclosure

At June 30, 1999, the book value of the Company's financial instruments approximates fair value except as disclosed in note 2.

(k) Stock-Based Compensation

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

(l) Other Assets

Other assets are comprised of a purchased customer list, patent, and security deposits. The customer list and patent were acquired in fiscal year 1998 and are stated at cost. Amortization of the customer list and patents are computed using the straight-line method over the estimated useful lives of the related assets, which range from four to nine years. Accumulated amortization related to the patent and customer list totaled $189,844 and $21,094 at June 30, 1999 and 1998, respectively. On an ongoing basis, management reviews the valuation of the customer list and patent to determine possible impairment by comparing the carrying value to undiscounted estimated future cash flows from the related assets.

(m) Other Receivables

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

(n) Accrued Liabilities

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

(2) Marketable Investment Securities

The amortized cost, gross unrealized holding gains, gross unrealized holding losses, and fair value for available-for-sale and held-to-maturity securities by major security type and class of security at June 30, 1999 and 1998, were as follows:

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

(Continued)

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

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

(3) Notes Payable

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

(4) Leases

The Company leases office and laboratory space and equipment under three noncancelable operating leases. Future minimum lease payments under these leases as of June 30, 1999 are as follows:

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

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

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

(5) Stock-Based Compensation

Prior to 1992, the Company granted Nonqualified stock options to directors, employees, and other key individuals providing services to the Company. In 1992, the Company adopted the "1992 Employee, Director, and Consultant Fixed Stock Option Plan" and has reserved 2,000,000 shares of common stock for issuance upon the exercise of options that the Company plans to grant from time to time under this plan. The exercise price of options is equivalent to the estimated fair market value of the stock at the date of grant. The number of shares, terms, and exercise period are determined by the Board of Directors on an option-by-option basis. Options generally vest ratably over five years and expire ten years from date of grant. As of June 30, 1999, 17,373 shares are reserved for future grant under the 1992 plan. For financial statement presentation purposes, the Company has recorded as deferred compensation the excess of the deemed value of the common stock at the date of grant over the exercise price. The deferred compensation will be amortized ratably over the vesting period. Amortization expense was $230,610, $530,534, and $530,533 for the years ended June 30, 1999, 1998, and 1997, respectively.

A summary of activity is as follows:

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

(Continued)

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

Range of exercise prices	Options outstanding: Number outstanding at June 30, 1999	Options outstanding: Weighted average remaining contractual life	Options outstanding: Weighted-average exercise price	Options exercisable: Number exercisable at June 30, 1999	Options exercisable: Weighted-average exercise price
$ .028 -- 10.00	594,669	6.3	$ 6.25	364,517	$ 4.52
10.25 -- 15.00	853,622	8.8	10.85	157,016	10.25
15.30 -- 25.00	326,500	8.2	20.85	120,280	22.51
26.00 -- 40.25	180,000	7.9	27.33	80,667	27.54
.028 -- 40.25	1,954,791	7.8	12.64	722,480	11.33

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

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

The fair value of each option grant is estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants in 1999, 1998, and 1997, respectively: risk-free interest rates of 4.8 percent, 5.5 percent, and 6.4 percent; expected dividend yields of 0 percent for all years; expected lives of 4.3 years, 5.6 years, and 5.5 years; and expected volatility of 69 percent, 63 percent, and 70 percent.

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

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

(6) Common and Preferred Stock

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

(7) License Agreements

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

(8) Income Taxes

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

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

The net change in the total valuation allowance for the years ended June 30, 1999 and 1998, was an increase of $3,464,000 and $4,118,400, respectively. Of the subsequently recognized tax benefits relating to the valuation allowance for deferred tax assets as of June 30, 1999, approximately $5,072,000 will be recognized as additional paid-in capital and the remainder will be allocated as an income tax benefit to be reported in the consolidated statement of operations.

