2013 ANNUAL REPORT

Incyte

Hervé Hoppenot
Incyte President and Chief Executive Officer

To Our Stockholders:

Success in our industry is defined by the ability to discover effective and safe medicines and make them widely available to patients in need. Under the inspired leadership of Dr. Paul Friedman, Incyte has clearly demonstrated and achieved this success. Over the past decade, Paul built a highly skilled team that brought to market the first JAK inhibitor and the first approved treatment for the life-threatening blood cancer myelofibrosis.

This proven success definitely contributes to why I am so enthusiastic about the future of Incyte. But there is also another important reason. The field of oncology is evolving rapidly, and today we are witnessing a major transformation in how cancer is treated. I believe Incyte, rooted in rigorous science, is at the center of this transformation. We have built a pipeline that now includes innovative compounds in three major oncology areas: onco-inflammation, immuno-oncology and targeted therapies.

With our approved JAK inhibitor, ruxolitinib, we are pursuing a second myeloproliferative neoplasm indication, polycythemia vera. Further, we are evaluating JAK inhibitors in new indications and combinations targeting solid tumors such as pancreatic, breast, colorectal and non-small cell lung cancer. We are also advancing a novel immunotherapy, our oral IDO1 inhibitor, INCB24360, alone and through collaboration, and initiating clinical trials with one of our highly selective targeted therapies, INCB40093, an oral PI3K-delta inhibitor. Additionally, our productive chemists and biologists are continuing to identify new molecules that meet our goal to deliver first and/or best in class medicines.

Beyond our core competency in R&D, Incyte has demonstrated the ability to successfully commercialize new medicines. Net product revenue of the first JAK1/JAK2 inhibitor, Jakafi® (ruxolitinib), for the treatment of patients with intermediate or high-risk myelofibrosis, exceeded $235 million last year, and we anticipate another year of solid growth in 2014 with net product revenue expected in the range of $315 million to $335 million. We plan to file a supplemental New Drug Application for ruxolitinib for the treatment of polycythemia vera in the first half of 2014, which could further expand the opportunity for Jakafi in 2015 and beyond.

Incyte's financial position is solid, and product revenues are strong. The ongoing strategic collaborations with Novartis and Lilly significantly expand our opportunities and resources. Together, these are enabling us to continue to aggressively advance the pipeline.

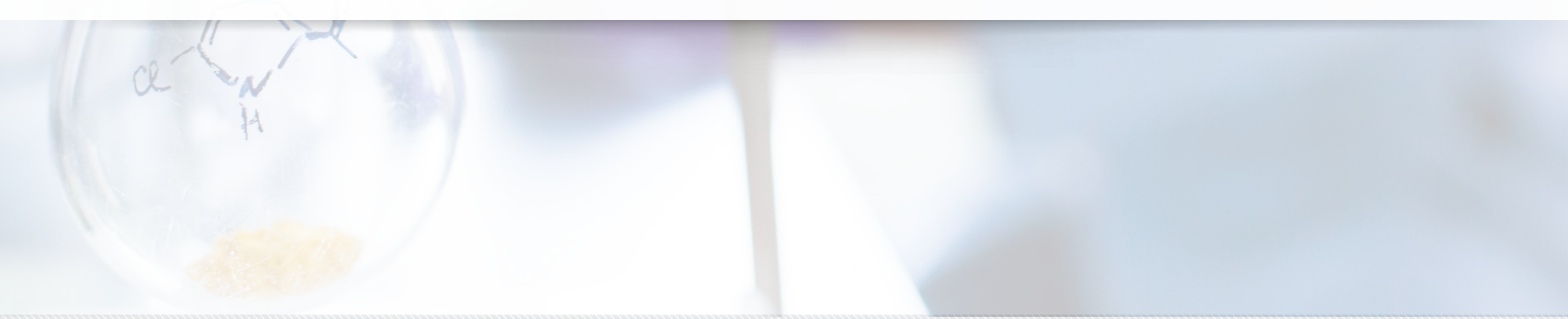
The field of oncology is evolving rapidly, and Incyte is at the center of this major transformation in how cancer is treated.

