



**Incyte Corporation
Experimental Station
Route 141 & Henry Clay Road, Building E336
Wilmington, DE 19880
(302) 498-6700**

April 22, 2014

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of Incyte Corporation that will be held on Wednesday, May 28, 2014, at 10:00 a.m., Eastern Daylight Time, at the Hotel du Pont, 11th and Market Streets, Wilmington, Delaware 19801.

The formal notice of the Annual Meeting and the Proxy Statement have been made a part of this invitation.

After reading the Proxy Statement, please mark, date, sign and return, at an early date, the enclosed proxy in the enclosed prepaid envelope, to ensure that your shares will be represented. **Your shares cannot be voted unless you sign, date and return the enclosed proxy, submit your proxy by telephone or the internet, or attend the Annual Meeting in person.**

A copy of the Company's 2013 Annual Report on Form 10-K is also enclosed.

The Board of Directors and management look forward to seeing you at the meeting.

Sincerely yours,

A handwritten signature in black ink, appearing to read "R. U. De Schutter". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Richard U. De Schutter
Chairman of the Board

INCYTE CORPORATION

**Notice of Annual Meeting of Stockholders
to be held Wednesday, May 28, 2014**

To the Stockholders of Incyte Corporation:

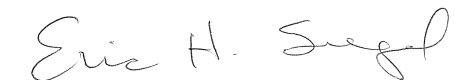
The Annual Meeting of Stockholders of Incyte Corporation, a Delaware corporation (the "Company"), will be held at the Hotel du Pont, 11th and Market Streets, Wilmington, Delaware 19801, on Wednesday, May 28, 2014, at 10:00 a.m., Eastern Daylight Time, for the following purposes:

1. To elect seven directors to serve until the 2015 Annual Meeting of Stockholders and thereafter until their successors are duly elected and qualified;
2. To vote on the approval of amendments to the Company's Amended and Restated 2010 Stock Incentive Plan;
3. To hold a non-binding advisory vote to approve the compensation of the Company's named executive officers;
4. To ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for 2014; and
5. To transact such other business as may properly come before the Annual Meeting of Stockholders and any postponement or adjournment of the Annual Meeting.

Stockholders of record as of the close of business on April 10, 2014 are entitled to notice of and to vote at the Annual Meeting and any postponement or adjournment thereof.

It is important that your shares be represented at this meeting. Even if you plan to attend the meeting, we hope that you will vote as soon as possible. Voting now will ensure your representation at the Annual Meeting regardless of whether you attend in person. You may vote over the internet, by telephone or by mailing the enclosed proxy card or voting instruction form. Please review the instructions on page 2 of the attached Proxy Statement and your proxy card or voting instruction form regarding each of these voting options.

By Order of the Board of Directors



Eric H. Siegel
Secretary

April 22, 2014

INCYTE CORPORATION
Experimental Station
Route 141 & Henry Clay Road, Building E336
Wilmington, DE 19880

PROXY STATEMENT

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of Incyte Corporation, a Delaware corporation (“we,” “us,” “our,” “Incyte” or the “Company”), of proxies in the accompanying form to be used at the Annual Meeting of Stockholders of the Company to be held at the Hotel du Pont, 11th and Market Streets, Wilmington, Delaware 19801, on Wednesday, May 28, 2014, at 10:00 a.m., Eastern Daylight Time, and any postponement or adjournment thereof.

This Proxy Statement and the accompanying form of proxy are being mailed to stockholders on or about April 28, 2014.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE
ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 28, 2014.**

The Proxy Statement and Annual Report are available at <http://www.edocumentview.com/incy>

For information on how to obtain directions to attend the Annual Meeting, please see “Questions and Answers about the Proxy Materials and the Annual Meeting.”

**QUESTIONS AND ANSWERS ABOUT
THE PROXY MATERIALS AND THE ANNUAL MEETING**

What proposals will be voted on at the Annual Meeting?

Four proposals will be voted on at the Annual Meeting:

- The election of directors;
- The approval of amendments to the Company’s Amended and Restated 2010 Stock Incentive Plan;
- A non-binding advisory vote to approve the compensation of our named executive officers; and
- The ratification of the appointment of the independent registered public accounting firm for 2014.

What are the Board’s recommendations?

Our Board recommends that you vote:

- “FOR” election of each of the nominated directors;
- “FOR” the approval of the amendments to the Company’s Amended and Restated 2010 Stock Incentive Plan;
- “FOR” the approval, on a non-binding, advisory basis, of the compensation of our named executive officers; and
- “FOR” ratification of the appointment of the independent registered public accounting firm for 2014.

Will there be any other items of business on the agenda?

We do not expect any other items of business because the deadline for stockholder proposals and nominations has already passed. Nonetheless, in case there is an unforeseen need, the accompanying proxy gives discretionary authority to the persons named on the proxy with respect to any other matters that might be brought before the meeting. Those persons intend to vote that proxy in accordance with their best judgment.

Who is entitled to vote?

Stockholders of record at the close of business on April 10, 2014, the Record Date, may vote at the Annual Meeting. Each stockholder is entitled to one vote for each share of our Common Stock held as of the Record Date.

What is the difference between holding shares as a stockholder of record and as a beneficial owner?

Stockholder of Record. If your shares are registered directly in your name with our transfer agent, Computershare, you are considered, with respect to those shares, the “stockholder of record.” The Proxy Statement, Annual Report and proxy card have been sent directly to you by Incyte.

Beneficial Owner. If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the “beneficial owner” of shares held in street name. The Proxy Statement and Annual Report have been forwarded to you by your broker, bank or nominee who is considered, with respect to those shares, the stockholder of record. As the beneficial owner, you have the right to direct your broker, bank or nominee how to vote your shares by using the voting instruction form included in the mailing.

How do I vote?

You may vote using any of the following methods:

- **By Mail** – Stockholders of record may submit proxies by completing, signing and dating each proxy card received and returning it in the prepaid envelope. Sign your name exactly as it appears on the proxy. If you return your signed proxy but do not indicate your voting preferences, your shares will be voted on your behalf “FOR” the election of the nominated directors, “FOR” the approval of the amendments to the Company’s Amended and Restated 2010 Stock Incentive Plan, “FOR” the approval on a non-binding, advisory basis of the compensation of the Company’s named executive officers, and “FOR” the ratification of the independent registered public accounting firm for 2014. Stockholders who hold shares beneficially in street name may provide voting instructions by mail by completing, signing and dating the voting instruction forms provided by their brokers, banks or other nominees.
- **By Telephone** – Stockholders of record may submit proxies by following the telephone voting instructions on each proxy card. Most stockholders who hold shares beneficially in street name may provide voting instructions by telephone by calling the number specified on the voting instruction form provided by their brokers, banks or nominees. Please check the voting instruction form for telephone voting availability. Please be aware that if you submit voting instructions by telephone, you may incur costs such as telephone access charges for which you will be responsible. The telephone voting facilities will close at 11:59 p.m., Eastern Daylight Time, the day before the meeting date.
- **By Internet** – Stockholders of record with internet access may submit proxies by following the internet voting instructions on their proxy cards. Most stockholders who hold shares beneficially in street name may provide voting instructions by accessing the website specified on the voting instruction form provided by their brokers, banks or nominees. Please check the voting instruction form for

internet voting availability. Please be aware that if you vote over the internet, you may incur costs such as internet access charges for which you will be responsible. The internet voting facilities will close at 11:59 p.m., Eastern Daylight Time, the day before the meeting date.