At June 30, 1999, the Company had total tax net operating losses of approximately $57,072,000 and total research and development credit carryforwards of approximately $604,000, which can be carried forward to reduce federal income taxes. If not utilized, the tax loss and research and development credit carryforwards expire beginning in 2007.

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

(9) Collaborative Research Agreements

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

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

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

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

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

(10) Employee Deferred Savings Plan and Stock Purchase Plan

The Company has a deferred savings plan which qualifies under Section 401(k) of the Internal Revenue Code. Substantially all of the Company's employees are covered by the plan. The Company makes matching contributions of 50 percent of each employee's contribution with the employer's contribution not to exceed four percent of the employee's compensation. The Company's contribution to the plan was $358,325, $273,851, and $205,866 in 1999, 1998, and 1997, respectively.

The Company has an Employee Stock Purchase Plan (the Plan) which was adopted and approved by the Board of Directors and stockholders in December 1994, under which a maximum of 200,000 shares of common stock may be purchased by eligible employees. At June 30, 1999, 37,912 shares of common stock had been purchased under the Plan. Because the discount allowed to employees under the Plan approximates the Company's cost to issue equity instruments, the Plan is not deemed to be compensatory and, therefore, is excluded from the pro forma loss shown in note 5.

(11) Segment and Related Information

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

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

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

	Research	Molecular diagnostics	Total
Year ended June 30, 1999:			
Revenues	$ 20,093,057	5,220,349	25,313,406
Depreciation and amortization	2,262,503	961,276	3,223,779
Segment operating loss	6,315,948	5,994,740	12,310,688
Year ended June 30, 1998:			
Revenues	20,999,598	2,210,983	23,210,581
Depreciation and amortization	2,170,771	1,102,165	3,272,936
Segment operating loss	3,010,490	9,979,660	12,990,150
Year ended June 30, 1997:			
Revenues	14,732,054	504,045	15,236,099
Depreciation and amortization	1,623,018	882,461	2,505,479
Segment operating loss	3,196,058	9,243,750	12,439,808

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

(Continued)

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

(12) Subsequent Event

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

EXHIBIT INDEX

Exhibit Number		Description of Exhibits
(21.1)	-	Revised List of Subsidiaries of the Registrant
(23.1)	-	Consent of KPMG LLP
(27.1)	-	Financial Data Schedule

Exhibit 21.1

REVISED LIST OF SUBSIDIARIES OF MYRIAD GENETICS, INC.

Company Name	Jurisdiction of Incorporation
Myriad Genetic Laboratories, Inc. (formerly known as Myriad Diagnostic Services, Inc.)	Delaware
Myriad Financial, Inc.	Utah
Myriad Pharmaceuticals, Inc.	Delaware

Exhibit 23.1

The Board of Directors
Myriad Genetics, Inc.:

We consent to incorporation by reference in the Registration Statements (No's . 33-99204, 333-4700, 333-23255 and 333-40961) on Forms S-8 of Myriad Genetics, Inc. of our report dated September 8, 1999, relating to the consolidated balance sheets of Myriad Genetics, Inc. and subsidiaries as of June 30, 1999, and 1998, and the related consolidated statements of operations, stockholders' equity and comprehensive loss, and cash flows for each of the years in the three-year period ended June 30, 1999, which report appears in the June 30, 1999, Form 10-K of Myriad Genetics, Inc.

KPMG LLP

Salt Lake City, Utah
September 23, 1999

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM CONSOLIDATED STATEMENTS OF OPERATIONS AND CONSOLIDATED BALANCE SHEETS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

12-MOS	
JUN-30-1999	
JUL-01-1998	
JUN-30-1999	
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	33,521,515
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	13,683,428
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	0
	94,287
	48,121,449
53,550,940	
	5,220,349
	25,313,406
	3,066,354
	37,624,094
	27,314
	0
	6,278
	(9,995,453)
	0
	(9,995,453)
	0
	0
	0
	(9,995,453)
	(1.06)
	(1.06)