In closing, I want to thank the patients, researchers and physicians who participate in clinical trials, giving their precious time to help advance new science. I also want to thank the entire Incyte team for their efforts and success in 2013, and especially Paul, who will continue to serve as a member of the Board of Directors.

Lastly, I extend our thanks and gratitude to Roy A. Whitfield for his service on the Board of Directors, including his former role as Chairman of the Board. Looking ahead, I am confident Incyte can continue to make great progress in delivering important new medicines to improve the lives of patients worldwide. By doing this, we can build sustainable value for all of our key stakeholders.

Sincerely,

Hervé Hoppenot
President and Chief Executive Officer
April 2014



2013 ACCOMPLISHMENTS

JAKAFI® (RUXOLITINIB)

- Data presented at the American Society of Hematology annual meeting continued to suggest that in clinical trials, patients with myelofibrosis treated with Jakafi® (ruxolitinib) had improved survival as compared to patients treated with placebo or best available therapy.
- Results were encouraging from RECAP, a Phase II trial of ruxolitinib in combination with capecitabine in patients with recurrent or treatment-refractory metastatic pancreatic cancer. Within a pre-specified patient subgroup, six-month survival in the ruxolitinib arm was 42 percent versus 11 percent for placebo, and the hazard ratio for overall survival was 0.47 (one-sided p=0.005).
- Incyte and the U.S. Food and Drug Administration (FDA) agreed on a special protocol assessment (SPA) for a registration trial to evaluate ruxolitinib in patients with advanced or metastatic pancreatic cancer. The FDA has also granted orphan status for ruxolitinib for this indication.

PIPELINE EXPANSION

- Proof-of-concept trials of Incyte's wholly owned JAK1 inhibitor INCB39110 suggested that JAK1 inhibition is less myelosuppressive than what is seen with JAK1/JAK2 inhibitors, setting the stage for further development of INCB39110 in oncology.
- Results from a Phase I trial of Incyte's IDO1 inhibitor INCB24360, part of a rapidly evolving new class of drugs called immunotherapies, demonstrated that it was well-tolerated at doses that effectively inhibit the target.

Advances on multiple fronts have broadened and strengthened Incyte's solid foundation for sustained growth.

2013 ACCOMPLISHMENTS

PIPELINE EXPANSION (CONTINUED)

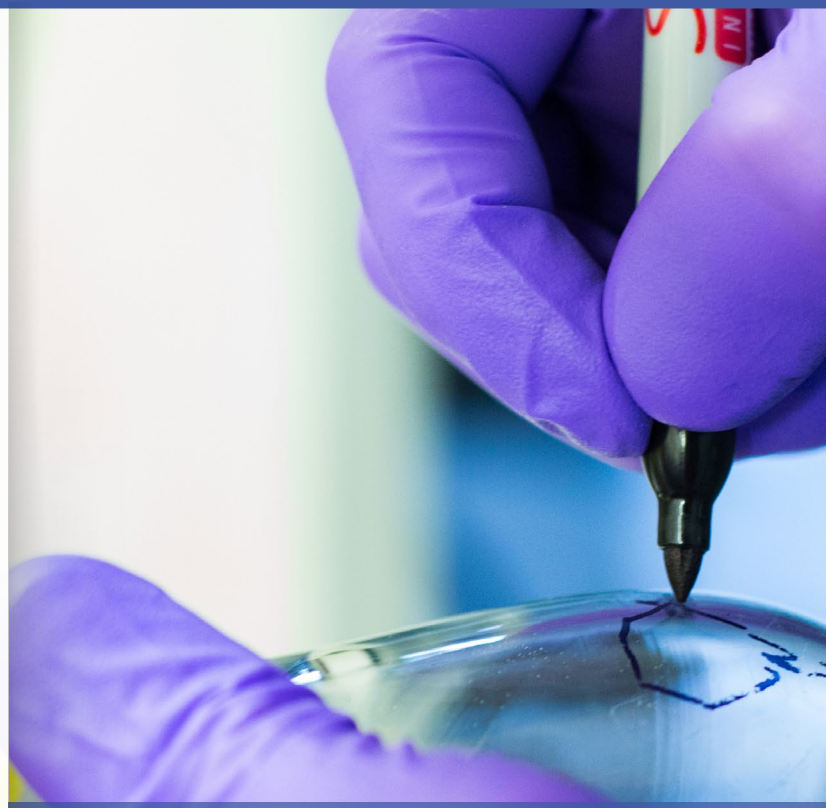
- The dose-ranging trial of Incyte's PI3K-delta inhibitor INCB40093 in patients with B-lymphoid malignancies supports further studies in combination with other compounds, beginning with INCB39110.
- Results from the Phase IIb trial of baricitinib in patients with active rheumatoid arthritis showed that, for patients completing the open-label extension, clinical improvements observed at week 24 were sustained at the end of 52 weeks. Baricitinib, Incyte's second JAK1/JAK2 inhibitor, is being developed through a strategic alliance with Lilly.