- **In Person at the Annual Meeting** – Shares held in your name as the stockholder of record may be voted at the Annual Meeting. Shares held beneficially in street name may be voted in person only if you obtain a legal proxy from the broker, bank or nominee that holds your shares giving you the right to vote the shares. You may obtain directions to the Annual Meeting by contacting the Company’s Investor Relations Department at (302) 498-6700. *Even if you plan to attend the Annual Meeting, we recommend that you also submit your proxy or voting instructions or vote by telephone or the internet so that your vote will be counted if you later decide not to attend the meeting.*

Can I change my vote or revoke my proxy?

You may change your vote or revoke your proxy at any time prior to the vote at the Annual Meeting. If you submitted your proxy by mail, you must file with the Secretary of the Company a written notice of revocation or deliver, prior to the vote at the Annual Meeting, a valid, later-dated proxy. If you submitted your proxy by telephone or the internet, you may change your vote or revoke your proxy with a later telephone or internet proxy, as the case may be. Attendance at the Annual Meeting will not have the effect of revoking a proxy unless you give written notice of revocation to the Secretary before the proxy is exercised or you vote by written ballot at the Annual Meeting.

How are votes counted?

In the election of directors, you may vote “FOR” all of the nominees or your vote may be “WITHHELD” with respect to one or more of the nominees. For each of Proposal 2, Proposal 3 and Proposal 4, you may vote “FOR,” vote “AGAINST” or “ABSTAIN.” If you “ABSTAIN” as to any of these proposals, the abstention has the same effect as a vote “AGAINST” the proposal.

If you provide specific instructions, your shares will be voted as you instruct. If you sign your proxy card or voting instruction form with no further instructions, your shares will be voted in accordance with the recommendations of the Board (“FOR” all of the nominees to the Board of Directors, “FOR” the approval of the amendments to the Company’s Amended and Restated 2010 Stock Incentive Plan, “FOR” the approval of the compensation of our named executive officers, and “FOR” the ratification of the independent registered public accounting firm and in the discretion of the proxy holders on any other matters that may properly come before the meeting).

What vote is required to approve each item?

For Proposal 1, the election of directors, the seven persons receiving the highest number of “FOR” votes at the Annual Meeting will be elected. In addition to the voting requirements under Delaware law as to the election of directors, our Board has adopted a policy governing what will occur in the event that a director does not receive a majority of the votes cast. A majority of the votes cast means that the number of votes “FOR” the nominee exceeds the number of votes “WITHHELD.” Abstentions and broker non-votes will not be counted to determine whether a nominee receives a majority of votes cast. Additional information concerning our policy for the election of directors is set forth under the heading “Corporate Governance—Majority Voting Policy.”

Proposal 2 and Proposal 4 require the affirmative “FOR” vote of the holders of a majority of the shares present at the Annual Meeting in person or by proxy and entitled to vote. Abstentions have the same effect as votes “AGAINST” the matter.

For Proposal 3, the affirmative “FOR” vote of the holders of a majority of the shares present at the Annual Meeting in person or by proxy and entitled to vote is necessary to approve, on an advisory basis,

the compensation of our named executive officers. Because your vote is advisory, it will not be binding on the Board, the Compensation Committee of the Board or the Company. However, the Board and the Compensation Committee will, as it did last year, review the voting results and take them into consideration when making future decisions about executive compensation. Abstentions have the same effect as a vote "AGAINST" this proposal.

If you hold shares beneficially in street name and do not provide your broker or nominee with voting instructions, your shares may constitute "broker non-votes." Generally, broker non-votes occur on a matter when a broker is not permitted to vote on that matter without instructions from the beneficial owner and instructions are not given. If you hold shares beneficially in street name and do not vote your shares, your broker or nominee can vote your shares at its discretion only on Proposal 4. In tabulating the voting result for any particular proposal, shares that constitute broker non-votes are not considered entitled to vote on that proposal. Thus, broker non-votes will not affect the outcome of any matter being voted on at the Annual Meeting, assuming that a quorum is obtained.

Is cumulative voting permitted for the election of directors?

Stockholders may not cumulate votes in the election of directors, which means that each stockholder may vote no more than the number of shares he or she owns for a single director candidate.

What constitutes a quorum?

The presence at the Annual Meeting, in person or by proxy, of the holders of a majority of the shares of Common Stock outstanding on the Record Date will constitute a quorum. As of the close of business on the Record Date, there were 167,546,571 shares of our Common Stock outstanding. Both abstentions and broker non-votes are counted for the purpose of determining the presence of a quorum.

What is "householding" and how does it affect me?

We have adopted a process for mailing the Annual Report and Proxy Statement called "householding," which has been approved by the Securities and Exchange Commission. Householding means that stockholders who share the same last name and address will receive only one copy of the Annual Report and Proxy Statement, unless we receive contrary instructions from any stockholder at that address. We will continue to mail a proxy card to each stockholder of record.

If you prefer to receive multiple copies of the Annual Report and Proxy Statement at the same address, additional copies will be provided to you upon request. If you are a stockholder of record, you may contact us by writing to Investor Relations Department, Incyte Corporation, Experimental Station, Route 141 & Henry Clay Road, Building E336, Wilmington, Delaware 19880 or by calling (302) 498-6700 and asking for Investor Relations. Eligible stockholders of record receiving multiple copies of the Annual Report and Proxy Statement can request householding by contacting us in the same manner. We have undertaken householding to reduce printing costs and postage fees, and we encourage you to participate.

If you are a beneficial owner, you may request additional copies of the Annual Report and Proxy Statement or you may request householding by notifying your broker, bank or nominee.

How are proxies solicited?

Our employees, officers and directors may solicit proxies. We will reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation material to the owners of our Common Stock.

**PROPOSAL 1
ELECTION OF DIRECTORS**

Nominees

The Board of Directors proposes the election of seven directors of the Company to serve until the next annual meeting of stockholders and thereafter until their successors are duly elected and qualified. If any nominee is unable or declines to serve as director at the time of the Annual Meeting, an event that we do not currently anticipate, proxies will be voted for any nominee designated by the Board of Directors to fill the vacancy.

Names of the nominees and certain biographical information about them are set forth below:

<u>Name</u>	<u>Age</u>	<u>Position with the Company</u>	<u>Director Since</u>
Richard U. De Schutter	73	Chairman of the Board	2001
Barry M. Ariko	68	Director	2001
Julian C. Baker	47	Vice Chairman of the Board	2001
Paul A. Brooke	68	Director	2001
Wendy L. Dixon, Ph.D.	58	Director	2010
Paul A. Friedman, M.D.	71	Director	2001
Hervé Hoppenot	53	President and Chief Executive Officer and Director	2014

Richard U. De Schutter has been Chairman of the Company's Board of Directors since 2004. He was Chairman and Chief Executive Officer of DuPont Pharmaceuticals Company, a drug manufacturer formerly based in Wilmington, Delaware, from July 2000 to October 2001. He served as Chief Administrative Officer of Pharmacia Corporation between April 2000 and July 2000. From January 1999 through March 2000, Mr. De Schutter served as Vice Chairman and Chief Administrative Officer of Monsanto Company. He served as Chief Executive Officer of G.D. Searle & Co. from April 1995 to December 1998. Mr. De Schutter is also a director of Durata Therapeutics, Inc., Smith & Nephew plc, and several privately held companies. Mr. De Schutter was also a director of Ecolab, Inc. from February 2004 until May 2010 and a director of Varian, Inc. from 2001 until its acquisition by Agilent Technologies, Inc. in May 2010.

