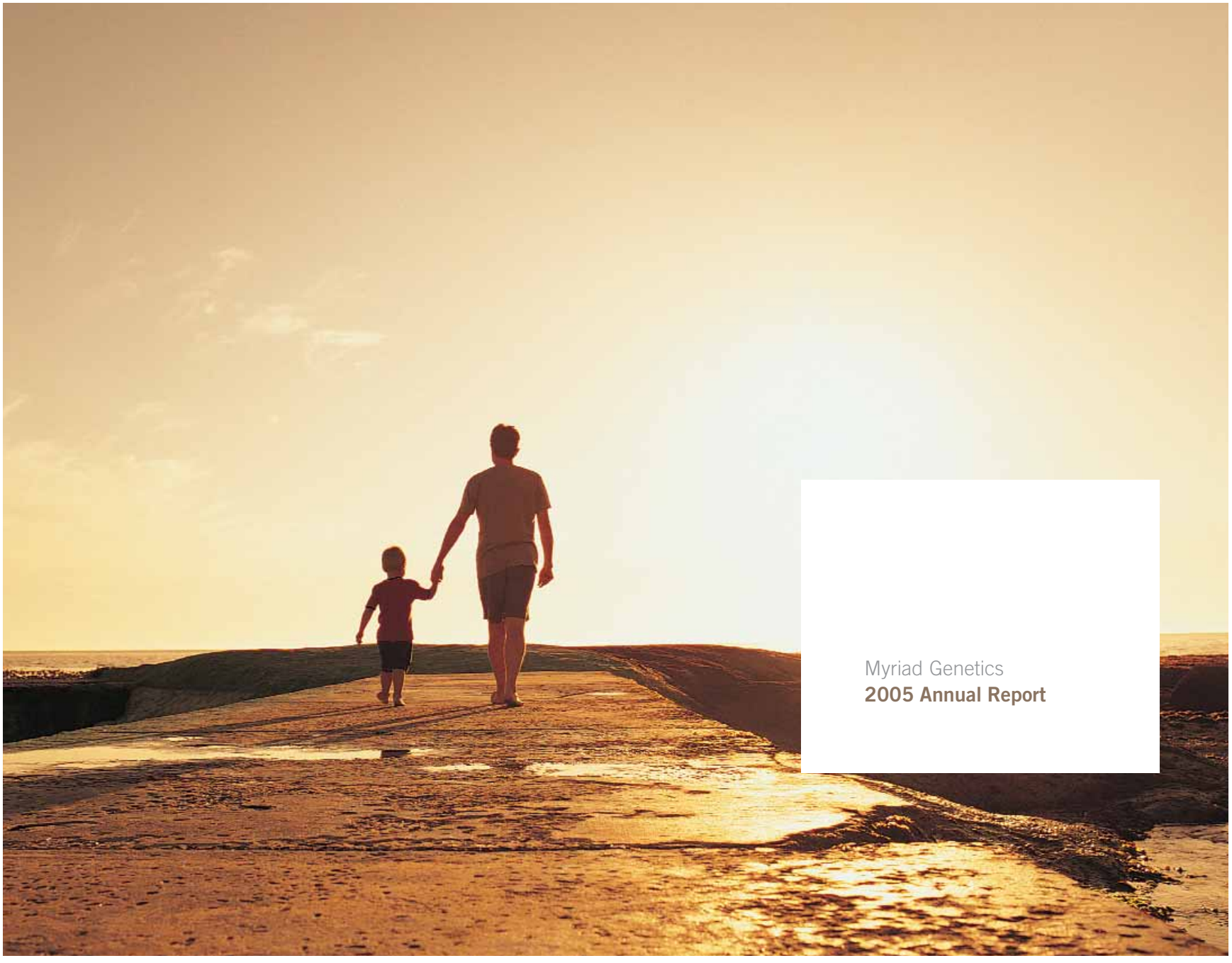
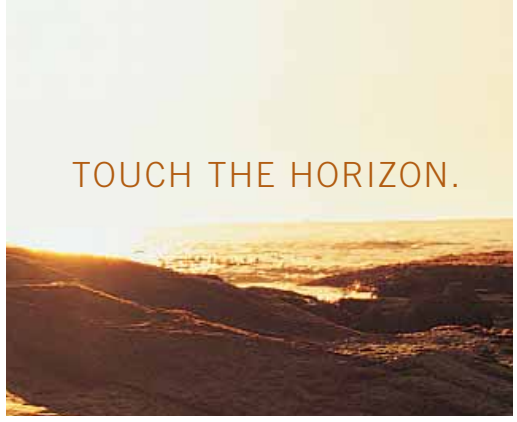


Myriad Genetics

2005 Annual Report

Myriad is a biotechnology company founded on the principle that medicines are safer and more effective when they're developed to treat disease by addressing the cause, rather than the symptom. This guiding philosophy is the reason Myriad focuses on the development and marketing of novel therapeutic and molecular diagnostic products based in the genetic foundation of human disease. **As we improve our ability to determine who may be genetically predisposed to developing disease, we can apply our knowledge and experience to preventive therapies—the ultimate practice of medicine. As a predictive medicine company, Myriad is a recognized world leader, with 65% annual revenue growth over the past year.** In pharmaceuticals, we are pleased to report that, in 2005, we moved several steps closer to the vision of commercializing a whole new class of medicines for HIV, cancer and Alzheimer's disease. That horizon, which once seemed so distant, now appears close enough to reach out and touch.


TOUCH THE HORIZON.

TO OUR SHAREHOLDERS

2005 was an excellent year for Myriad. We had many successes spanning all areas of our business. The Company bolstered its position as the world's leading cancer predictive medicine company, with product sales that grew by 65% in a year. This remarkable level of growth is indicative of the wide acceptance that predictive medicine has achieved in the care of patients with cancer or a family history of cancer. Growth in these products has reached the point at which we are once again increasing the capacity of our laboratory to meet new levels of demand for our products. We are also building a facility that will be outfitted with the next generation in scientific instruments, robotic processors and informatics. It gives us the opportunity to test advances in technology that will lead to higher capacity, more efficient systems for higher volumes of testing in the coming years.

Despite the rewarding growth experienced to date, we believe we have just begun to reach all the people who can and should benefit from knowing their personal risk of cancer. For each individual tested today, we estimate that there are at least ten more who we have not reached; who are not yet aware that they can reduce their risk of cancer and possibly prevent cancer from ever entering their lives. This is our challenge going forward for 2006 and the coming years: to get our products to all those who choose to take action in order to live longer, healthier lives.

We also made significant progress toward achieving our primary near-term objective on the way to our goal of attaining a leadership position among biopharmaceutical companies—launching new therapeutic products.

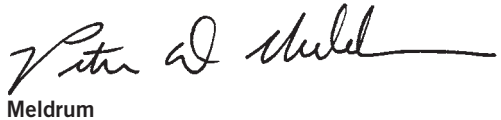
We initiated three clinical trials with novel cancer drug candidates in 2005. These are compounds that have potential to treat some of the most devastating diseases of our time. We are developing MPC-6827 to address solid tumors such as those found in the lungs, breast and colon. These types

of cancer affect the largest number of patients overall, more than a million people each year in the United States alone. One of the greatest challenges facing oncologists today is the spread of cancer beyond its site of origin, to the brain. There are approximately 170,000 patients each year in the United States who have brain cancer that has spread from a primary source tumor. There are no drugs approved by the FDA to treat brain metastases, so the need is great and immediate. We are now testing MPC-6827, with its ability to cross the blood/brain barrier to a high level, in patients with metastatic brain cancer. This Phase 1 human clinical trial is being run at the Huntsman Cancer Institute in Salt Lake City and at MD Anderson Cancer Center in Houston.

Another of our high-potential cancer drug candidates is MPC-2130. We are particularly interested in this experimental drug due to its strong safety profile in preclinical testing. We are studying MPC-2130 in patients with advanced metastatic cancers and blood cancers as well as refractory cancer that has progressed despite previous chemotherapy. We continue to place importance on advancing our earlier stage pipeline and have made new strides in this area. The progress made here gives us hope of entering another drug candidate or two into clinical testing in the first half of calendar 2006. One of these candidates is a compound that stops the AIDS virus from assembling correctly into a mature virus. An immature virus can't replicate or spread to other cells, so the infectious cycle is broken. We are excited about the prospects for this program and expect to tell you much more about it over the next year. Another candidate is MPC-0920. In order to provide optimal patient care, physicians see a great unmet medical need for improved approaches to preventing and treating thromboembolism. Myriad's pre-clinical testing in this area suggests that new treatments could be on the horizon.

Finally, our lead therapeutic candidate, Flurizan™, entered the third phase of clinical testing in 2005. This is exciting progress with a novel, first-in-class drug candidate, because Flurizan appears to modify the course of Alzheimer's disease rather than just provide a temporary cognitive boost, as with current drugs on the market. The potential to slow or halt the loss of memory and cognition experienced by patients with Alzheimer's disease bodes well for these individuals and their loved ones.

John Henderson
Chairman



Peter Meldrum
President and Chief Executive Officer

ON THE HORIZON: THE CAPACITY TO FIGHT CANCER BEFORE IT APPEARS

THE YEAR 2005 CONTINUED A RECORD OF ACCELERATING REVENUE GROWTH, ACHIEVING A RATE OF 50% COMPOUNDED ANNUALLY, SINCE INCEPTION OF OUR PREDICTIVE MEDICINE PRODUCTS.

The world's leading cancer predictive medicine company. Preventive medicine is the foundation of Myriad's philosophy, structure, and operation. The remarkable commercial success of our products has enabled the company to aggressively pump resources into exciting new areas of research, for the treatment of a variety of important, common diseases. At the same time, predictive medicine sustains and furthers the central vision that has guided Myriad since its inception: to launch a new era of medicines to treat disease and, ultimately, prevent disease altogether.