STRONG BALANCE SHEET

- Net product revenues from sales of Jakafi were $235.4 million, which attest to its steadily growing underlying demand.
- Incyte earned a $25 million milestone payment when Novartis initiated the Phase II clinical trial evaluating the c-MET inhibitor INC280 as monotherapy in patients with advanced hepatocellular carcinoma.
- Incyte ended the year in a strong financial position with approximately $509 million in cash and investments, positioning the company well to fund its expanding pipeline.

EXPANDED PATIENT COMMUNITY SUPPORT

- In conjunction with Blood Cancer Awareness Month last September, Incyte launched Voices of MPN™, an online patient support program to promote greater awareness of myeloproliferative neoplasms (MPNs) and help educate, empower and connect people living with or affected by MPNs.
- The program also gave people the opportunity to recognize the MPN Heroes™ in their lives. CURE Magazine and Incyte honored the first seven MPN Heroes at a celebratory event before the American Society of Hematology annual meeting.



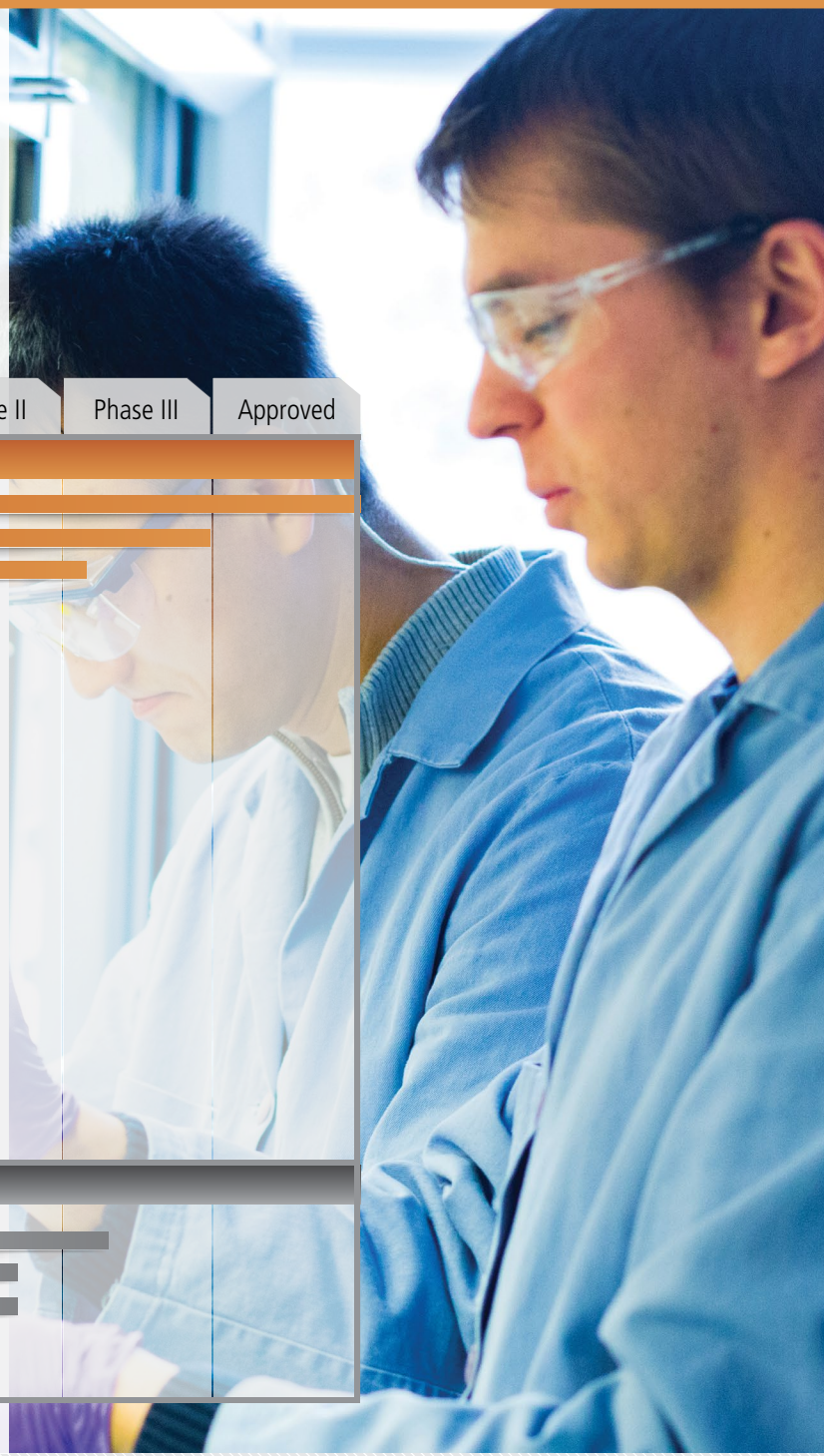
Incyte made significant progress across discovery, development and commercialization in 2013.

