THE DRIVE TO DISCOVER. THE EXPERIENCE TO DELIVER.

2010 Annual Report

Incyte

Incyte *developed* **ruxolitinib internally,**

advanced **the compound through the clinic,**

and is prepared to *make a difference*

in the lives of patients who suffer from myelofibrosis.

To Our Stockholders:

The achievement of key clinical and financial goals in 2010 has positioned us for a very promising and eventful 2011. We are preparing a New Drug Application (NDA) for ruxolitinib (INCB18424) for myelofibrosis (MF) and look to our first potential launch in the United States later this year. This NDA could result in the approval of the first JAK inhibitor drug to treat MF, which makes our discovery of this compound even more satisfying. An approval would also represent an important and significant event for the MF community as this disease is life-shortening and can be profoundly disabling, placing a tremendous burden on the patients.

SUBSTANTIAL PROGRESS

The success we expect in 2011 is supported by the substantial progress we achieved in the clinic. Last December we reported statistically significant results for ruxolitinib versus placebo in our Phase III COMFORT-I trial. Then, in March of this year, we announced that the second Phase III trial, COMFORT-II, conducted in Europe by our collaborator, Novartis, achieved statistically significant results for ruxolitinib versus best available therapy. These findings were consistent with the results from our previous clinical studies and will now form the basis for the planned regulatory submissions in the United States and the European Union.

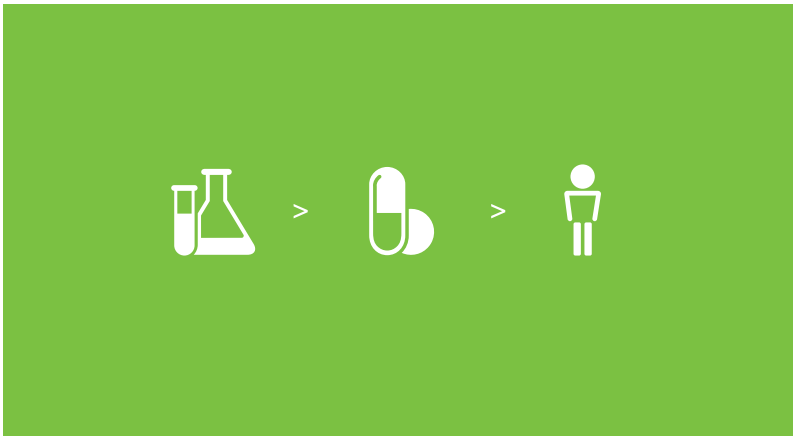
SUBSTANTIAL EXPERIENCE

Our commercial team has substantial experience with oncology, hematology and specialty products and with the launch, marketing and reimbursement of new drugs. They plan to use a variety of sales and marketing approaches to reach the hematologists and oncologists who treat MF in the United States as rapidly, effectively and efficiently as possible.

As a potent, selective inhibitor of the janus kinase (JAK) cell pathway, ruxolitinib may have applications in the treatment of several other cancers, which we are now exploring or planning to explore in clinical studies. In October, we and Novartis launched the global Phase III RESPONSE trial with ruxolitinib in patients with advanced polycythemia vera, another myeloproliferative neoplasm related to MF.

We plan to initiate a Phase II trial this year in patients with pancreatic cancer to build on encouraging results from our preclinical studies. We also have plans to study the drug in cancers such as lymphoma and solid tumors where the disease may be resistant or poorly responsive to current therapies.

"Our achievements reflect the productivity of our R&D team and the continuing success of our drug development programs and collaborations."



Although ruxolitinib is our most advanced product candidate, it is not the only promising JAK inhibitor in our pipeline. We have an exclusive worldwide license and collaboration agreement with Eli Lilly for the development of LY3009104 (INCB28050), our second JAK compound, for inflammatory and autoimmune diseases. Last year Lilly advanced this compound to Phase IIb development in patients with rheumatoid arthritis based upon impressive 6-month results from our Phase IIa study. We exercised our co-development rights for this compound in 2010 and are now responsible for funding thirty percent of the associated global development costs in rheumatoid arthritis through regulatory approval in exchange for tiered royalty rates ranging up to the high twenties on potential future global sales. We believe JAK inhibition represents an important new approach to inflammatory and autoimmune diseases and we look forward to seeing this compound progress, initially in rheumatoid arthritis and potentially in other conditions.

STRENGTHENED FINANCIAL POSITION

Importantly, we continue to be rewarded for our clinical successes and last year we earned more than $100 million in milestone payments from our collaborators, which strengthened our financial position and helped us advance our pipeline.