Barry M. Ariko retired from Mirapoint, Inc., a mail server appliance company, in November 2007, where he had served as its President and Chief Executive Officer since November 2003 and as its Chairman of the Board since December 2003. From April 2001 until September 2001, Mr. Ariko was Senior Vice President of Peregrine Systems, Inc., an infrastructure management software company, and from April 2001 until June 2002 was a member of its Board of Directors. From March 2000 until the acquisition of Extricity, Inc. by Peregrine in April 2001, Mr. Ariko served as Chairman of the Board, Chief Executive Officer and President of Extricity, an internet software provider. From March 1999 to January 2000, Mr. Ariko was a Senior Vice President of America Online, Inc., where he was responsible for the Netscape Enterprise Group. From August 1998 until the acquisition of Netscape Communications Corporation by America Online in March 1999, Mr. Ariko served as Executive Vice President and Chief Operating Officer of Netscape. From 1994 to August 1998, Mr. Ariko was Executive Vice President of Oracle Corporation. Mr. Ariko is non-executive chairman of Globo PLC and was a director of Autonomy Corporation plc from January 2000 until October 2010.

Julian C. Baker is a Managing Partner of Baker Brothers Investments, which he and his brother, Felix Baker, Ph.D., founded in 2000. Baker Brothers Investments manages long-term investment funds, focused on publicly traded life sciences companies, for major university endowments and foundations. Mr. Baker's career as a fund manager began in 1994 when he co-founded a biotechnology investing partnership with the Tisch family. Previously, Mr. Baker was employed from 1988 to 1993 by the private equity investment arm of Credit Suisse First Boston Corporation. He is also a director of Genomic Health, Inc., and was a

director of Neurogen Corporation from May 1999 until its acquisition in December 2009 and a director of Trimeris, Inc. from April 2004 until November 2011.

Paul A. Brooke is a founder and managing director of venBio, LLC, a pharmaceutical investment company. Mr. Brooke was Chairman of the Board of Directors of Alsius Corporation, a medical device company, from June 2007 through its sale in May 2009, and was the Chairman and Chief Executive Officer of a predecessor company from April 2005 to June 2007. Mr. Brooke has been the Managing Member of PMSV Holdings, LLC, a private investment firm, since 1993. He also served as a Senior Advisor to Morgan Stanley & Co. Incorporated from April 2000 to December 2009, and was a Venture Partner at MPM Capital, a venture capital firm specializing in the healthcare industry, from 1997 through 2006. From April 1999 through May 2000, Mr. Brooke served as a Managing Director at Tiger Management LLC. He was a Managing Director and the Global Head of Healthcare Research and Strategy at Morgan Stanley & Co. from 1983 to April 1999. Mr. Brooke is also a director of Cytos Biotechnology AG, Manning & Napier Fund, Inc., and several privately held companies and was a director of HLTH Corporation from November 2000 until its merger with WebMD Health Corp. in October 2009, a director of WebMD Health Corp. from that date until October 2010, and a director of ViroPharma Incorporated from February 2001 until its acquisition in January 2014.

Wendy L. Dixon, Ph.D. served as Chief Marketing Officer and President, Global Marketing for Bristol-Myers Squibb Company from December 2001 until May 2009 and served on the CEO's Executive Committee. From 1996 to 2001 she was Senior Vice President, Marketing—USHH at Merck & Co., Inc. and prior to that she held executive management positions at West Pharmaceuticals, Osteotech, Inc. and Centocor, Inc. and various positions at SmithKline & French Pharmaceuticals in marketing, regulatory affairs, project management and as a biochemist. Dr. Dixon is also a director of Alkermes Public Limited Company, bluebird bio, Inc., Furiex Pharmaceuticals, Inc., Orexigen Therapeutics, Inc., and a privately held company. Dr. Dixon was a director of Ardea Biosciences, Inc. from April 2011 until its acquisition in June 2012 and a director of DENTSPLY International Inc. from July 2005 until July 2010.

Paul A. Friedman, M.D. served as the Chief Executive Officer of the Company from November 2001 to January 2014 and was President of the Company from May 2004 to January 2014. From 1998 until October 2001, Dr. Friedman served as President of DuPont Pharmaceuticals Research Laboratories, a wholly owned subsidiary of DuPont Pharmaceuticals Company (formerly The DuPont Merck Pharmaceutical Company), from 1994 to 1998 he served as President of Research and Development of The DuPont Merck Pharmaceutical Company, and from 1991 to 1994 he served as Senior Vice President at Merck Research Laboratories. Prior to his work at Merck and DuPont, Dr. Friedman was an Associate Professor of Medicine and Pharmacology at Harvard Medical School. Dr. Friedman is a Diplomate of the American Board of Internal Medicine and a Member of the American Society of Clinical Investigation. Dr. Friedman is also a director of Auxilium Pharmaceuticals, Inc., Durata Therapeutics, Inc., and a privately held company. Dr. Friedman was a director of Sirtris Pharmaceuticals, Inc. from March 2008 until its acquisition in June 2008.

Hervé Hoppenot joined the Company as the President and Chief Executive Officer in January 2014. Mr. Hoppenot served as the President of Novartis Oncology, Novartis Pharmaceuticals Corporation, the U.S. subsidiary of Novartis AG, a pharmaceutical company, from January 2010 to January 2014. Prior to that, Mr. Hoppenot served in other executive positions at Novartis Pharmaceuticals Corporation, serving from September 2006 to January 2010 as Executive Vice President, Chief Commercial Officer of Novartis Oncology and Head of Global Product Strategy & Scientific Development of Novartis Pharmaceuticals Corporation and from 2003 to September 2006 as Senior Vice President, Head of Global Marketing of Novartis Oncology. Prior to joining Novartis, Mr. Hoppenot served in various increasingly senior roles at Aventis S.A. (formerly Rhône-Poulenc S.A.), a pharmaceutical company, including as Vice President Oncology US of Aventis Pharmaceuticals, Inc. from 2000 to 2003 and Vice President US Oncology Operations of Rhone-Poulenc Rorer Pharmaceuticals, Inc. from 1998 to 2000.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE “FOR” ELECTION AS DIRECTOR OF EACH OF THE NOMINEES SET FORTH ABOVE.

Director Nominations

The Board of Directors nominates directors for election at each annual meeting of stockholders and elects new directors to fill vacancies when they arise. The Board has as an objective, set forth in our Corporate Governance Guidelines, that its membership be composed of experienced and dedicated individuals with diversity of backgrounds, perspectives and skills. The Nominating and Corporate Governance Committee has the responsibility to identify, evaluate, recruit and recommend qualified candidates to the Board for nomination or election.