ADVANCED PIPELINE

Incyte's pipeline includes innovative compounds in onco-inflammation, immuno-oncology and chronic inflammatory diseases.

Compound	Target	Indication	Phase I	Phase II	Phase III	Approved
Oncology						
Jakafi® (ruxolitinib)	JAK1/JAK2	Myelofibrosis[a]				
		Polycythemia vera[a]				
		Pancreatic cancer[b]				
		Advanced malignancies[b]				
		Non-small cell lung cancer[b]				
		Breast cancer[b]				
		Colorectal cancer[b]				
INCB39110	JAK1	Advanced malignancies				
INCB24360	IDO1	Metastatic melanoma				
		Ovarian cancer				
INCB40093	PI3K-delta	B-lymphoid malignancies				
INCB40093+INCB39110	PI3K-delta+JAK1	B-lymphoid malignancies				
INC280[c]	c-MET	Hepatocellular carcinoma				
		Non-small cell lung cancer				
		Solid tumors				
Chronic Inflammatory Diseases						
baricitinib[d]	JAK1/JAK2	Rheumatoid arthritis				
		Psoriasis				
		Diabetic nephropathy				
INCB47986	JAK1	Rheumatoid arthritis				

a Incyte: U.S. rights; Novartis: ex-U.S. rights b Incyte: U.S. rights c Novartis: worldwide rights d Lilly: worldwide rights



ONCOLOGY

The Incyte pipeline is anchored by Jakafi® (ruxolitinib), the first JAK inhibitor approved for any indication and the first treatment approved for the blood cancer myelofibrosis (MF). Jakafi for MF is just the beginning. The FDA granted fast-track status for ruxolitinib for the treatment of patients with polycythemia vera (PV) who are resistant to or intolerant of hydroxurea, an addressable patient population of about 25,000 out of the 100,000 U.S. patients who are diagnosed with PV. With positive results from the pivotal Phase III trial RESPONSE, Incyte is proceeding with its plan to file an sNDA for this second indication in the first half of 2014.