The year 2005 continued a record of accelerating revenue growth, achieving a rate of 65% over our prior year. Of particular interest, the recent quarters indicate we have passed what could be described as an "inflection point," represented by a quantifiable increase in the testing utilization by patients and physicians. Although we have continually documented the value of genetic testing over the course of the past nine years, the body of evidence for clinical utility grew even weightier in 2005. Its efficacy is now impossible to ignore. In earlier years, physicians used our products primarily to determine future risk of disease and help patients take measures to reduce risk. While this has continued as an important use of testing, physicians now frequently use the test to help determine the type of therapy that is selected. Physicians today are demonstrating a clear preference for risk-reduction options when a mutation in one of the disease-causing genes is present.

A new patient orientation. Naturally, this steady growth has brought with it some challenges that require some old-fashioned approaches to improving patient care on the part of Myriad and the nation's network of caregivers. For example, the continuous growth in demand for BRACAnalysis® led to a shortage in pre-test and post-test counseling staff. Today, thanks to a Myriad program, there is now a growing supply of trained physicians and advanced practice oncology nurses. Our company has assisted in the education of more than 500 new specialists—most of them oncology nursing professionals—to perform the

05/2002

COLARIS AP launched

COLARIS AP®

09/2003

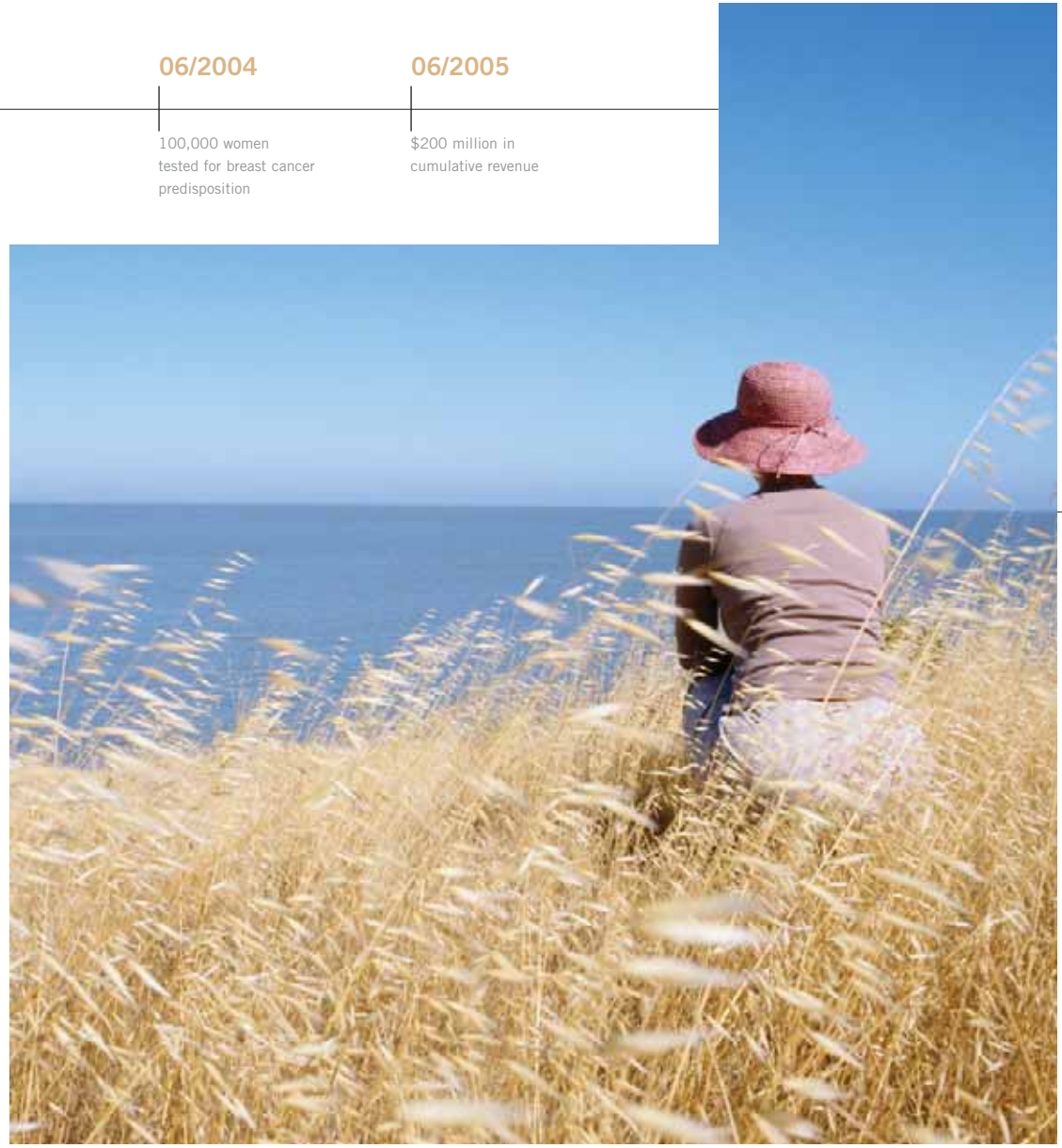
$100 million in cumulative revenues

06/2004

100,000 women tested for breast cancer predisposition

06/2005

$200 million in cumulative revenue



counseling required prior to testing and upon delivery of test results. Also, the knowledge is now being imparted to patients in a more memorable and efficient form.

Predictive medicine is in a phase of dynamic expansion, one that demands continuous investment in both technology and infrastructure. Myriad is expanding the Salt Lake City facility, with an additional 70,000 square feet of custom designed, leased space. The space will be used to relocate offices and make room for laboratory expansion, as well as to accommodate additional drug development personnel.

ON THE HORIZON: NEW CANCER COMPOUNDS SHOW PROMISE

Clinical trials launched for novel cancer drug candidates in 2005. More than 10 million people in America live with cancer today. Another 1.3 million will be diagnosed during the coming year. So, in spite of the ongoing success with new treatments and therapies, the need for continuing study into new ways to control, and ultimately eradicate this disease, is more critical than ever. Myriad is proud to be in the hunt for a new generation of cancer drugs. In fact, we initiated three clinical trials with novel cancer drug candidates in 2005. These are compounds with the promise and potential to treat cancer in its most devastating forms.

Despite steady progress in the treatment of primary tumors at the site of origin, cancer cells often spread to other areas of the body, a process known as metastasis. Metastasis often results in multiple brain tumors, posing a serious challenge for

"TREATING BRAIN TUMORS HAS PROVEN TO BE ONE OF THE GREAT CHALLENGES IN CANCER THERAPY. MPC-6827 HAS SHOWN THE POTENTIAL TO ADDRESS THIS NEED DUE TO ITS ABILITY, IN PRECLINICAL MODELS, TO CROSS THE BLOOD/BRAIN BARRIER AND ACHIEVE THERAPEUTIC LEVELS."

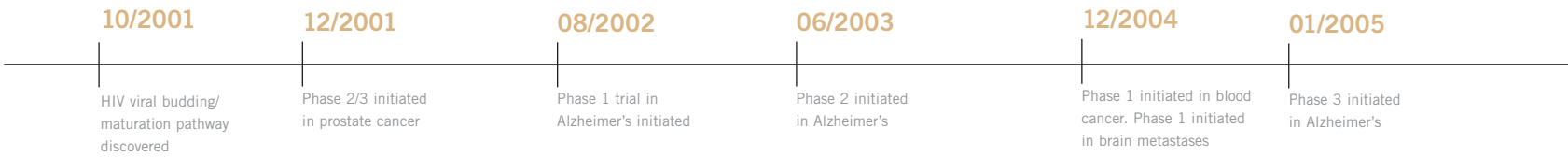
– Lauren E. Abrey, M.D., Neurologist and Clinical Neuro-Oncologist, Memorial Sloan-Kettering Cancer Center, New York City

oncologists. Traditional chemotherapy is designed to unleash massive toxicity in order to destroy cancerous cells, often with debilitating consequences for the patient. What's more, there is no drug approved by the FDA for brain metastases because most cancer drugs cannot cross the blood/brain barrier. Myriad is developing a new investigative drug, MPC-6827, to address advanced solid tumors such as those found in the lungs, breast, colon, and brain. MPC-6827 is not removed from the cell by efflux pumps that cause multiple drug resistance—a serious problem with other chemotherapy drugs.

This experimental drug has an additional, unique quality that Myriad discovered in preclinical testing. MPC-6827 crosses the blood/brain barrier and reaches concentrations in the brain that are 14 times that in the blood. This is exceedingly good news when the desired outcome is to eliminate cancer cells in the brain. Achieving a brain penetration level of 1400% gives MPC-6827 the potential to treat metastatic brain tumors with far less systemic exposure or toxicity than current treatment methods. Recognizing these facts, we initiated a Phase 1 trial in brain cancer in March 2005, at the MD Anderson Cancer Center in Houston, Texas. "Treating brain tumors has proven to be one of the great challenges in cancer therapy," says Lauren E. Abrey, M.D., a board certified Neurologist and Clinical Neuro-Oncologist at Memorial Sloan-Kettering Cancer Center in New York City. "MPC-6827 has shown the potential to address this need due to its ability, in preclinical models, to cross the blood/brain barrier and achieve therapeutic levels."

Another high-potential drug candidate is MPC-2130. As with MPC-6827, it works by driving cancer cells to commit "suicide" by apoptosis, although at a different point in the apoptotic pathway. But MPC-2130 has another interesting characteristic. The compound appears to have the ability to kill cancer cells while leaving normal healthy cells relatively unharmed. Cancer cells may become resistant to chemotherapy through the action of efflux pumps, a cellular function that actively purges drug from the cell. Importantly, MPC-2130 was shown to be highly effective in cancer cell lines that are resistant to multiple drugs.

ON THE HORIZON: MOVING EVER CLOSER TO NEW BREAKTHROUGHS, NEW DRUGS.



AFTER MORE THAN A DECADE IN DECLINE, THE NUMBER OF REPORTED CASES OF AIDS HAS STARTED TO RISE DURING THE PAST SEVERAL YEARS. THIS TREND REPRESENTS AN IMPORTANT EPIDEMIOLOGICAL ISSUE THAT MYRIAD IS WORKING TO SOLVE.