The Nominating and Corporate Governance Committee will select candidates for director based on their character, judgment, diversity of experience, business acumen, and ability to act on behalf of all stockholders. The Nominating and Corporate Governance Committee believes that nominees for director should have experience, such as experience in management, accounting, finance, drug discovery and development, or marketing, or industry and technology knowledge, that may be useful to the Company and the Board, high personal and professional ethics, and the willingness and ability to devote sufficient time to effectively carry out his or her duties as a director. Although the Company has no formal diversity policy for board members, the Board and the Nominating and Corporate Governance Committee consider diversity of backgrounds and experiences and other forms of diversity when selecting nominees.

The Nominating and Corporate Governance Committee believes it appropriate for at least one, and, preferably, multiple, members of the Board to meet the criteria for an “audit committee financial expert” as defined by Securities and Exchange Commission rules, and our Corporate Governance Guidelines require that a majority of the members of the Board meet the definition of “independent director” under the rules of The NASDAQ Stock Market. The Nominating and Corporate Governance Committee believes it appropriate for certain key members of our management—currently, the President and Chief Executive Officer—to participate as members of the Board.

Prior to each annual meeting of stockholders, the Nominating and Corporate Governance Committee identifies nominees first by evaluating the current directors whose term will expire at the annual meeting and who are willing to continue in service. These candidates are evaluated based on the criteria described above, including as demonstrated by the candidate's prior service as a director, and the needs of the Board with respect to the particular talents and experience of its directors. In the event that a director does not wish to continue in service, the Nominating and Corporate Governance Committee determines not to re-nominate the director, or if a vacancy is created on the Board as a result of a resignation, an increase in the size of the Board or other event, then the Committee will consider various candidates for Board membership, including those suggested by the Committee members, by other Board members, by any search firm engaged by the Committee and by stockholders. The Committee may only recommend, and the Board may only nominate, candidates for director who agree to tender, promptly following their election or re-election as a director, irrevocable resignations that would be effective if the director fails to receive a sufficient number of votes for re-election at the next annual meeting of stockholders at which he or she faces re-election and if the Board accepts the resignation. The Committee recommended all of the nominees for election included in this Proxy Statement. All of the nominees are members of the Board standing for re-election as directors.

A stockholder who wishes to suggest a prospective nominee for the Board should notify the Secretary of the Company or any member of the Nominating and Corporate Governance Committee in writing with any supporting material the stockholder considers appropriate. In addition, our Bylaws contain provisions that address the process by which a stockholder may nominate an individual to stand for election to the Board of Directors at our annual meeting of stockholders. In order to nominate a candidate for director, a stockholder must give timely notice in writing to the Secretary of the Company and otherwise comply with the provisions of our Bylaws. To be timely, our Bylaws provide that the Company must have received the stockholder's notice not less than 90 days nor more than 120 days prior to the first anniversary of the preceding year's annual meeting of stockholders. However, in the event that no annual meeting was held in

the preceding year or the annual meeting is called for a date that is more than 30 days before or more than 60 days after the first anniversary date of the preceding year's annual meeting of stockholders, notice by the stockholder to be timely must be so received by the Secretary of the Company not later than the close of business on the later of (1) the 90th day prior to the date of the meeting and (2) the 10th day following the earlier to occur of the day on which notice of the date of the scheduled annual meeting was mailed or the day on which public announcement of the date of such scheduled annual meeting was first made. Information required by the Bylaws to be in the notice include the name and contact information for the candidate and the person making the nomination and other information about the nominee that must be disclosed in proxy solicitations under Section 14 of the Securities Exchange Act of 1934 and the related rules and regulations under that Section.

Stockholder nominations must be made in accordance with the procedures outlined in, and include the information required by, our Bylaws and must be addressed to:

Secretary
Incyte Corporation
Experimental Station
Route 141 & Henry Clay Road
Building E336
Wilmington, DE 19880

You can obtain a copy of the full text of the Bylaw provision by writing to the Company's Secretary at the above address.

Director Qualifications

Set forth below is a summary of the specific experience, qualifications, attributes or skills of the nominees for the Board of Directors that, in addition to the experience of those nominees described in their biographies above, led our Nominating and Corporate Governance Committee and Board to conclude that the nominee should serve as a member of the Board.

Mr. De Schutter brings significant leadership experience to the Board of Directors, having served as Chairman and Chief Executive Officer of DuPont Pharmaceuticals Company and in other senior management roles at several pharmaceutical and healthcare companies. Mr. De Schutter also has experience as a senior executive officer, including chief executive officer, of publicly held companies actively supervising a principal financial or accounting officer, and significant experience as a director of other publicly held companies.

Mr. Ariko brings to the Board extensive leadership experience from his executive and management positions and experience as a chief executive officer of publicly and privately held companies actively supervising a principal financial or accounting officer, which is critical for his role as Chair of the Audit Committee.

Mr. Baker is an experienced investor in many life sciences companies. He brings to the Board significant strategic and financial expertise and extensive knowledge of the life sciences and biopharmaceuticals industries as a result of his investments in and service as a director of other publicly and privately held life sciences companies.

Mr. Brooke brings leadership experience to the Board and insight into the operations, challenges and complex issues facing healthcare companies gained from his experience as head of healthcare research at a major investment bank and as an investor. He also has extensive financial and capital markets experience, which is critical to his role as Chair of the Finance Committee, and significant experience as a director of other publicly and privately held life sciences and healthcare companies.

Dr. Dixon brings to the board significant leadership experience in the pharmaceutical and biotechnology industry, including experience in drug development and regulatory affairs. Dr. Dixon has extensive experience in building successful marketing and sales teams and launching multiple pharmaceutical products across a broad range of therapeutic areas. Dr. Dixon also has experience serving on public company audit committees.

Dr. Friedman brings to the Board extensive expertise in the Company's business and in the drug development and discovery industry. His past experiences, including as the Company's former Chief Executive Officer, give him strong knowledge of the Company's strategy, markets, competitors, financials and operations. He also has experience as a director of publicly held life sciences and healthcare companies.

Mr. Hoppenot has significant leadership and senior management experience from his various executive positions in the healthcare industry, including as the President of Novartis Oncology, Novartis Pharmaceuticals Corporation. His past experiences and his current role as the Company's Chief Executive Officer give him strong knowledge of the Company's strategy, markets, competitors, financials and operations.

Director Independence

The Board of Directors has determined that each individual who currently serves as a member of the Board, except for Dr. Friedman and Mr. Hoppenot is, and each individual who served as a member of the Board in 2013, except for Dr. Friedman, was, an "independent director" within the meaning of Rule 5605 of The NASDAQ Stock Market. Dr. Friedman is not considered independent as he was employed as our President and Chief Executive Officer through January 2014. Mr. Hoppenot is not considered independent as he is currently employed as our President and Chief Executive Officer. All of the nominees are members of the Board standing for re-election as directors. For Mr. Ariko, Mr. Baker, Mr. Brooke, Mr. De Schutter, and Dr. Dixon, the Board of Directors considered their relationship and transactions with the Company as directors and security holders of the Company.

Board Meetings

The Board of Directors held 14 meetings during 2013. All directors attended at least 75% of the aggregate number of meetings held by the Board of Directors and of the committees on which such director served during his or her tenure in 2013.