Based on positive Phase II subgroup results from RECAP, Incyte is moving forward with two Phase III studies for ruxolitinib in pancreatic cancer and Phase II trials in breast cancer, colorectal cancer and non-small cell lung cancer. Incyte also is advancing the JAK1-selective inhibitor, INCB39110, in solid tumor trials for patients with non-small cell lung cancer.

Incyte's IDO1 inhibitor INCB24360, which belongs to a new class of immunotherapeutics, is in clinical development as monotherapy for ovarian cancer and in combination with ipilimumab for metastatic melanoma. Based on preclinical data that suggest combining an IDO1 inhibitor with checkpoint inhibitors leads to improved anti-tumor response, Incyte has established a non-exclusive clinical trial collaboration with Merck to combine INCB24360 with Merck's novel anti-PD-1 immunotherapy checkpoint inhibitor in a non-small cell lung cancer study.

The company's broadening hematology/oncology portfolio offers additional opportunities to explore combinations within its own pipeline. The first such targeted combination – JAK1 inhibitor INCB39110 and PI3K-delta inhibitor INCB40093 – is being evaluated in patients with B-lymphoid malignancies.

CHRONIC INFLAMMATORY DISEASES

An ongoing collaboration with Lilly has the potential to deliver significant value for baricitinib, Incyte's second JAK1/JAK2 inhibitor, by addressing the unmet needs of patients with chronic inflammatory diseases, such as rheumatoid arthritis. In addition, Incyte is pursuing opportunities to develop distinct JAK1 inhibitors for both oncology and inflammation. A Phase II trial of its second JAK1 inhibitor in rheumatoid arthritis is expected to begin in the first half of the year.

Incyte's scientists are focused on transforming the treatment of cancer and inflammation.

MPN COMMUNITY

Living with a rare disease can be a lonely and isolating experience. In addition to finding better treatment options, Incyte is committed to making a meaningful difference for those living with MPNs.

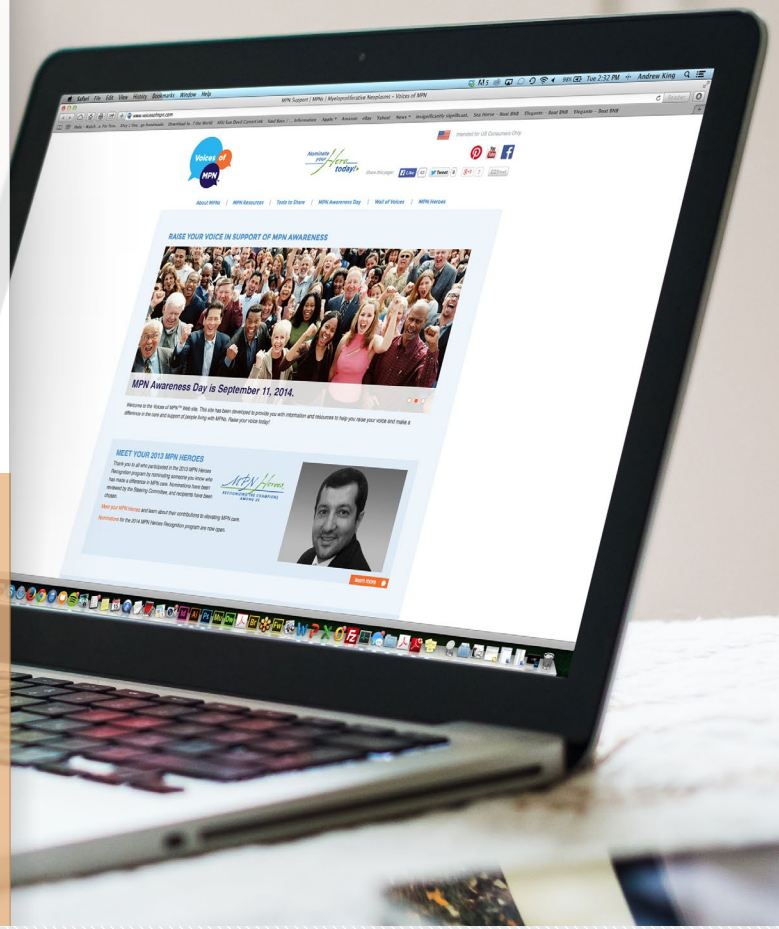
The company supports the multiple advocacy organizations that form the MPN Coalition, which give patients a sense of community and information on how to cope with the many challenges of living with MPNs. Involvement with these respected patient groups helps the company learn about patients' unmet needs and the difficulties faced each day.