Researching therapies that can stop new, drug-resistant strains of the AIDS virus. Drug-resistant strains of the AIDS virus are a significant and rapidly increasing medical problem. In fact, a recent University of California study estimated that 42% of AIDS patients would develop a drug-resistant form of the disease this year alone. The answer, it would seem, is the development of an entirely new class of drugs, one that will keep every patient healthy and safe from infection. To Myriad, that looming crisis has served as a clarion call.

During the latter part of 2001, Myriad researchers and collaborators made a potentially significant discovery. Writing in the journal *Cell*, the Myriad team documented a study that showed how a particular protein and a cellular process were required for the HIV virus to "escape" from the cell. Their research identified an important human protein used by the virus to make its escape. By blocking access to the protein by the virus, they reasoned, the virus would be trapped in the cell and be prevented from infecting other cells. The fundamental theory behind this reasoning is that a virus is much less likely to adapt around the blocking of the human virus than to mutate its own internal biology. The life cycle of HIV infection consists of six major events: attachment, reverse transcription, integration/transcription, translation viral assembly, budding and maturation. In order to achieve the dispersal of viral particles, the virus uses the cell's own machinery to bud from an infected cell membrane. The collaboration showed that the Tsg101 protein is essential for HIV1 budding. Further work has identified several essential interactions between the virus and the human host that provide excellent opportunities to stop the virus from budding or reaching maturity. In preclinical testing to date, Myriad's compound, MPI-49839, appears to do just that.

Thrombin Inhibitor. Deep-vein thrombosis and atrial fibrillation represent two large potential markets for Myriad. Deep-vein thrombosis is a condition that can occur following major surgery, such as hip replacement. At the same time, the incidence of atrial fibrillation is increasing dramatically, coincident with the country's rapidly aging population. For both conditions, healthcare providers commonly recommend inpatient observation for initiation of therapy, or for administration of anti-coagulation drugs. Traditional anticoagulants (heparin and warfarin), however, have limitations. Heparin's limitations are due primarily to its chemical heterogeneity, resulting in broad interpatient variability in anti-coagulation, non-selectivity leading to widespread binding with proteins and endothelial cells, and inability to affect thrombin-bound fibrin or surface-bound factor Xa. Warfarin presents major challenges for physicians in the form of drug interactions and dose stabilization. These limitations have prompted Myriad to search for new anticoagulant therapies for prevention and treatment of both venous and arterial thromboembolism. Myriad is engaged in pre-clinical testing of one such compound, MPC-0920, an orally available direct thrombin inhibitor. In preclinical testing, MPC-0920 demonstrated characteristics that may offer improvements over current therapies.

ON THE HORIZON: A TREATMENT FOR ALZHEIMER'S

"I COULD JUMP IN A CAR AND GET READY TO GO SOMEWHERE AND FORGET WHERE I WAS GOING. WHEN YOU GET LOST, YOU DON'T KNOW HOW TO GET BACK."

"SON OF A GUN. I STARTED TO REMEMBER STUFF. I'M GETTING BACK TO WHERE I WAS. I WORK ON MY MACHINERY. I COOK. I CLEAN HOUSE, TOO. YOU CAN'T EXPLAIN HOW GOOD IT FEELS. IT'S LIKE BEING BORN AGAIN."

– Norm Bessette, Rhode Island, Alzheimer's patient enrolled in the Phase 3 clinical trial.

Phase 2 Clinical Trial with Flurizan™ shows promise. Alzheimer's disease isn't a natural, accepted part of the aging process. It is, in fact, an insidious neurodegenerative condition that affects a large percentage of our elderly population, robbing them of the ability to think, to remember, to live a full life. Even worse, it's a potential public health time bomb. Estimates are that, with no improvement in treatment therapies, today's 4.5 million cases will more than triple to 14 million by the year 2050, burdening an already overburdened healthcare system.

Only recently, science has begun to better understand what it believes is the cause of Alzheimer's disease. In a normal brain, signals move continuously through the connections between cells. The brain of an Alzheimer's patient shows a build-up of a sticky material known as amyloid plaque, that blocks the link between cells along with the normal cognitive functions those connections support. As the condition progresses, the cells actually die and are not replaced, resulting in an irreversible level of Alzheimer's Disease in which the patient exhibits the most profound symptoms of dementia. This year, results of a Phase 2 clinical trial of Flurizan, one of a new class of drug candidates known as selective amyloid beta 42 lowering agents (SALAs), indicated significant reduction in loss of function among patients with mild Alzheimer's. In fact, analysis of data from 128 mild Alzheimer's disease patients indicated that those who achieved the highest plasma concentration of Flurizan demonstrated a 62% reduction in decline in activities of daily living. Importantly, in addition to efficacy measures, the Phase 2 trial results showed that Flurizan was well tolerated by these elderly patients.

One of the most promising aspects of the Phase 2 clinical study of Flurizan, is the nature of the drug itself. Prior to the Flurizan study, there were no drugs that could slow the underlying progression of Alzheimer's disease. The current classes of drugs used against Alzheimer's only treat symptoms by enhancing memory for a short period. Myriad scientists believe Flurizan has the potential to reduce the level of the toxic molecule that causes the disease in the first place. Early indications—at

least in patients with mild symptoms—are that Flurizan has a therapeutic effect of improving the decline in memory and understanding.

Based on the Phase 2 results and consultation with Alzheimer's disease experts and clinical development consultants, Myriad has already focused its Phase 3 trial on those who benefited most in the Phase 2 trial, namely, mild patients on 800 mg of Flurizan twice daily. Myriad is currently recruiting 1,600 U.S. patients for this trial. Information on participation is available through e-mail to: clinicaltrials@myriad.com, or by calling 1-800-649-7316.

OFFICERS AND DIRECTORS

John T. Henderson, M.D.	Chairman of the Board *President, Futurepharm, LLC*
Walter Gilbert, Ph.D.	Vice Chairman of the Board *Carl M. Loeb University Research Professor emeritus at Harvard University*
Peter D. Meldrum	President, Chief Executive Officer and Director
Robert S. Attiyeh	Director *Manager, Beacon Hill Properties, LLC*
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Dennis H. Langer, M.D., J.D.	Director *Managing Partner, Phoenix IP Ventures*

Mark H. Skolnick, Ph.D.	Chief Scientific Officer and Director
Linda S. Wilson, Ph.D.	Director *President emerita, Radcliffe College*
Gregory C. Critchfield, M.D.	President of Myriad Genetic Laboratories, Inc.
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William A. Hockett III	Executive Vice President, Corporate Communications
Jerry S. Lanchbury, Ph.D.	Executive Vice President, Research
Wayne Laslie	Chief Operating Officer, Myriad Pharmaceuticals, Inc.
Richard M. Marsh	Executive Vice President, General Counsel and Secretary
Jay M. Moyes	Chief Financial Officer
S. George Simon	Executive Vice President, Business Development

MYRIAD GENETICS:

FINANCIAL REPORT

SELECTED CONSOLIDATED FINANCIAL DATA

Years Ended June 30,	2005	2004	2003	2002	2001
In thousands, except per share amounts					
Consolidated Statement of Operations Data					
Predictive medicine revenue	$ 71,325	$ 43,294	$ 34,683	$ 26,821	$ 17,091
Research revenue	11,081	11,748	27,822	27,015	28,071
Related party research revenue	—	1,606	1,816	—	—
Total research revenue	11,081	13,354	29,638	27,015	28,071
Total revenues	82,406	56,648	64,321	53,836	45,162
Costs and expenses:					
Predictive medicine cost of revenue	20,322	13,751	12,553	10,717	7,403
Research and development expense	59,243	50,697	47,589	36,295	33,818
Selling, general, and administrative expense	43,586	34,835	31,525	25,484	17,078
Total costs and expenses	123,151	99,283	91,667	72,496	58,299
Operating loss	(40,745)	(42,635)	(27,346)	(18,660)	(13,137)
Other income (expense):					
Interest income	2,798	2,025	2,900	5,385	6,851
Other	(2,031)	(10)	38	(214)	(305)
Loss before income taxes	(39,978)	(40,620)	(24,408)	(13,489)	(6,591)
Income taxes	—	—	417	500	583
Net loss	$(39,978)	$(40,620)	$(24,825)	$(13,989)	$ (7,174)
Basic and diluted net loss per common share	$ (1.30)	$ (1.49)	$ (0.96)	$ (0.59)	$ (0.31)
Basic and diluted weighted average shares outstanding	30,720	27,326	25,730	23,660	22,815

As of June 30,	2005	2004	2003	2002	2001
Consolidated Balance Sheet Data					
Cash, cash equivalents and marketable investment securities	$113,843	$141,839	$126,292	$124,243	$145,955
Working capital	112,270	148,586	137,003	108,002	123,351
Total assets	158,958	188,356	182,823	157,390	172,145
Stockholders' equity	135,673	173,276	163,486	128,869	139,561

QUARTERLY FINANCIAL DATA (UNAUDITED)

Quarters Ended	June 30, 2005	March 31, 2005	December 31, 2004	September 30, 2004
In thousands, except per share amounts				
Consolidated Statement of Operations Data:				
Predictive medicine revenue	$ 20,975	$ 18,386	$ 17,535	$ 14,429
Research revenue	5,121	1,575	2,104	2,281
Total revenue	26,096	19,961	19,639	16,710
Costs and expenses:				
Predictive medicine cost of revenue	5,655	5,297	5,131	4,239
Research and development expense	16,025	15,540	14,546	13,132
Selling, general and administrative expense	13,158	9,834	10,638	9,956
Total costs and expenses	34,838	30,671	30,315	27,327
Operating loss	(8,742)	(10,710)	(10,676)	(10,617)
Other income (expense):				
Interest income	755	724	687	632
Other	(1,965)	—	(59)	(7)
	(1,210)	724	628	625
Net loss	$ (9,952)	$ (9,986)	$ (10,048)	$ (9,992)
Basic and diluted net loss per share	$ (0.32)	$ (0.32)	$ (0.33)	$ (0.33)
Basic and diluted weighted average shares outstanding	30,800	30,749	30,682	30,649

Quarters Ended	June 30, 2004	March 31, 2004	December 31, 2003	September 30, 2003
In thousands, except per share amounts				
Consolidated Statement of Operations Data:				
Predictive medicine revenue	$ 13,085	$ 11,699	$ 10,446	$ 8,064
Research revenue	1,987	1,909	2,773	5,079
Related party research revenue	—	148	929	529
Total research revenue	1,987	2,057	3,702	5,608
Total revenues	15,072	13,756	14,148	13,672
Costs and expenses:				
Predictive medicine cost of revenue	3,835	3,709	3,448	2,758
Research and development expense	12,004	12,390	13,329	12,974
Selling, general and administrative expense	10,154	8,821	7,752	8,108
Total costs and expenses	25,993	24,920	24,529	23,840
Operating loss	(10,921)	(11,164)	(10,381)	(10,168)
Other income (expense):				
Interest income	456	473	527	569
Other	5	(5)	—	(10)
	461	468	527	559
Net loss	$ (10,460)	$ (10,696)	$ (9,854)	$ (9,609)
Basic and diluted net loss per share	$ (0.37)	$ (0.39)	$ (0.36)	$ (0.35)
Basic and diluted weighted average shares outstanding	27,967	27,148	27,109	27,087

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We are a leading biotechnology company focused on the development and marketing of novel therapeutic and molecular diagnostic products. We employ a number of proprietary technologies that permit us to understand the genetic basis of human disease and the role that genes and their related proteins play in the onset and progression of disease. We use this information to guide the development of new healthcare products that treat major diseases and assess a person's risk of disease later in life.