The independent directors meet in executive sessions at regularly scheduled meetings of the Board of Directors without the participation of the President and Chief Executive Officer or other members of management. There were six regularly scheduled meetings of the Board of Directors in 2013.

All directors are expected to attend the Annual Meeting and, in 2013, all directors then serving on the Board of Directors, other than Mr. Whitfield, attended the annual meeting of stockholders.

Board Committees

The Board of Directors has appointed an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. The Board has determined that each director who serves on these committees is "independent," as that term is defined by applicable listing standards of The NASDAQ Stock Market and Securities and Exchange Commission rules. The Board has approved a charter for each of these committees, a current copy of each committees' charter can be found on our website at <http://www.incyte.com> under the "Corporate Governance" heading in the Investor Relations portion of our website. The Board has also appointed a Finance Committee and a Non-Management Stock Option Committee.

Audit Committee

The current members of the Audit Committee are Barry M. Ariko (Chair), Wendy L. Dixon and Richard U. De Schutter. Mr. De Schutter joined the Audit Committee in January 2014, replacing Roy A. Whitfield, who served on the Audit Committee until his retirement from the Board of Directors in January 2014. The Audit Committee held five meetings during 2013. The Audit Committee's primary functions are to assist the Board of Directors in fulfilling its oversight responsibilities relating to the Company's financial statements, systems of internal control over financial reporting, auditing, accounting and financial reporting processes, and compliance with legal and regulatory requirements. Other specific duties and responsibilities of the Audit Committee are to appoint, compensate, evaluate and, when appropriate, replace our independent registered public accounting firm, review and pre-approve audit and permissible non-audit services, review the scope of the annual audit, monitor the independent registered public accounting firm's relationship with the Company, and meet with the independent registered public accounting firm and management to discuss and review our financial statements, internal control over financial reporting, and auditing, accounting and financial reporting processes. The Committee also reviews the results of management's efforts to monitor compliance with the Company's programs and policies designed to promote adherence to applicable laws and regulations. The Board of Directors has determined that Mr. Ariko and Mr. De Schutter are, and that Mr. Whitfield was, qualified as an Audit Committee Financial Expert under the definition outlined by the Securities and Exchange Commission.

Compensation Committee

The current members of the Compensation Committee are Paul A. Brooke (Chair), Barry M. Ariko and Julian C. Baker. Richard U. De Schutter was also a member of the Compensation Committee until January 2014. The Compensation Committee held 14 meetings during 2013. The Compensation Committee's primary functions are to assist the Board of Directors in meeting its responsibilities with regard to oversight and determination of executive compensation and to review and make recommendations with respect to major compensation plans, policies and programs of the Company. Other specific duties and responsibilities of the Compensation Committee are to develop and monitor compensation arrangements for our executive officers, determine compensation for our Chief Executive Officer and other executive officers, determine stock-based compensation awards for our executive officers, and administer performance-based compensation plans such as our Amended and Restated 2010 Stock Incentive Plan. Beginning in December 2013, a subcommittee of the Compensation Committee, consisting of Mr. Brooke, Mr. Ariko and, while he served on the Committee, Mr. De Schutter, served as the Management Stock Option Committee and determined stock-based compensation awards for our executive officers and administered our stock option plans such as our Amended and Restated 2010 Stock Incentive Plan. The Compensation Committee also reviews and recommends directors' compensation to the full Board of Directors. The Compensation Committee has the sole authority to select, retain, terminate and approve the fees and other retention terms of consultants as it deems appropriate to perform its duties. Additional information concerning the Compensation Committee's processes and procedures for the consideration and determination of executive compensation is set forth under the heading "Compensation Discussion and Analysis."

Nominating and Corporate Governance Committee

The current members of the Nominating and Corporate Governance Committee are Richard U. De Schutter (Chair), Julian C. Baker and Paul A. Brooke. The Nominating and Corporate Governance Committee held 33 meetings during 2013. The Nominating and Corporate Governance Committee's primary functions are to identify qualified individuals to become members of the Board of Directors, determine the composition of the Board and its committees, and monitor a process to assess Board effectiveness. Other specific duties and responsibilities of the Nominating and Corporate Governance Committee are to recommend nominees to fill vacancies on the Board of Directors, review and make

recommendations to the Board of Directors with respect to candidates for director proposed by stockholders, review the composition, functioning and effectiveness of the Board and its committees, develop and recommend to the Board of Directors codes of conduct applicable to officers, directors and employees and charters for the various committees of the Board, and review and make recommendations to the Board of Directors regarding the succession plan relating to the Chief Executive Officer and other executive officers.

Finance Committee

The current members of the Finance Committee are Paul A. Brooke (Chair), Julian C. Baker, Richard U. De Schutter, and Paul A. Friedman. The Finance Committee met 10 times in 2013, and the Disinterested Finance Committee, consisting of Mr. Brooke, Mr. De Schutter, and Dr. Friedman, met three times in 2013. The Finance Committee's primary function is to assist the Board of Directors in its oversight of the Company's strategic financing matters and, in that regard, to review and recommend matters related to the capital structure of the Company and, upon delegation by the Board of Directors, to exercise the powers of the Board of Directors that may be lawfully delegated to the Finance Committee in connection with the authorization, issuance and sale of debt or equity securities of the Company.

Non-Management Stock Option Committee

Mr. Hoppenot currently serves as the sole member of the Non-Management Stock Option Committee. Dr. Friedman served as the sole member until January 2014. The Non-Management Stock Option Committee is a secondary committee responsible for granting and issuing awards of options and shares under our equity incentive plans to eligible employees or consultants, other than to members of the Board of Directors, to individuals designated by the Board of Directors as "Section 16 officers," and to employees who hold the title of Senior Vice President or above. In addition, the Non-Management Stock Option Committee may not make any awards or grants to any one employee or consultant that total more than 50,000 shares of Common Stock in any calendar year.

Corporate Governance

Corporate Governance Guidelines

The Board of Directors is committed to sound and effective corporate governance practices. Accordingly, the Board has adopted Corporate Governance Guidelines, which are intended to describe the governance principles and procedures by which the Board functions. The guidelines are subject to periodic review and update by the Nominating and Corporate Governance Committee and the Board. These Guidelines can be found on our website at <http://www.incyte.com> under the "Corporate Governance" heading in the Investor Relations portion of our website.

The Corporate Governance Guidelines provide, among other things, that:

- a majority of the directors must be independent;
- directors should offer to resign from the Board if they experience a change in their principal occupation;
- directors should submit their resignations from the Board if they do not receive the votes of a majority of the shares voted in an uncontested election;
- directors should advise the chair of the Nominating and Corporate Governance Committee before accepting an invitation to serve on more than four other public company boards (or, if a director is a chief executive officer of a public company, more than two other public company boards);
- the Audit, Compensation, and Nominating and Corporate Governance Committees must consist solely of independent directors;

- the Board and its committees may seek advice from outside advisors as appropriate;
- the independent directors regularly meet in executive sessions without the presence of the non-independent directors or members of our management; and
- the Nominating and Corporate Governance Committee periodically reviews the composition, functioning and effectiveness of the Board and its committees, and oversees the self-assessment of the Board and its committees.