DRUG DISCOVERY CONTINUES TO BEAR FRUIT

Our commitment to investing in drug discovery continues to bear fruit. We recently began a new clinical program in oncology with INCB24360, a selective, orally available inhibitor of indoleamine 2, 3-dioxygenase (IDO), an immune regulatory enzyme. Preclinical studies have shown that inhibition of this enzyme increases the anti-tumor immune response and dramatically increases the efficacy of various chemotherapeutic agents in controlling tumor growth. We are currently conducting a dose-escalation study of this compound in patients with solid tumors.

Discovery:

Our pharmaceutically experienced biologists and chemists utilize an integrated approach with the development teams to generate high quality proprietary compounds to build and sustain our pipeline.

Development:

Our drug development team carefully plans and conscientiously executes the clinical programs. Our studies are designed with a focus on patient safety and clinically meaningful endpoints.

Commercialization:

Based upon a deep understanding of market dynamics, our commercial team creates the strategies and materials to support the launch of a new product and sustain its growth.

Our achievements reflect the productivity of our team and the continuing success of our drug development programs and collaborations.

LOOKING AHEAD

This year, we plan to focus our resources on:

- Obtaining FDA approval of ruxolitinib;
- Successfully launching the drug in the United States;
- Completing enrollment in the global Phase III RESPONSE clinical study of ruxolitinib in polycythemia vera;
- Initiating new studies of ruxolitinib in lymphoma and pancreatic cancer;
- Determining future clinical plans for the development of our Sheddase inhibitor, INCB7839, in breast cancer;
- Completing the Phase I study of our IDO inhibitor, INCB24360, and selecting doses for Phase II testing;
- Completing the initial studies for our c-MET inhibitor in solid tumors and then transferring the program to Novartis; and
- Initiating Phase I testing of a novel oncology compound that we have not yet disclosed.

This is an ambitious agenda and one that I am confident we have the talent and resources to accomplish this year.

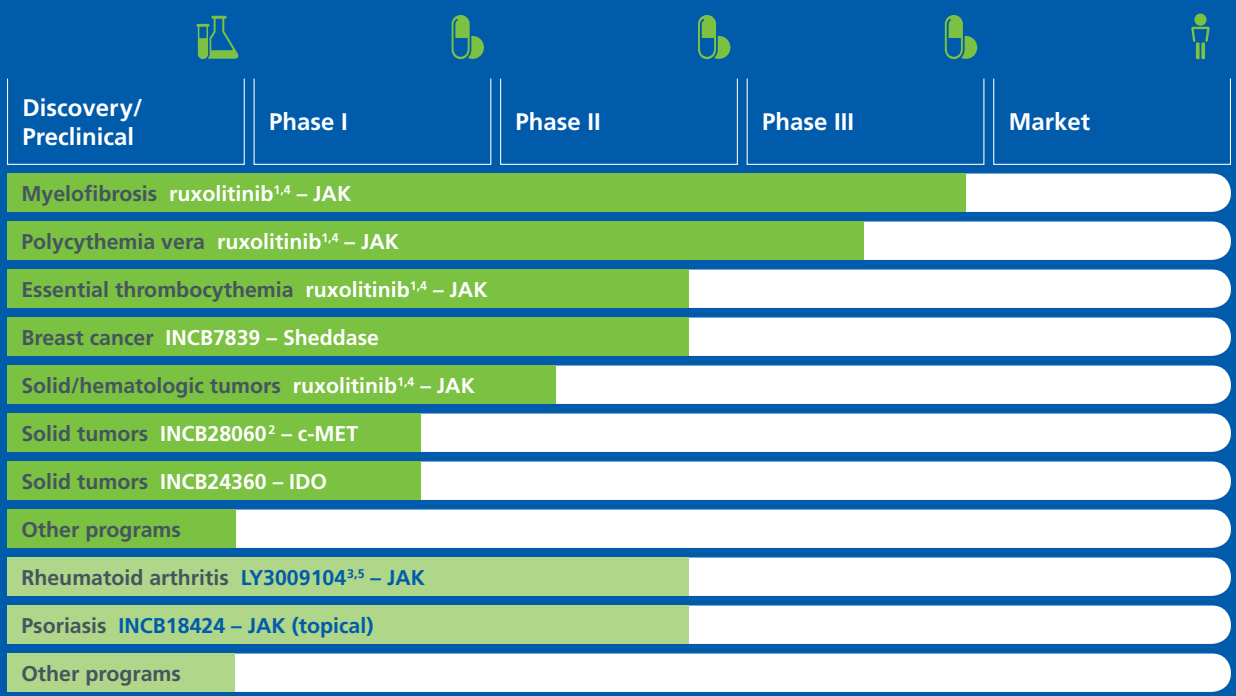
In closing, I thank our employees for their hard work and disciplined efforts. I also want to recognize and thank the physicians and patients who have participated in our clinical programs and aided us in the development of ruxolitinib.