We have devoted substantially all of our resources to undertaking our drug discovery and development programs, operating our predictive medicine business, and continuing our research and development efforts. We have three reportable operating segments: (i) research, (ii) predictive medicine, and (iii) drug development. See Note 8 "Segment and Related Information" in the notes to our consolidated financial statements for information regarding these operating segments. Our revenues have consisted primarily of sales of predictive medicine products and research payments. We have yet to attain profitability and, for year ended June 30, 2005, we had a net loss of $40.0 million. As of June 30, 2005 we had an accumulated deficit of $179.2 million.

We expect to incur losses for at least the next several years, primarily due to the expansion of our drug discovery and development efforts, the initiation and continuation of human clinical trials, the launch of new predictive medicine products, the performance of our internal research and development programs, and expansion of our facilities. We incurred research and development expenses of $59.2 million, $50.7 million, and $47.6 million for the years ended June 30, 2005, 2004, and 2003, respectively. Additionally, we expect to incur substantial sales, marketing and other expenses in connection with building our pharmaceutical and predictive medicine businesses. We expect that losses will fluctuate from quarter to quarter and that such fluctuations may be substantial.

Critical Accounting Policies

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

- revenue recognition;
- allowance for doubtful accounts; and
- investments in privately-held companies.

Revenue Recognition

Research revenues include revenues from research agreements, milestone payments, and technology licensing agreements. In applying the principles of SAB 104 to research and technology license agreements we consider the terms and conditions of each agreement separately to arrive at a proportional performance methodology of recognizing revenue. Such methodologies involve recognizing revenue on a straight-line basis over the term of the agreement and based on costs incurred relative to the total estimated contract costs (cost-to-cost method). We make adjustments, if necessary, to the estimates used in our cost-to-cost calculations as work progresses and we gain experience. The principal costs under these agreements are for personnel expenses to conduct research and development but also include costs for materials and other direct and indirect items necessary to complete the research under these agreements. Actual results may vary from our estimates. Payments received on uncompleted long-term 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. We recognize revenue from milestone payments as agreed-upon events representing the achievement of substantive steps in the development process are achieved and where the amount of the milestone payments approximates the value of achieving the milestone. We recognize revenue from up-front nonrefundable license fees on a straight-line basis over the period of our continued involvement in the research and development project.

Predictive medicine revenues include revenues from the sale of predictive medicine products, related marketing agreements, and forensic DNA analysis fees. Predictive medicine revenue is recognized upon completion of the test or

analysis and communication of results. Up-front payments related to marketing agreements are recognized ratably over the life of the agreement.

Allowance for Doubtful Accounts

The preparation of our financial statements requires us to make estimates and assumptions that affect the reported amount of assets at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Trade accounts receivable are comprised of amounts due from sales of our predictive medicine products. We analyze trade accounts receivable and consider historic experience, customer creditworthiness, facts and circumstances specific to outstanding balances, and payment term changes when evaluating the adequacy of the allowance for doubtful accounts. Changes in these factors could result in material adjustments to the expense recognized for bad debt.

Investments in Privately-Held Companies

We review the valuation of our investments in privately-held biotechnology and pharmaceutical companies for possible impairment as changes in facts and circumstances indicate that impairment should be assessed. The amount of impairment, if any, and valuation of these investments are based on our estimates and, in certain circumstances, the completion of independent, third-party appraisals of the investments. Inherent in these estimates and appraisals are assumptions such as the comparability of the investee to similar publicly traded companies, the value of the investee's underlying research and development efforts, the likelihood that the investee's current research projects will result in a marketable product, and the investee's expected future cash flows. Accordingly, the amount recognized by us upon ultimate liquidation of these investments may vary significantly from the estimated fair values at June 30, 2005.

Recent Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement No. 123R, Share-Based Payment. Statement 123R sets accounting requirements for "share-based" compensation to employees, including employee stock purchase plans, and requires companies to recognize in the income statement the grant-date fair value of stock options and other equity-based compensation. We currently account for our stock-based compensation using the intrinsic method as defined in Accounting Principles Board (APB) Opinion No. 25 and accordingly, we have not recognized any expense for our stock option plans or employee stock purchase plan in our consolidated financial statements as of June 30, 2005, except as discussed below. Statement 123R became effective for our fiscal year beginning July 1, 2005. In anticipation of adopting Statement 123R, on April 14, 2005 we announced that we had accelerated the vesting of unvested stock options previously awarded to employees and non-employee members of the board of directors under the Company's 2002 and 2003 stock option plans. As a result of the acceleration of vesting for unvested options we do not anticipate that Statement 123R will have a material impact on our financial statements at the time of adoption, but could be material to future periods.

Results of Operations

Years ended June 30, 2005 and 2004

Predictive medicine revenues for the fiscal year ended June 30, 2005 were $71.3 million compared to $43.3 million for the prior fiscal year, an increase of 65%. Predictive medicine revenue is comprised primarily of sales of predictive medicine products, and also includes marketing fees and forensic DNA analysis fees. Increased sales and marketing efforts, coupled with recent publications concerning the clinical utility of our products, have resulted in wider acceptance of our products by the medical community and increased revenues for the fiscal year ended June 30, 2005. There can be no assurance that predictive medicine revenues will continue to increase at historical rates.

Total research revenues for the fiscal year ended June 30, 2005 were $11.1 million compared to $13.4 million for the prior fiscal year. Related party research revenues included in total research revenues for the fiscal year ended June 30, 2005 and 2004 were $0 and $1.6 million, respectively. Related party research revenue is comprised of certain research services performed for Prolexys Pharmaceuticals, Inc., which is 49% owned by us. The agreement to provide these research services was terminated effective January 26, 2004.

Research revenues are comprised of research payments received pursuant to collaborative agreements, amortization of upfront technology license fees and milestone payments. This 17% decrease in total research revenue is primarily attributable to the successful completion of two of our research collaborations with corporate partners. Research revenue from our research collaboration agreements is recognized using a proportional performance methodology. Consequently, as these programs progress and costs increase or decrease, revenues may increase or decrease proportionately.

Predictive medicine cost of revenue for the fiscal year ended June 30, 2005 was $20.3 million compared to $13.8 million for the prior fiscal year. This increase of 48% in predictive medicine cost of revenue is primarily due to the 65% increase in predictive medicine revenues for the fiscal year ended June 30, 2005 compared to the prior fiscal year. This increase was partially offset by technology improvements and efficiency gains in the operation of our predictive medicine business. Our technology and efficiency improvements also contributed to an increase in our gross profit margin, which was 72% for the fiscal year ended June 30, 2005 compared to 68% for the prior fiscal year. There can be no assurance that predictive medicine gross profit margins will continue to increase at historical rates.

Research and development expenses for the fiscal year ended June 30, 2005 were $59.2 million compared to $50.7 million for the prior fiscal year. This increase of 17% was primarily due to increased costs associated with our ongoing clinical trials in Alzheimer's disease and cancer, increases in our other drug discovery and drug development programs, and the initiation of a new research collaboration. These increases added approximately $15.7 million to our research and development expenses for the fiscal year ended June 30, 2005 compared to the prior fiscal year. These increases were partially offset by the completion of two of our research collaborations and a prior year settlement of claims resulting from a dispute with a third party, which resulted in decreased research and development expenses of approximately $7.2 million for the fiscal year ended June 30, 2005 compared to the prior fiscal year. We expect our research and development expenses to continue to fluctuate based on changes in our research programs and the progression of our drug development programs.

Selling, general and administrative expenses for the fiscal year ended June 30, 2005 were $43.6 million compared to $34.8 million for the prior fiscal year. Selling, general and administrative expenses consist primarily of salaries, commissions and related personnel costs for sales, marketing, executive, legal, finance, accounting, human resources, business development, allocated facilities expenses and other corporate expenses. This increase of 25% was primarily attributable to sales and marketing commissions and expenses incurred to support the 65% growth in our predictive medicine business, which resulted in an increase of $7.4 million compared to the prior fiscal year. General increases in costs to support growth in our predictive medicine business and therapeutic development efforts resulted in an increase of approximately $1.4 million to our selling, general, and administrative expense for the fiscal year ended June 30, 2005 compared to the prior fiscal year. We expect our selling, general and administrative expenses will continue to fluctuate depending on the number and scope of new product launches and our drug discovery and drug development efforts.

Other expense for the fiscal year ended June 30, 2005 was $2.0 million compared to $0.0 million in the prior fiscal year. Other expense generally consists of losses realized from the disposition of fixed assets. For the fiscal year ended June 30, 2005 other expense also included a $2.0 million impairment charge related to our investment in a privately-held pharmaceutical company. The impairment charge, as determined by our cash flow estimates and an independent, third-party appraisal, resulted from a change in the timing of anticipated future cash flows from the investment.