Board Leadership Structure and Role in Risk Oversight

The Company has an independent Chairman of the Board of Directors separate from the Chief Executive Officer. Mr. Hoppenot is, and Dr. Friedman was during 2013, the Chief Executive Officer of the Company and Mr. De Schutter is, and was during 2013, the Chairman of the Board. The Board believes that this leadership structure reflects the role and responsibilities of the Chief Executive Officer in the Company's business and operations with significant involvement and authority vested in a separate independent chairman of the Board. The Board retains the authority to modify this structure as it deems appropriate. Mr. De Schutter has indicated that, effective as of the 2015 Annual Meeting of Stockholders, he intends to step down as Chairman of the Board, with a new Chairman to be appointed at that time by the Board, but may, subject to the mutual agreement of Mr. De Schutter and the Nominating and Corporate Governance Committee and subject to stockholder vote, remain a member of the Board of Directors. Julian C. Baker has been appointed Vice Chairman of the Board to assist Mr. De Schutter in the transition of the Chairman's role.

Our Board of Directors is responsible for overseeing the overall risk management process at the Company. The responsibility for managing risk rests with executive management while the committees of the Board and the Board of Directors as a whole participate in the oversight process. The Board's risk oversight process builds upon management's risk assessment and mitigation processes, which include reviews of long-term strategic and operational planning, executive development and evaluation, regulatory and legal compliance, and financial reporting and internal controls. The Board considers strategic risks and opportunities and regularly receives reports from executive management regarding specific aspects of risk management.

Majority Voting Policy

Our Corporate Governance Guidelines include a majority voting policy for the election of directors. This policy states that if a nominee for director in an uncontested election does not receive a majority of the votes cast, the director must submit a resignation to the Board. In order to receive a majority of the votes cast, the number of shares voted "for" must exceed the number of votes to withhold authority and votes against, excluding abstentions. The Nominating and Corporate Governance Committee will evaluate and make a recommendation to the Board with respect to the proffered resignation. The Board must take action on the recommendation within 90 days following certification of the stockholder vote. The director whose resignation is under consideration cannot participate in any decision regarding his or her resignation. The Nominating and Corporate Governance Committee and the Board of Directors may consider any factors they deem relevant in deciding whether to accept a director's resignation.

Communications with the Board of Directors

If you wish to communicate with the Board of Directors, you may send your communication in writing to:

Secretary
Incyte Corporation
Experimental Station
Route 141 & Henry Clay Road
Building E336
Wilmington, DE 19880

You must include your name and address in the written communication and indicate whether you are a stockholder of the Company.

The Secretary will review any communications received from a stockholder and all material communications from stockholders will be forwarded to the appropriate director or directors or Committee of the Board based on the subject matter.

Certain Relationships and Related Transactions

The Company's policy is that all employees, officers and directors must avoid any activity that is or has the appearance of conflicting with the interests of the Company. This policy is included in the Company's Code of Business Conduct and Ethics and Board of Directors Code of Conduct and Ethics. The Company conducts a review of all related party transactions for potential conflict of interest situations on an ongoing basis and all such transactions must be approved by the Company's Audit Committee or another independent body of the Board of Directors. In 2013, the Company entered into privately negotiated transactions for the repurchase or exchange of its outstanding convertible notes. As part of these transactions, in November 2013, the Company repurchased from certain entities affiliated with Julian C. Baker, one of our directors, approximately \$117.3 million aggregate principal amount of our 4.75% Convertible Senior Notes due 2015 for an aggregate consideration, including accrued interest, of approximately \$500.0 million. The prices paid by us in the repurchase transactions with the Baker entities were equal to the weighted average prices paid by us to independent third parties in comparable transactions for the balance of the notes repurchased or exchanged during this period. The repurchase transactions with the Baker entities were approved by a committee of the Board consisting of independent and disinterested directors.

Compensation of Directors

Directors who are employees of the Company do not receive any fees for their service on the Board of Directors or any committee. During 2013, Dr. Friedman was the Company's only employee director, and currently Mr. Hoppenot is the Company's only employee director. For a description of the compensation arrangements with Dr. Friedman and Mr. Hoppenot, see "Executive Compensation."

Cash Compensation

Each non-employee director, other than the Chairman of the Board, receives a \$50,000 annual retainer, payable quarterly, and prorated for such portion of the year that the director serves on the Board. Mr. De Schutter receives an annual retainer of \$100,000 as Chairman of the Board. The chair of the Audit Committee receives an additional \$20,000 annual retainer, and each other member of the Audit Committee receives an additional \$10,000 annual retainer. The chair of the Compensation Committee receives an additional \$15,000 annual retainer, and each other member of the Compensation Committee receives an additional \$8,000 annual retainer. The chair of the Nominating and Corporate Governance Committee receives an additional \$10,000 annual retainer, and each other member of the Nominating and

Corporate Governance Committee receives an additional \$5,000 annual retainer. The chair of the Finance Committee receives an additional \$15,000 annual retainer, and each other member of the Finance Committee receives an additional \$8,000 annual retainer. All directors are reimbursed for their travel and out-of-pocket expenses in accordance with our travel policy for each in-person Board or committee meeting that they attend.

Equity Compensation

In addition to cash compensation for services as a member of the Board in 2013, non-employee directors also receive options to purchase shares of our Common Stock pursuant to our Amended and Restated 2010 Stock Incentive Plan. Under the Amended and Restated 2010 Stock Incentive Plan, effective January 2014, each new non-employee director appointed to the Board of Directors will receive an initial stock option to purchase 25,000 shares of our Common Stock at an exercise price equal the fair market value of our Common Stock on the date of grant. Prior to January 2014, the size of the initial stock option grant was 35,000 shares. The initial stock option vests and becomes exercisable as to 25% of those shares on the first anniversary of the date of the grant, and the remaining shares vest and become exercisable monthly over the following three years. Pursuant to the Amended and Restated 2010 Stock Incentive Plan, effective January 2014, on the date of each annual meeting of stockholders, each non-employee director who continued to serve as a member of the Board of Directors will receive an option to purchase 15,000 shares of our Common Stock at an exercise price equal to the fair market value of our Common Stock on the date of grant. Prior to January 2014, the size of the annual option grant was 20,000 shares. Each of these annually granted options will vest in full on the first anniversary of the date of the grant or, if earlier, the date of the next annual meeting of stockholders or upon a change in control. Under the Amended and Restated 2010 Stock Incentive Plan, when a new non-employee director is appointed to the Board of Directors at a time other than at an annual meeting, the director receives a pro rata portion of the automatic annual grant that will vest in full on the date of our next annual meeting of stockholders. On May 30, 2013, the date of our 2013 Annual Meeting of Stockholders, each then continuing non-employee director received his or her annual grant of an option to purchase 20,000 shares of our Common Stock at an exercise price equal to the fair market value of our Common Stock on the date of grant. The reductions in the initial and annual option grants resulted from a review by the Compensation Committee of the Board, with the assistance of its independent compensation consultant Frederic W. Cook & Co., Inc., of market reference data from a peer group of 23 biotechnology and pharmaceutical companies.