Last year, Incyte launched Voices of MPN™, a website that links people to disease information, educational programs and community activities. It enables them to spread awareness through social media or share their stories and offer encouragement on the "Wall of Voices."

In collaboration with the Cure Media Group, the company also established the MPN Heroes™ recognition program to honor and celebrate individuals and organizations for their exemplary contributions in caregiving, community leadership or scientific advances. The seven 2013 MPN Heroes were honored at a special event and shared their inspiring personal stories in videos on the Voices of MPN website. Nominations for the 2014 MPN Heroes are now open through Sept. 12, 2014.

"Our voices are stronger together. It is very clear that much more can be achieved when we unite for a shared cause — to support people living with MPNs."

Barbara Van Husen, President
MPN Research Foundation



In addition to finding better treatment options, Incyte is committed to making a meaningful difference for those living with MPNs.

LEADERSHIP

BOARD OF DIRECTORS

Richard U. De Schutter
Chairman of the Board
Formerly Chairman and
Chief Executive Officer
DuPont Pharmaceuticals
Company

Hervé Hoppenot
President and
Chief Executive Officer
Incyte Corporation

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

Julian C. Baker
Managing Partner
Baker Brothers Investments

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

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

EXECUTIVE MANAGEMENT

Hervé Hoppenot
President and
Chief Executive Officer

James M. Daly
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

Eric H. Siegel
Executive Vice President and
General Counsel

Paula J. Swain
Executive Vice President,
Human Resources

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

STOCKHOLDERS

STOCKHOLDER INFORMATION

Transfer Agent and Registrar
Computershare
PO Box 43078
Providence, RI 02940-3078
or
250 Royall Street
Canton, MA 02021
Phone: 877/272-1536
www.computershare.com/investor

TDD for Hearing Impaired:
800/231-5469

Foreign Shareowners:
201/680-6578

TDD Foreign Shareowners:
201/680-6610

Annual Meeting
The Annual Meeting of Stockholders will be held May 28, 2014, 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 Common Stock trades on The Nasdaq Global Select Market under the symbol INCY.

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

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Route 141 & Henry Clay Road
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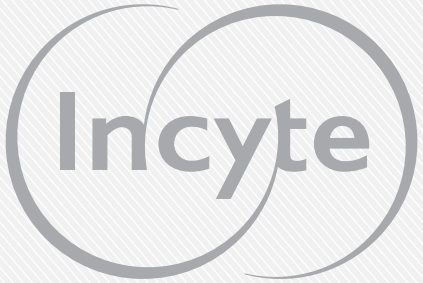
Wilmington, Delaware 19880
855/446-2983

Forward-Looking Statements

Except for the historical information set forth herein, the matters set forth in this annual report, including statements regarding our expected net product revenue for 2014, plans and expectations with respect to Jakafi® (ruxolitinib) including its potential efficacy and therapeutic and commercial value, anticipated future accomplishments in drug discovery, development and product commercialization, and plans and expectations with respect to our pipeline, including advancing our compounds through clinical trials and regulatory submissions and their potential therapeutic and commercial value, 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 unanticipated developments in and risks related to the efficacy or safety of Jakafi and our compounds in clinical trials, the acceptance of Jakafi in the marketplace, risks related to market competition, the results of further research and development, the high degree of risk and uncertainty associated with drug development, clinical trials and regulatory approval processes, the risk that results of clinical trials may be unsuccessful or insufficient to meet applicable regulatory standards, risks associated with our dependence on our relationships with our collaboration partners, and 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, 2013. Incyte disclaims any intent or obligation to update these forward-looking statements.

To download the Incyte Form 10-K, visit www.incyte.com



The Drive to Discover. The Experience to Deliver.

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