Years ended June 30, 2004 and 2003

Predictive medicine revenues for the fiscal year ended June 30, 2004 were $43.3 million compared to $34.7 million for the prior fiscal year, an increase of 25%. Increased sales and marketing efforts, coupled with publications concerning the clinical utility of our products have resulted in wider acceptance of our products by the medical community and increased revenues for the fiscal year ended June 30, 2004. There can be no assurance that predictive medicine revenues will continue to increase at historical rates.

Total research revenues for the fiscal year ended June 30, 2004 were $13.4 million compared to $29.6 million for the prior fiscal year. Related party research revenues included in total research revenues for the fiscal year ended June 30, 2004 and 2003 were $1.6 million and $1.8 million, respectively. This 55% decrease in total research revenue is primarily attributable to the successful completion of two of our research collaborations with corporate partners.

Predictive medicine cost of revenue for the fiscal year ended June 30, 2004 was $13.8 million compared to $12.6 million for the prior fiscal year. This increase of 10% in predictive medicine cost of revenue is primarily due to the 25% increase in predictive medicine revenues for the fiscal year ended June 30, 2004 compared to the prior fiscal year. This increase was partially offset by technology improvements and efficiency gains in the operation of our predictive medicine business. Our technology and efficiency improvements also contributed to an increase in our gross profit margin, which was 68% for the fiscal year ended June 30, 2004 compared to 64% for the prior fiscal year. There can be no assurance that predictive medicine gross profit margins will continue to increase at historical rates.

Research and development expenses for the fiscal year ended June 30, 2004 were $50.7 million compared to $47.6 million for the prior fiscal year. This increase of 7% was primarily due to increased costs associated with our ongoing clinical trials in Alzheimer's disease and prostate cancer, increases in our other drug discovery and drug development programs, the settlement of claims resulting from a dispute with a third party, and increases in internally-funded research programs. These increases added approximately $14.1 million to our research and development expenses for the fiscal year ended June 30, 2004 compared to the prior fiscal year. These increases were partially offset by the completion of two of our research collaborations, which resulted in decreased research and development expenses of approximately $11.0 million for the fiscal year ended June 30, 2004 compared to the prior fiscal year.

Selling, general and administrative expenses for the fiscal year ended June 30, 2004 were $34.8 million compared to $31.5 million for the prior fiscal year. This increase of 11% was primarily attributable to general increases in costs to support growth in our predictive medicine business and therapeutic development efforts. Increases in salaries and benefits, facilities costs, bad debt, legal, and other costs resulted in an increase of approximately $6.4 million to our selling, general, and administrative expense for the fiscal year ended June 30, 2004 compared to the prior fiscal year. These increases were partially offset by reduced marketing costs from our direct-to-consumer advertising campaign conducted in the prior fiscal year, resulting in a decrease of approximately $3.1 million to our selling, general, and administrative expense for the fiscal year ended June 30, 2004 compared to the prior fiscal year.

Liquidity and Capital Resources

Cash, cash equivalents, and marketable investment securities decreased $28.0 million or 20% from $141.8 million at June 30, 2004 to $113.8 million at June 30, 2005. This decrease in cash, cash equivalents, and marketable investment securities is primarily attributable to capital expenditures for research equipment, increased expenditures for our ongoing clinical trials, internal drug development programs and other expenditures incurred in the ordinary course of business. As a result of changes in interest rates and cash, cash equivalents, and marketable investment securities, interest income for the fiscal year ended June 30, 2005 was $2.8 million compared to $2.0 million for the prior fiscal year, an increase of 38%.

Net cash used in operating activities was $23.3 million during the fiscal year ended June 30, 2005 compared to $30.9 million used in operating activities during the prior fiscal year. Prepaid expenses decreased by $3.9 million between June 30, 2004 and June 30, 2005, primarily due to the usage of lab supplies previously purchased at a discount. Trade receivables increased $5.5 million between June 30, 2004 and June 30, 2005, primarily due to the 65% increase in predictive medicine sales during the same period. Accounts payable increased by $4.0 million between June 30, 2004 and June 30, 2005, primarily as a result of purchases of equipment and amounts due in relation to our ongoing clinical trials. Accrued liabilities increased by $4.2 million between June 30, 2004 and June 30, 2005, partially as a result of the accrual of sales commissions.

Our investing activities provided cash of $19.5 million during the fiscal year ended June 30, 2005 and used cash of $31.2 million during the prior fiscal

year. Investing activities were comprised primarily of purchases and sales of marketable investment securities and capital expenditures for research equipment.

Financing activities provided cash of $2.5 million during the fiscal year ended June 30, 2005 and provided cash of $51.3 million in the prior fiscal year. During the fiscal year ended June 30, 2005 funds were received from the exercise of stock options and shares sold under our employee stock purchase plan.

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

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

On April 7, 2005, we filed a shelf registration statement on Form S-3 (Registration No. 333-123914) with the Securities and Exchange Commission for the sale of up to $300 million of various types of securities upon filing of a prospectus supplement with the SEC. The filing was declared effective by the SEC on April 20, 2005. This filing includes the securities that had been available for sale under our shelf registration statement on Form S-3 (Registration No. 333-73124) filed previously on November 9, 2001. Because of our significant long-term capital requirements, we intend to raise funds when conditions are favorable, even if we do not have an immediate need for additional capital at such time.

Off-Balance Sheet Arrangements

None.

Contractual Obligations

The following table represents our consolidated contractual obligations as of June 30, 2005:

	Total	Less than one year	1-3 Years	4-5 Years	More than 5 years
In thousands					
Operating leases	$ 73,541	$ 3,258	$ 9,185	$ 10,502	$ 50,596
Contractual services	39,700	20,005	19,695	—	—
Total	$ 113,241	$ 23,263	$ 28,880	$ 10,502	$ 50,596

Contractual services represent financial commitments for drug development and clinical trial activities that can be terminated at our request. The expected timing of payment for the obligations listed above is estimated based on current information. Actual payment timing and amounts may differ depending on the timing of goods or services received or other changes.

Effects of Inflation

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

Quantitative and Qualitative Disclosures About Market Risk

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

Our investments consist of securities of various types and maturities of three years or less, with a maximum average maturity of 12 months. These securities are classified as available-for-sale. Available-for-sale securities are recorded on the balance sheet at fair market value with unrealized gains or losses reported as part of accumulated other comprehensive income/loss. 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 security below cost that is deemed other than temporary results in a charge to earnings and establishes a new cost basis for the security.

The securities held in our investment portfolio are subject to interest rate risk. Changes in interest rates affect the fair market value of the marketable investment securities. After a review of our marketable securities as of June 30, 2005, we have determined that, in the event of a hypothetical ten percent increase in interest rates, the resulting decrease in fair market value of our marketable investment securities would be insignificant to the consolidated financial statements as a whole.

Certain Factors That May Affect Future Results of Operations

The Securities and Exchange Commission encourages companies to disclose forward-looking information so that investors can better understand a company's future prospects and make informed investment decisions. This Annual Report contains such "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995.

Words such as "may," "anticipate," "estimate," "expects," "projects," "intends," "plans," "believes" and words and terms of similar substance used in connection with any discussion of future operating or financial performance, identify forward-looking statements. These forward-looking statements are based on management's current expectations and are subject to certain risks and uncertainties that could cause actual results to differ materially from those set forth or implied by the forward-looking statements. These include, but are not limited to: our inability to further identify, develop and achieve commercial success for new products and technologies; our ability to discover drugs that are safer and more efficacious than our competitors; our ability to develop predictive medicine products that help assess which patients are subject to greater risk of developing diseases and who would therefore benefit from new preventive therapies; the possibility of delays in the research and development necessary to select drug development candidates and delays in clinical trials; the risk that clinical trials may not result in marketable products; the risk that we may be unable to successfully finance and secure regulatory approval of and market our drug candidates, or that clinical trials will be completed on the timelines we have estimated; uncertainties about our ability to obtain new corporate collaborations and acquire new technologies on satisfactory terms, if at all; the development of competing products and services; our ability to protect our proprietary technologies; patent-infringement claims; risks of new, changing and competitive technologies and regulations in the United States and internationally; and other factors discussed under the heading "Risk Factors" contained in Item 1 of our form 10-K for the year ended June 30, 2005.

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

CONSOLIDATED BALANCE SHEETS

As of June 30	2005	2004
In thousands, except per share amounts		
Assets		
Current assets:		
Cash and cash equivalents	$ 49,509	$ 50,830
Marketable investment securities	64,334	91,009
Prepaid expenses	3,331	7,279
Trade accounts receivable, less allowance		
for doubtful accounts of $1,395 in 2005 and $1,205 in 2004	17,236	13,994
Other receivables	1,145	554
Total current assets	135,555	163,666
Equipment and leasehold improvements:		
Equipment	40,160	34,212
Leasehold improvements	8,004	7,692
	48,164	41,904
Less accumulated depreciation and amortization	29,698	24,565
Net equipment and leasehold improvements	18,466	17,339
Other assets	4,937	7,351
	$ 158,958	$ 188,356
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 11,897	$ 7,938
Accrued liabilities	10,136	5,933
Deferred revenue	1,252	1,209
Total current liabilities	23,285	15,080
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.01 par value. Authorized 5,000 shares;		
no shares issued and outstanding	—	—
Common stock, $0.01 par value. Authorized 60,000 shares;		
issued and outstanding 30,862 shares in 2005 and 30,623 shares in 2004	309	306
Additional paid-in capital	315,147	312,453
Accumulated other comprehensive loss	(534)	(212)
Accumulated deficit	(179,249)	(139,271)
Total stockholders' equity	135,673	173,276
	$ 158,958	$ 188,356

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

Years Ended June 30,	2005	2004	2003
In thousands, except per share amounts			
Predictive medicine revenue	$ 71,325	$ 43,294	$ 34,683
Research revenue	11,081	11,748	27,822
Related party research revenue	—	1,606	1,816
Total research revenue	11,081	13,354	29,638
Total revenues	82,406	56,648	64,321
Costs and expenses:			
Predictive medicine cost of revenue	20,322	13,751	12,553
Research and development expense	59,243	50,697	47,589
Selling, general, and administrative expense	43,586	34,835	31,525
Total costs and expenses	123,151	99,283	91,667
Operating loss	(40,745)	(42,635)	(27,346)
Other income (expense):			
Interest income	2,798	2,025	2,900
Other	(2,031)	(10)	38
Loss before income taxes	(39,978)	(40,620)	(24,408)
Income taxes	—	—	417
Net loss	$(39,978)	$(40,620)	$(24,825)
Basic and diluted loss per common share	$ (1.30)	$ (1.49)	$ (0.96)
Basic and diluted weighted average shares outstanding	30,720	27,326	25,730