The table below shows the compensation paid to each non-employee director for their service in 2013:

2013 Director Compensation Table

<u>Name</u>	<u>Fees Earned or Paid in Cash (\$)</u>	<u>Option Awards \$(1)(2)</u>	<u>Total (\$)</u>
Richard U. De Schutter	126,000	197,648	323,648
Barry M. Ariko	78,000	197,648	275,648
Julian C. Baker	71,000	197,648	268,648
Paul A. Brooke	85,000	197,648	282,648
Wendy L. Dixon	60,000	197,648	257,648
Roy A. Whitfield	60,000	197,648	257,648

(1) Amounts listed in this column represent the aggregate grant date fair value of option awards granted in 2013 determined in accordance with the Financial Accounting Standards Board Accounting Standards Codification Topic 718 (ASC 718) for financial reporting purposes. See Note 10 of the Notes to the Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2013 for a discussion of our assumptions in determining the ASC 718 values of our stock awards.

(2) The following table provides the number of shares of Common Stock subject to outstanding options held at December 31, 2013 for each director, as applicable:

<u>Name</u>	<u>Number of Shares Underlying Unexercised Options</u>
Richard U. De Schutter	150,000
Barry M. Ariko	190,000
Julian C. Baker	190,000
Paul A. Brooke	205,000
Wendy L. Dixon	113,334
Roy A. Whitfield	105,000

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Compensation Philosophy and Objectives

The Compensation Committee of our Board of Directors believes that the compensation of our executive officers should:

- Encourage creation of stockholder value and achievement of strategic corporate objectives;
- Integrate compensation with our annual and long-term corporate objectives and strategy, and focus executive behavior on the fulfillment of those objectives;
- Provide a competitive total compensation package that enables us to attract and retain, on a long-term basis, qualified personnel; and
- Provide fair compensation consistent with internal compensation programs.

Implementing Our Objectives

Role of Compensation Committee and Our Chief Executive Officer. The Compensation Committee approves, administers and interprets our executive compensation and benefits policies, including our Amended and Restated 2010 Stock Incentive Plan (the 2010 Stock Incentive Plan). The Compensation Committee evaluates the performance of our President and Chief Executive Officer (CEO) and determines his compensation in light of the goals and objectives of our compensation program. Our CEO and the Compensation Committee together assess the performance of our other executive officers and determine their compensation, based on initial recommendations from our CEO.

Peer Group Benchmarking. While the Compensation Committee did not use market benchmarks to determine executive compensation for 2013, the Committee reviewed market reference data to evaluate the competitiveness of our executive officers' compensation and to determine whether the total compensation paid to each of our named executive officers was reasonable in the aggregate.

The Compensation Committee reviewed executive cash compensation against the Mercer U.S. SIRS Executive Compensation Survey for Life Sciences, which was used because the Committee believed that the SIRS data better reflected the companies with which we compete for talent than other surveys such as Radford. We use the SIRS data as reference data when establishing cash compensation for all of our

employees. The SIRS data is available to companies that subscribe to the survey and was derived from the following companies:

Acorda Therapeutics	Fresenius Medical Care	Olympus
Actavis	Genentech	Omron Healthcare
Alexion	General Electric—Healthcare	PAREXEL International
Allergan	Exactech	Pharmaceutical Product Development
American Red Cross	Exelixis	Purdue Pharma
Amgen	Ferring	Quintiles
Aptalis Pharma	Forest	RTI
Arthrex	Fougera	Ranbaxy
AstraZeneca	Fresenius	Regeneron Pharmaceuticals
Baxter	Genentech	Roche Diagnostics
Baxter International	Genzyme	Roche Molecular Systems
Biogen Idec	Gilead Sciences	Sandoz
Biomet	GlaxoSmithKline Pharmaceuticals	Sanofi Genzyme
Boehringer Ingelheim USA	Human Genome Sciences	Sanofi Merial
Boston Scientific	INC Research	Sanofi US
C.R. Bard	Incyte	Shionogi
Celgene	Integra	Shire
ConvaTec	inVentiv Health	Smith & Nephew
Covance	Ironwood	Smiths Medical
Covidien	Johnson & Johnson	Southern Research Institute
Cyberonics	Kinetic Concepts	St. Jude Medical
DFB Pharmaceuticals	Leo Pharma	Stryker
Daiichi Sankyo	Lantheus	Sunovion Pharmaceuticals
Danaher	Life Technologies	Takeda Pharmaceuticals
Dendreon	Lundbeck Research	Teleflex
Dr. Reddy's Laboratories	Mannkind	Teva Pharmaceutical USA
Dynavax	McKesson	The Cooper Companies
Edwards Lifesciences	Medicis Pharmaceutical	The Medicines Company
Eisai	MedImmune	The Scripps Research Institute
Elan Pharmaceuticals	Medtronic	Upsher-Smith Laboratories
EMD Serono	Merck	Vascular Solutions
Endo Pharmaceuticals	Millennium	Ventana Medical
Exactech	Mitsubishi	Vertex Pharmaceuticals
Exelixis	Novartis Pharmaceuticals	Virbac
Ferring Pharmaceuticals	Novo Nordisk	
Forest Laboratories	Nypro—NP Medical	

The Compensation Committee noted that our executive officers' base salaries and targeted total cash compensation were below the median for the SIRS executives, with the exception of those of our Executive Vice President and Chief Commercial Officer, which were above the median but below the 75th percentile for the SIRS executives.

The Compensation Committee also reviewed a peer group of 16 biotechnology and pharmaceutical companies, chosen based on the following characteristics: major labor and capital market competitors, broadly similar size in pre-tax loss and market capitalization value, and similar growth and performance potential. This group was substantially similar to the peer group used for 2012, except that three companies were deleted from the list, two because of acquisitions and one because it did not have commercial operations, and three companies were added to the list. To reduce expenses, the Compensation Committee did not use an independent executive compensation consultant in connection with the determination of executive officer compensation for 2013 but, instead, requested our finance and human resources

personnel to compile the data reviewed by the Committee; the data were similar to that generated in a prior year by the Committee's independent compensation consultant. These companies are:

Alexion Pharmaceuticals	Infinity Pharmaceuticals	Regeneron Pharmaceuticals
ARIAD Pharmaceuticals	Intermune	Rigel Pharmaceuticals
Array Biopharma	Medivation	Seattle Genetics
Cubist Pharmaceuticals	Onyx Pharmaceuticals	Theravance
Dendreon	Pharmacyclics	Vertex Pharmaceuticals
Exelixis		

In connection with the establishment of 2013 executive compensation, the Compensation Committee reviewed against the peer group data CEO total realized compensation and executive option grant metrics—share usage, potential dilution and shareholder value transfer. The Committee noted that our 2012 CEO total realized compensation, which includes actual salary and bonus plus the compensation expense of option and other stock awards under ASC 718, was slightly above the median and below the average for our peer group. The Committee also noted that our total potential dilution, measured as total equity awards outstanding for our company plus those available for future grant, divided by fully diluted shares outstanding, was slightly above the peer group 75th percentile; that our three year shareholder value transfer rate, net of cancellations and forfeitures, was higher than the peer group average and median but less than the 75th percentile; and that our annual share usage, based on equity grants as a percentage of total outstanding shares, net of cancellations and forfeitures, was higher than the peer group 75th percentile, although on a gross share usage basis our percentage was less than the 75th percentile but higher than the peer group median and average. The Committee noted further that calculations regarding the dilution and share usage amounts excluded shares issuable upon conversion of our then outstanding convertible debt; the conversion price of our then outstanding convertible debt was significantly lower than prevailing market prices during the times of the Committee's review.