Sincerely,

Paul A. Friedman, M.D.
President and Chief Executive Officer
March 31, 2011

Our Pipeline

Incyte's pipeline is focused in oncology and inflammation and includes multiple programs in various stages of development. We have established several collaborations with major pharmaceutical companies to advance the clinical development and global commercialization of our compounds. This year, we plan to submit a new drug application for our lead compound in myelofibrosis and look to the potential U.S. approval of ruxolitinib.



1 Incyte: U.S. rights; Novartis: ex U.S. rights
2 Novartis: worldwide rights
3 Lilly: worldwide rights
4 Formerly INCB18424
5 Formerly INCB28050

BOARD OF DIRECTORS

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Chairman of the Board
Formerly Chairman and
Chief Executive Officer
DuPont Pharmaceuticals
Company

Paul A. Friedman, M.D.
President and
Chief Executive Officer
Incyte Corporation

Barry M. Ariko
Formerly President, Chief
Executive Officer and Chairman
Mirapoint, Inc.

Julian C. Baker
Managing Member
Baker Bros. Advisors, LLC

Paul A. Brooke
Founder and Managing Director
venBio LLC

Wendy L. Dixon, Ph.D.
Formerly Chief Marketing
Officer and President,
Global Marketing
Bristol-Myers Squibb Company

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Formerly Vice Chairman and
President of Global Research
and Development
Pfizer Inc.

Roy A. Whitfield
Formerly Chairman of the Board
and Chief Executive Officer
Incyte Corporation

EXECUTIVE MANAGEMENT

Paul A. Friedman, M.D.
President and
Chief Executive Officer

Patricia S. Andrews
Executive Vice President and
Chief Commercial Officer

David C. Hastings
Executive Vice President and
Chief Financial Officer

Reid M. Huber, Ph.D.
Senior Vice President,
Discovery Biology

Richard S. Levy, M.D.
Executive Vice President and
Chief Drug Development and
Medical Officer

Brian W. Metcalf, Ph.D.
Executive Vice President and
Chief Drug Discovery Scientist

Patricia A. Schreck
Executive Vice President and
General Counsel

Paula J. Swain
Executive Vice President,
Human Resources

Wenqing Yao, Ph.D.
Senior Vice President,
Discovery Chemistry

STOCKHOLDER INFORMATION

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800.231.5469

Foreign Shareowners:
201.680.6578

TDD Foreign Shareowners:
201.680.6610

www.bnymellon.com/
shareowner/equityaccess

Annual Meeting
The Annual Meeting of
Stockholders will be held
May 20, 2011, at 10:00 a.m.,
Eastern Daylight Time, at
the Hotel du Pont, 11th and
Market Streets, Wilmington,
Delaware 19801.

Outside Counsel
Pillsbury Winthrop Shaw
Pittman LLP

**Independent Registered
Public Accounting Firm**
Ernst & Young LLP

Market Information
Incyte's Common Stock trades
on The Nasdaq Global Market
under the symbol INCY.

Investor Relations
You can obtain recent press
releases and other publicly
available information on
Incyte by visiting our web site
at www.incyte.com.

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Corporate Communications
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Wilmington, Delaware 19880
302.498.6700

FORWARD-LOOKING STATEMENTS

Except for the historical information set forth herein, the matters set forth in this annual report, including statements regarding our planned NDA submission and potential commercialization of ruxolitinib, anticipated future success in drug discovery and development, plans and expected timelines for advancing our drug candidates through clinical trials, NDA submission and potential commercialization, including our objectives and agenda for 2011, and potential therapeutic and commercial value, including attributes and indications of our drug candidates, contain predictions, estimates and other forward-looking statements.

These forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially, including the risk that results of clinical trials may be unsuccessful or insufficient to meet applicable regulatory standards, the high degree of risk and uncertainty associated with drug development and clinical trials, the uncertainty associated with the regulatory approval processes, risks related to the timing of and patient enrollment in clinical trials, unanticipated developments in and risks related to the efficacy or safety of our compounds in clinical trials, the results of further research and development, risks associated with our dependence on our relationships with our collaboration partners, risks related to market competition, and the other risks detailed from time to time in our reports filed with the Securities and Exchange Commission, including our Form 10-K for the year ended December 31, 2010. Incyte disclaims any intent or obligation to update these forward-looking statements.

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