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE LOSS

Years Ended June 30, 2005, 2004, and 2003

In thousands

	Common Stock						
	Shares	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Comprehensive Income (Loss)	Stockholders' Equity
Balances at June 30, 2002	23,817	$ 238	$ 202,149	$ 308	$ (73,826)		$ 128,869
Issuance of common stock for cash upon exercise of options, warrants, and employee stock purchase plan	262	3	1,895	—	—	—	1,898
Issuance of common stock for cash, net of offering costs of $159	3,000	30	57,111	—	—	—	57,141
Net loss	—	—	—	—	(24,825)	(24,825)	(24,825)
Unrealized gains on marketable investment securities:							
Unrealized holding gains arising during period	—	—	—	—	—	370	—
Less classification adjustment for gains included in net loss	—	—	—	—	—	33	—
Other comprehensive income	—	—	—	403	—	403	403
Comprehensive loss						$ (24,422)	—
Balances at June 30, 2003	27,079	271	261,155	711	(98,651)	—	163,486
Issuance of common stock for cash upon exercise of options and employee stock purchase plan	144	1	1,237	—	—	—	1,238
Issuance of common stock for cash, net of offering costs of $55	3,400	34	50,061	—	—	—	50,095
Net loss	—	—	—	—	(40,620)	(40,620)	(40,620)
Unrealized losses on marketable investment securities:							
Unrealized holding losses arising during period	—	—	—	—	—	(923)	—
Other comprehensive loss	—	—	—	(923)	—	(923)	(923)
Comprehensive loss						$ (41,543)	—
Balances at June 30, 2004	30,623	306	312,453	(212)	(139,271)		173,276
Issuance of common stock for cash upon exercise of options and employee stock purchase plan	239	3	2,463	—	—	—	2,466
Acceleration of vesting of stock options	—	—	231	—	—	—	231
Net loss	—	—	—	—	(39,978)	(39,978)	(39,978)
Unrealized losses on marketable investment securities:							
Unrealized holding losses arising during period	—	—	—	—	—	(322)	—
Other comprehensive loss	—	—	—	(322)	—	(322)	(322)
Comprehensive loss						$ (40,300)	
Balances at June 30, 2005	30,862	$ 309	$ 315,147	$ (534)	$ (179,249)		$ 135,673

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended June 30,	2005	2004	2003
In thousands			
Cash flows from operating activities:			
Net loss	$(39,978)	$(40,620)	$(24,825)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	6,092	5,766	5,275
Loss (gain) on disposition of assets	67	10	(5)
Gain on sale of investment securities	—	—	(33)
Bad debt expense	2,244	2,020	564
Impairment charge on investments in other companies	1,964	—	—
Acceleration of option vesting	231	—	—
Changes in operating assets and liabilities:			
Prepaid expenses	3,948	461	(2,913)
Trade receivables	(5,486)	(3,097)	(6,248)
Other receivables	(591)	8,687	(9,021)
Related party receivables	—	150	(150)
Accounts payable	3,959	(3,516)	1,992
Accrued liabilities	4,203	1,008	1,334
Related party payable	—	—	(1,038)
Deferred revenue	43	(1,749)	(11,472)
Net cash used in operating activities	(23,304)	(30,880)	(46,540)
Cash flows from investing activities:			
Capital expenditures	(6,736)	(3,883)	(8,036)
Increase in other assets	(100)	(100)	(2,850)
Maturities of investment securities held-to-maturity	—	—	4,752
Purchases of investment securities available-for-sale	(44,603)	(52,730)	(51,784)
Maturities/sales of investment securities available-for-sale	70,956	25,487	45,955
Net cash provided by (used in) investing activities	19,517	(31,226)	(11,963)
Cash flows from financing activities:			
Net proceeds from issuance of common stock	2,466	51,333	59,039
Net cash provided by financing activities	2,466	51,333	59,039
Net increase (decrease) in cash and cash equivalents	(1,321)	(10,773)	536
Cash and cash equivalents at beginning of year	50,830	61,603	61,067
Cash and cash equivalents at end of year	$ 49,509	$ 50,830	$ 61,603
Supplemental disclosures of noncash investing and financing activities:			
Fair value adjustment on marketable investment securities charged to stockholders' equity	$ (322)	$ (923)	$ 403

See accompanying notes to consolidated financial statements.

NOTE 1: Organization and Summary of Significant Accounting Policies

(a) Organization and Business Description

Myriad Genetics, Inc. and subsidiaries (collectively, the Company) is a leading biopharmaceutical company focused on the development and marketing of novel therapeutic and molecular diagnostic products. The Company employs a number of proprietary technologies that permit it to understand the genetic basis of human disease and the role that genes and their related proteins play in the onset and progression of disease. The Company uses this information to guide the development of new healthcare products that treat major diseases and assess a person's risk of disease later in life. 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 $39.6 million and $39.6 million at June 30, 2005 and 2004, respectively, consist of highly liquid debt instruments with maturities at date of purchase of 90 days or less. As of June 30, 2005 and 2004, the book value of cash equivalents approximates fair value.

(d) Marketable Investment Securities

The Company has classified its marketable investment securities as available for sale. Available for sale securities are recorded at fair value. Unrealized holding gains and losses, net of the related tax effect, on available for sale securities are excluded from earnings and are reported as a separate component of stockholders' equity until realized.

Gains and losses on investment security transactions are reported on the specific identification method. Dividend and interest income are recognized when earned. A decline in the market value of any available for sale security below cost that is deemed other than temporary results in a charge to earnings and establishes a new cost basis for the security.

(e) Trade Receivables and Allowance for Doubtful Accounts

Trade accounts receivable are comprised of amounts due from sales of the Company's predictive medicine products and are recorded at the invoiced amount, net of discounts and allowances. The allowance for doubtful accounts is based on the Company's best estimate of the amount of probable losses in the Company's existing accounts receivable, which is based on historical write-off experience. Account balances are charged against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company does not have any off balance sheet credit exposure related to its customers.

(f) 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 items have depreciable lives from five to seven years. Leasehold improvements are depreciated over the shorter of the estimated useful lives or the associated lease terms, which range from three to fifteen years. For the years ended June 30, 2005, 2004, and 2003, the Company incurred depreciation expense of $5.5 million, $5.2 million, and $4.8 million, respectively.

(g) Impairment of Long Lived Assets

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

(h) Other Assets

Other assets are comprised of purchased intellectual property, investments in privately held biotechnology and pharmaceutical companies, and a purchased library of chemical compounds. The private biotechnology and pharmaceutical company investments are both accounted for under the cost method. Management reviews the valuation of these investments for possible impairment as changes in facts and circumstances indicate that impairment should be assessed. For the year ended June 30, 2005, the valuation of these investments was based on management's estimates and the completion of an independent, third party appraisal.

Based on changes to estimated cash flows compared to the prior fiscal year, the results of the independent, third-party appraisal indicated that the Company had incurred an impairment loss in the fourth quarter of approximately $2.0 million for its investment in a privately held pharmaceutical company. This impairment loss is included in other expense in the accompanying consolidated statement of operations for the year ended June 30, 2005.

The amount recognized by the Company upon the ultimate liquidation of this and other investments may vary significantly from the estimated fair value at June 30, 2005. The library of chemical compounds and related purchased intellectual property are being amortized ratably over the expected useful life of five years.

(i) Revenue Recognition

The Company applies the provisions of Securities and Exchange Commission Staff Accounting Bulletin No. 104, *Revenue Recognition* (SAB 104) to all of its revenue transactions.

Research revenues include revenues from research agreements, milestone payments, and technology licensing agreements. In applying the principles of SAB 104 to research and technology license agreements the Company considers the terms and conditions of each agreement separately to arrive at a proportional performance methodology of recognizing revenue. Such methodologies involve recognizing revenue on a straight-line basis over the term of the agreement and based on costs incurred relative to the total estimated contract costs (cost-to-cost method). The Company makes adjustments, if necessary, to the estimates used in its cost-to-cost calculations as work progresses and the Company gains experience. The principal costs under these agreements are for personnel expenses to conduct research and development but also include costs for materials and other direct and indirect items necessary to complete the research under these agreements. Actual results may vary from our estimates. Payments received on uncompleted long-term 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. The Company recognizes revenue from milestone payments as agreed-upon events representing the achievement of substantive steps in the development process are achieved and where the amount of the milestone payments approximates the value of achieving the milestone. The Company recognizes revenue from up-front nonrefundable license fees on a straight-line basis over the period of the Company's continued involvement in the research and development project.

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

(j) 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.

(k) Net Loss per Common and Common Equivalent Share

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

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

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

For the years ended June 30, 2005, 2004, and 2003, there were antidilutive potential common shares of 7,394,358, 5,899,252, and 4,922,144, respectively. Accordingly, these potential common shares were not included in the computation of diluted loss per share for the years presented, but may be dilutive to future basic and diluted earnings per share.

(l) Use of Estimates

The preparation of the consolidated financial statements requires Company management to make a number of estimates and assumptions relating to the reported amounts 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 period. Significant items subject to such estimates and assumptions include the carrying amount of fixed assets, valuation allowances for receivables and deferred income tax assets, and the valuation of investments in privately-held companies. Actual results could differ from those estimates.

(m) Fair Value Disclosure

At June 30, 2005 and 2004, the consolidated financial statements' carrying amount of the Company's financial instruments approximates fair value.

(n) Stock Based Compensation

As of June 30, 2005 the Company followed the disclosure provisions of SFAS No. 123, *Accounting for Stock Based Compensation* (SFAS 123). SFAS 123 permits entities to measure 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 elected to continue to apply the provisions of APB 25 and provide pro forma disclosures required by SFAS 123. As such, with the exception of costs related to the acceleration of vesting of unvested options, stock-based employee compensation cost is not reflected in net loss, as all options granted under these plans had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net loss and loss per share if the Company had applied the fair value recognition provisions of SFAS 123 to stock-based employee compensation:

Year ended June 30	2005	2004	2003
In thousands, except per share amounts			
Net loss, as reported	$ 39,978	$ 40,620	$ 24,825
Add compensation expense for the acceleration of vesting of unvested options	(231)	—	—
Deduct total stock-based employee compensation expense determined under fair value based method for all awards, net of tax related effects	49,604	25,105	25,532
Pro forma net loss	$ 89,351	$ 65,725	$ 50,357
Loss per share:			
Basic and diluted – as reported	$ 1.30	$ 1.49	$ 0.96
Basic and diluted – pro forma	$ 2.91	$ 2.41	$ 1.96

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 2005, 2004, and 2003, respectively: risk free interest rates of 3.6%, 3.2%, and 3.0%; expected dividend yields of 0% for all years; expected lives of 6.2 years, 6.0 years, and 6.0 years; and expected volatility of 50%, 59%, and 71%.

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement No. 123R, *Share-Based Payment.* Statement 123R sets accounting requirements for "share-based" compensation to employees, including employee stock purchase plans, and requires companies to recognize in the income statement the grant-date fair value of stock options and other equity-based compensation. Statement 123R became effective for the Company on July 1, 2005. On April 14, 2005 the Company accelerated the vesting of unvested stock options previously awarded to employees and non-employee members of the board of directors under the Company's 2002 and 2003 stock option plans in order to avoid estimated charges of approximately $25 million to future periods under the requirements of Statement 123R, as the options would have vested under their unmodified terms. Approximately 3.5 million options were accelerated, of which 1.7 million options belong to executive officers and non-employee members of the board of directors. As a result of the acceleration of the vesting of the unvested options, the Company recognized an expense of approximately $231,000 on the date of acceleration. As a result of the acceleration of vesting of unvested stock options, we do not anticipate that Statement 123R will have a material impact on our consolidated financial statements at the time of adoption.

(o) Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. In the accompanying consolidated balance sheet as of June 30, 2004, $26.5 million of long-term marketable investment securities were reclassified to current marketable investment securities and $33.2 million of cash and cash equivalents were reclassified to current marketable investment securities. As a result of these reclassifications, net cash from investing activities in the accompanying consolidated statement of cash flows decreased by $29.3 million in 2004. None of the reclassifications had an impact on the Company's consolidated statements of operations or stockholders' equity and comprehensive loss.

NOTE 2: Marketable Investment Securities

The amortized cost, gross unrealized holding gains, gross unrealized holding losses, and fair value for available for sale securities by major security type and class of security at June 30, 2005 and 2004 were as follows:

	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
At June 30, 2005				
In thousands				
Available-for-sale:				
Corporate bonds and notes	$ 17,000	$ 4	$ (147)	$ 16,857
Certificate of deposit	1,000	—	—	1,000
Federal agency issues	31,053	—	(257)	30,796
Tax auction securities	1,700	—	—	1,700
Euro dollar bonds	14,115	—	(134)	13,981
	$ 64,868	$ 4	$ (538)	$ 64,334
At June 30, 2004				
In thousands				
Available-for-sale:				
Corporate bonds and notes	$ 24,760	$ 30	$ (67)	$ 24,723
Commercial paper	3,981	1	(1)	3,981
Federal agency issues	21,390	4	(113)	21,281
Tax auction securities	29,400	—	—	29,400
Euro dollar bonds	11,690	6	(72)	11,624
	$ 91,221	$ 41	$ (253)	$ 91,009

Maturities of debt securities classified as available for sale are as follows at June 30, 2005:

	Amortized cost	Fair value
In thousands		
Available-for-sale:		
Due within one year	$ 35,852	$ 35,627
Due after one year through three years	29,016	28,707
	$ 64,868	$ 64,334

All securities in an unrealized loss position as of June 30, 2005 are debt securities. Debt securities in an unrealized loss position as of June 30, 2005 were not impaired at acquisition and the decline in fair value is due to interest rate fluctuations. Debt securities available for sale in an unrealized loss position as of June 30, 2005 are summarized as follows:

	Less than 12 months		More than 12 months		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Debt securities:						
Corporate bonds & notes	$ 8,537	$ (49)	$ 6,191	$ (98)	$ 14,728	$ (147)
Federal agency issues	15,946	(107)	14,850	(150)	30,796	(257)
Euro dollar bonds	8,015	(73)	5,966	(61)	13,981	(134)
	$ 32,498	$ (229)	$ 27,007	$ (309)	$ 59,505	$ (538)

NOTE 3: Leases

The Company leases office and laboratory space under four non-cancelable operating leases, with terms that begin to expire in 2017. Future minimum lease payments under these leases as of June 30, 2005 are as follows:

Fiscal year ending:	
In thousands	
2006	$ 3,258
2007	4,045
2008	5,140
2009	5,219
2010	5,283
Thereafter	50,596
	$ 73,541

Rental expense was $3.2 million in 2005, $4.0 million in 2004, and $4.9 million in 2003.

NOTE 4: Stock Based Compensation

In 2003 the Company adopted the 2003 Employee, Director and Consultant Stock Option Plan (the 2003 Plan). The Company reserved 1,300,000 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 2003 Plan was amended by board of director and stockholder approval in November 2004 to include an additional 1,400,000 shares. Furthermore, additional shares represented by options previously granted under the Company's 2002 Amended and Restated Employee, Director and Consultant Stock Option Plan (the 2002 Plan) which are canceled or expire after the date of stockholder approval of the 2003 Plan without delivery of shares of stock by the Company and any shares which have been reserved but not granted under the 2002 Plan as of the date of stockholder approval of the Plan are available for grant under the 2003 Plan.

The exercise price of options granted in 2005, 2004, and 2003 was equivalent to the fair market value of the stock at the date of grant. The number of shares, terms, and exercise period are determined by the board of directors on an option by option basis. Options generally vest ratably over four or five years and expire ten years from the date of grant. As of June 30, 2005, 757,258 shares are reserved for future grant under the Company's plans.

A summary of activity is as follows:

	2005		2004		2003	
	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	5,933,252	$ 27.28	4,956,144	$ 31.29	4,174,635	$ 34.94
Plus options granted	1,718,150	19.39	1,296,875	14.43	1,257,100	17.34
Less:						
Options exercised	(144,701)	8.48	(44,675)	6.29	(167,903)	4.30
Options canceled or expired	(142,343)	33.17	(275,092)	36.19	(307,688)	37.81
Options outstanding at end of year	7,364,358	25.70	5,933,252	27.28	4,956,144	31.29
Options exercisable at end of year	7,355,358	25.71	3,102,658	31.52	2,203,456	31.09
Weighted average fair value of options granted during the year		$ 10.09		$ 8.25		$ 11.39

The following table summarizes information about fixed stock options outstanding at June 30, 2005:

	Options Outstanding			*Options Exercisable*	
Range of Exercise Prices	Number Outstanding at June 30, 2005	Weighted Average Remaining Contractual Life *(years)*	Weighted Average Exercise Price	Number Exercisable at June 30, 2005	Weighted Average Exercise Price
$ 4.69 – 12.54	2,034,054	5.74	$ 9.50	2,034,054	$ 9.50
12.66 – 19.50	1,866,157	8.10	16.62	1,857,157	16.63
19.56 – 35.76	2,214,427	7.35	25.92	2,214,427	25.92
$ 35.91 – 93.81	1,249,720	5.65	65.20	1,249,720	65.20
	7,364,358	6.81	$ 25.70	7,355,358	$ 25.71

As of June 30, 2005, 30,000 warrants previously granted to placement agents were outstanding and exercisable at a weighted average price of $40.00 per share.

NOTE 5: Income Taxes

The Company recorded $0, $0, and $417,000 of income tax expense in 2005, 2004, and 2003, respectively. The difference between the expected tax benefit for all periods presented and the actual tax expense is primarily attributable to the effect of net operating losses being offset by an increase in the Company's valuation allowance, plus the effect of foreign income taxes in 2003.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at June 30, 2005 and 2004 are presented below:

	2005	2004
In thousands		
Deferred tax assets:		
Net operating loss carryforwards	$ 96,285	$ 84,125
Unearned revenue	467	281
Equipment, principally due to differences in depreciation	467	—
Research and development credits	14,584	7,763
Accrued liabilities and other	3,690	1,729
Total gross deferred tax assets	115,493	93,898
Less valuation allowance	(115,493)	(93,288)
Net deferred tax assets	—	610
Deferred tax liability:		
Equipment, principally due to differences in depreciation	—	610
Total gross deferred tax liability	—	610
Net deferred tax liability	$ —	$ —

The net change in the total valuation allowance for the years ended June 30, 2005 and 2004 was an increase of $22.2 million and $16.5 million, respectively. Approximately $37.2 million of deferred tax assets at June 30, 2005, if recognizable in future years, will be recognized as additional paid in capital, and the remainder will be allocated as an income tax benefit to be reported in the consolidated statement of operations.

At June 30, 2005, the Company had total federal tax net operating loss carryforwards of approximately $258.1 million and research and development credit carryforwards of approximately $10.1 million, which can be carried forward to reduce federal income taxes. If not utilized, the tax loss and research and development credit carryforwards expire beginning in 2007 through 2024.

The Company's alternative minimum tax net operating losses are approximately the same as its regular tax net operating losses. The Company also has state net operating loss and research credit carryfowards that may be utilized in accordance with the various states' rules and regulations.

Under the rules of the Tax Reform Act of 1986, the Company has undergone changes of ownership, and consequently, the availability of the Company's net operating loss and research and experimentation credit carryforwards in any one year are limited. The maximum amount of carryforwards available in a

given year is limited to the product of the Company's value on the date of ownership change and the federal long term tax exempt rate, plus any limited carryforward not utilized in prior years. Management has not evaluated whether these rules will result in any losses or credits expiring unutilized.

NOTE 6: Employee Deferred Savings Plan and Stock Purchase Plan

The Company has a deferred savings plan which qualifies under Section 401(k) of the Internal Revenue Code. Substantially all of the Company's employees are covered by the plan. The Company makes matching contributions of 50% of each employee's contribution with the employer's contribution not to exceed 4% of the employee's compensation. The Company's contributions to the plan were $1,175,000, $970,000, and $858,000 for the years ended June 30, 2005, 2004, and 2003, respectively.

The Company has an Employee Stock Purchase Plan (the Plan) which was adopted and approved by the board of directors and stockholders in December 1994, under which a maximum of 400,000 shares of common stock may be purchased by eligible employees. In November 2004 the board of directors and stockholders approved an additional 200,000 shares which may be offered under the Plan. At June 30, 2005, 403,819 shares of common stock had been purchased under the Plan. For the years ended June 30, 2005, 2004, and 2003, shares purchased under the Plan were 94,553, 93,006, and 58,851, respectively. The discount allowed to employees of approximately $333,000 is included in the pro forma loss shown in note 1.

NOTE 7: Collaborative Research Agreements

In May 2005, the Company licensed a portion of its intellectual property related to a cancer compound to an oncology drug development company. The Company has no continuing obligations under the license. As a result of the license agreement the Company recognized the related $2.5 million in research revenue for the fiscal year ended June 30, 2005.

In June 2004, the Company entered into a five-year, $14.2 million research agreement to utilize its expertise to characterize pathogen-host protein interactions. Revenue related to this collaboration is being recognized on a cost-plus reimbursement basis. Under this agreement the Company recognized research revenue of $2.3 million for the fiscal year ended June 30, 2005.

In March 2002, the Company entered into a three-year, $13.8 million research collaboration to identify novel drug targets for the diagnosis and treatment of depression. The agreement, which was completed in February 2005, provided the collaborator with certain license rights and specified guaranteed research funding, potential milestones, and royalties to the Company. Revenue related to the license agreement was recognized ratably over the license period and revenue related to this research collaboration was recognized as research was performed on a cost-to-cost basis. Revenue from the achievement of milestones was recognized upon achieving the milestone. Under this agreement the Company recognized research revenue of $2.5 million, $4.4 million, and $6.3 million for the fiscal years ended June 30, 2005, 2004, and 2003, respectively.

Also in March 2002, the Company formed a $24 million research collaboration to apply its high speed genomic sequencing capability and bioinformatics expertise to deliver molecular genetic information to the collaborator. The agreement, which was completed in October 2003, provided the collaborator with certain license rights. Revenue related to this research collaboration was recognized on a straight-line basis. Under this contract the Company recognized research revenue of $0, $5.1 million, and $15.7 million for the fiscal years ended June 30, 2005, 2004, and 2003, respectively.

In May 2000, the Company entered into a three-year, $22.5 million license agreement and research collaboration to utilize its protein interaction technology. The agreement, which was completed in April 2003, provided the collaborator a license to utilize the protein interaction technology in certain foreign markets. Revenue related to the license agreement was recognized ratably over the license period and revenue related to the research collaboration was recognized as research was performed on a cost-to-cost basis. Under this agreement the Company recognized research revenue of $0, $0, and $5.4 million for the fiscal years ended June 30, 2005, 2004, and 2003, respectively.

NOTE 8: Segment and Related Information

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

	Research	Predictive medicine	Drug development	Total
In thousands				
Year ended June 30, 2005:				
Revenues	$ 11,081	$ 71,325	—	$ 82,406
Depreciation and amortization	2,149	2,033	$ 1,910	6,092
Segment operating gain (loss)	(13,752)	15,764	(42,757)	(40,745)
Year ended June 30, 2004:				
Revenues	13,354	43,294	—	56,648
Depreciation and amortization	2,273	1,768	1,725	5,766
Segment operating gain (loss)	(16,581)	2,975	(29,029)	(42,635)
Year ended June 30, 2003:				
Revenues	29,638	34,683	—	64,321
Depreciation and amortization	2,287	1,912	1,076	5,275
Segment operating gain (loss)	$ (2,811)	$ (2,672)	$ (21,863)	$ (27,346)

	2005	2004	2003
Total operating loss for reportable segments	$ (40,745)	$ (42,635)	$ (27,346)
Unallocated amounts:			
Interest income	2,798	2,025	2,900
Other	(2,031)	(10)	38
Income taxes	—	—	(417)
Net loss	$ (39,978)	$ (40,620)	$ (24,825)

All of the Company's revenues were derived from research and testing performed in the United States. Additionally, all of the Company's long lived assets are located in the United States. All of the Company's research segment revenue was generated from nine, five, and six collaborators in fiscal 2005, 2004, and 2003, respectively. Further, revenue from zero, zero, and one of the collaborators was in excess of 10% of the Company's consolidated revenues for fiscal years 2005, 2004, and 2003, respectively.

NOTE 9: Stockholder Rights Plan

The Company has in place a Stockholder Rights Plan (the Plan). The Plan provides registered holders of the Company's common stock one preferred share purchase right for each outstanding share of the Company's common stock. Each right entitles the holder to purchase one one-hundredth of a share of a new series of junior participating preferred stock. The rights have certain anti-takeover effects and allow the Company's stockholders (other than the acquiror) to purchase common stock in the Company or in the acquiror at a substantial discount. Prior to the ten days following the acquisition by a person or group of beneficial ownership of 15% or more of the Company's common stock, the Board of Directors may redeem the rights in whole, but not in part, at a price of $0.01 per right.

NOTE 10: Investment in Prolexys Pharmaceuticals, Inc.

In April 2001, the Company contributed technology to Prolexys Pharmaceuticals, Inc. (Prolexys), formerly known as Myriad Proteomics, Inc., in exchange for a 49% ownership interest and investors contributed a combined $82 million in cash in exchange for the remaining 51% ownership in Prolexys.

The Company accounts for its investment in Prolexys using the equity method. Because the Company's initial investment in Prolexys consisted of technology with a carrying value of $0 on the Company's consolidated financial statements, and given the uncertainty of the realizability of the difference between the $82 million carrying amount and the Company's proportionate share of the net assets of Prolexys, the Company's initial investment in Prolexys was recorded as $0. The Company allocated $41 million of this difference to technology which is being reduced as the related technology

amortization, including in-process research and development charges, are recorded at Prolexys. At June 30, 2005, the remaining technology basis difference is estimated to be $10.7 million. The remaining $41 million of unallocated basis difference is being accreted to income, offset by the Company's share of Prolexys' losses, over the period of expected benefit of 10 years.

As part of the formation of Prolexys, the Company entered into administrative and scientific outsourcing agreements with Prolexys. The original terms of these agreements expired on December 31, 2001, but were extended until June 30, 2002 and again to June 30, 2003 at the option of Prolexys. This agreement was terminated effective January 26, 2004.

Charges to Prolexys for services incurred related to the administrative and scientific outsourcing agreements were based on actual time and expenses incurred by the Company on behalf of Prolexys. During the years ended June 30, 2005, 2004, and 2003, the Company provided $0, $1.6 million, and $2.0 million, respectively, of administrative and scientific services to Prolexys.

Summarized balance sheet information as of June 30, 2005 and 2004 for Prolexys is as follows:

	2005	2004
In thousands (Unaudited)		
Current assets	$ 13,352	$ 24,230
Noncurrent assets	28,337	39,699
Current liabilities	2,305	3,307
Noncurrent liabilities	8,455	12,624
Stockholders' equity	$ 30,929	$ 47,998

Summarized statement of operations information for Prolexys for the years ended June 30, 2005, 2004, and 2003 is as follows:

	2005	2004	2003
In thousands (Unaudited)			
Total revenues	$ 694	$ 1,108	$ 150
Other operating costs and expenses	20,539	33,560	23,155
Net loss	$ (17,090)	$ (26,508)	$ (19,756)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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, 2005 and 2004, 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, 2005. In connection with our audits of the consolidated financial statements, we have also audited the accompanying consolidated financial statement schedule. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 consolidated financial position of Myriad Genetics, Inc. and subsidiaries as of June 30, 2005 and 2004, and the results of their operations and their cash flows for each of the years in the three year period ended June 30, 2005, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Myriad Genetics, Inc. and subsidiaries' internal control over financial reporting as of June 30, 2005, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated September 7, 2005 expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting.

KPMG LLP

Salt Lake City, Utah
September 7, 2005

MARKET PRICE FOR COMMON STOCK

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

	High	Low
Fiscal 2005:		
Fourth Quarter	$ 18.62	$ 15.06
Third Quarter	26.07	18.07
Second Quarter	24.30	16.35
First Quarter	$ 18.30	$ 12.11
Fiscal 2004:		
Fourth Quarter	$ 19.50	$ 13.57
Third Quarter	18.52	12.95
Second Quarter	13.45	11.00
First Quarter	$ 16.50	$ 10.88

Stockholders

As of September 1, 2005, there were approximately 180 stockholders of record of our Common Stock and, according to our estimates, approximately 12,456 beneficial owners of the Common Stock.

Dividends

We have not paid dividends to our stockholders since our inception and we do not plan to pay cash dividends in the foreseeable future. We currently intend to retain earnings, if any, to finance our growth.

SCHEDULE OF VALUATION AND QUALIFYING ACCOUNTS

Allowance for doubtful accounts:			
Years Ended June 30,	2005	2004	2003
In thousands			
Balance at Beginning of Period	$ 1,205	$ 895	$ 505
Addition Charged to Cost and Expenses	2,244	2,020	564
Deductions (1)	(2,054)	(1,710)	(174)
Balance at End of Period	$ 1,395	$1,205	$ 895

See accompanying notes to consolidated financial statements.

(1) Represents amounts written off against the allowance.

CORPORATE INFORMATION

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Annual Meeting
The Annual Meeting of Shareholders will be held at the offices of Myriad Genetics, Inc., 320 Wakara Way, Salt Lake City, Utah on Thursday, November 10, 2005 at 9:00 a.m., MST.

Form 10-K
A printed copy of the Company's Annual Report to the Securities and Exchange Commission on Form 10-K may be obtained by any shareholder without charge upon written request to:
Myriad Genetics, Inc.
Investor Relations
320 Wakara Way
Salt Lake City, UT 84108

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

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www.myriad.com