Equity Grant Practices. The exercise price of each stock option awarded to our executive officers under our 2010 Stock Incentive Plan is the closing price of our common stock on the date of grant, which for our annual stock option grants is the date of the regularly scheduled Compensation Committee meeting shortly after the end of each year at which equity awards for senior executives are determined. These meetings are scheduled in advance, and we do not coordinate the timing of equity award grants with the release of financial results or other material announcements by our company. Under our 2010 Stock Incentive Plan, we may not reprice or replace options at lower exercise prices without stockholder approval.

The Compensation Committee engaged Frederic W. Cook & Co., Inc. as its independent compensation consultant in January 2013 to review our equity grant guidelines and practices for all employees and to assist the Committee in establishing a long-term equity-based incentive program for our management team.

Tax Deductibility of Compensation. Section 162(m) of the Internal Revenue Code places a limit of \$1,000,000 on the amount of compensation that we may deduct in any one year with respect to our CEO and each of the next three most highly compensated executive officers (excluding the chief financial officer). To maintain flexibility in compensating our executive officers in a manner designed to promote varying corporate goals, the Compensation Committee has not adopted a policy requiring all executive compensation to be deductible.

Stock Ownership Guidelines. We have not currently adopted stock ownership guidelines.

Key Elements of Executive Compensation

Our executive officers' compensation currently includes three primary components: base salary, cash bonus, and equity-based incentive awards. In addition, we provide our executive officers a variety of benefits that are available generally to all salaried employees.

Base Salary. Base salaries are designed to attract and retain qualified personnel by providing a consistent cash flow throughout the year as compensation for acceptable levels of performance of day-to-day responsibilities. Base salaries for our executive officers are established based on the scope of their responsibilities, their performance, and their prior relevant background, training and experience, taking into account competitive market compensation paid by the companies represented in the compensation data we review for similar positions and the overall market demand for those executive officers at the time of hire. The Compensation Committee reviews salaries on an annual basis. At such time, the Compensation Committee may change each executive officer's salary based on the individual's contributions and responsibilities over the prior twelve months and any change in competitive market pay levels.

In February 2013, the Compensation Committee set the 2013 base salaries for our executive officers. Base salary increased by 3.0% for 2013 for our CEO and from 1.5% to 6.0% for the four other executive officers named in the table below entitled "Summary Compensation Table"; 3.0% was the average base salary increase for all of our employees. The Compensation Committee considered our company's performance in 2012, including our commercial operations, clinical trial progress of our other drug candidates, job performance, internal pay alignment and equity, and marketplace competitiveness in determining the base salaries for 2013. In January 2014, the Compensation Committee set the 2014 base salaries for our executive officers. Base salary for our new CEO had previously been established through our negotiation of his employment agreement and offer letter, and base salary increases for our other four named executive officers were between 3.0% and 8.2%; 3.0% was the average base salary increase for all of our employees. The Compensation Committee considered our company's performance in 2013, including our commercial operations, clinical trial progress of our other drug candidates, job performance, internal pay alignment and equity, marketplace competitiveness, and advice from its independent compensation consultant in determining the base salaries for 2014.

Incentive Compensation Plan. Each year, we have established an incentive compensation plan that provides for cash incentive awards for all of our eligible employees. The plans have been designed to align incentive awards for each participant based upon an evaluation of our achievement of corporate objectives, which are approved by our Board of Directors based on the recommendations of the Compensation Committee, as well as, in the case of individuals other than our CEO, the achievement of individual business objectives for a particular year. Eligibility to participate in the plans and actual award amounts are not guaranteed and are determined, in the case of our executive officers, at the discretion of the Compensation Committee. After the completion of each year, the Compensation Committee reviews with our CEO the level of achievement of the corporate objectives under the plan and determines the size of the overall bonus pool to be used for awards. The Compensation Committee, with input from our CEO with respect to our other executive officers, may use discretion in determining for each executive officer his or her bonus amount.

Incentive awards for our executive officers were approved by the Compensation Committee and paid in 2014 pursuant to our 2013 incentive compensation plan. Each of our executive officers other than our CEO had a funding target under the plan of 50% of his or her annual base salary for 2013, with the potential for actual awards under the plan to either exceed or be less than the funding target depending upon corporate performance, as well as the executive officer's achievement of certain individual goals that are predetermined by our CEO. Our CEO had a funding target under the plan of 75% of his annual base salary for 2013, with the potential for actual awards under the plan to either exceed or be less than such funding target depending upon corporate performance. Target incentive award amounts for each

participant were based on the participant's potential impact on our operating and financial results and on market competitive pay practices. Individual performance goals were established for eligible employees other than our CEO, and evaluations were based upon whether the employee met, exceeded or did not meet each established goal. Under our incentive compensation plan, the percentage of potential incentive awards attributable to the achievement of individual goals decreases as seniority increases, with a greater proportion of the potential incentive awards for executive officers being based upon achievement of corporate performance objectives. The Committee believes that it is appropriate to align a higher percentage of our executive officers' total cash compensation with the achievement of our Board-approved corporate objectives because those objectives are determined with a view toward progressing our company's business and maximizing stockholder value.

While executive officers other than our CEO have individual performance objectives that are evaluated by our CEO, the outcome of those objectives did not affect awards under our 2013 incentive compensation plan to those officers, and the award amounts were based solely on achievement of the corporate performance objectives.

Corporate performance objectives for 2013 were based on achievement of drug discovery objectives, representing 20% of the overall objectives, drug development objectives, representing 30% of the overall objectives, commercial objectives, representing 40% of the overall objectives, and finance objectives, representing 10% of the overall objectives. Bonus opportunities enabled the payout of up to an additional 20 percentage points. Threshold, target and outperform achievement levels were defined for each corporate objective, resulting in potential payouts ranging from 0% to 150% for each objective depending on achievement of such performance levels. At the time the corporate performance objectives for 2013 were set, the Committee and management believed that achievement of the target levels of performance would be difficult and challenging, but achievable with significant effort and skill, and favorable preclinical study and clinical trial results.

In January 2014, the Compensation Committee evaluated the achievement of the 2013 corporate performance objectives and determined that incentive awards under our 2013 incentive compensation plan should be based upon achievement of 141.5% of the target level of corporate performance objectives. The various objective categories, target payouts and actual payouts, are listed in the table below.

Objectives	Target %	Payout %
Discovery	20	30
Development	30	
Ruxolitinib MF regulatory	6	9
Other ruxolitinib programs	6	0
JAK inhibitor tolerability	6	4.5
Other clinical programs	6	9
Medical affairs	6	9
Commercial	40	
Jakafi gross sales	40	60
Bonus opportunity		5
Finance	10	15
Total payout %		141.5

The discovery objectives related primarily to IND filings for specified compounds for future potential drug candidate programs and the identification of new compounds with specified characteristics and activity, and were achieved at the outperform level. Of our drug development objectives, we achieved our regulatory objectives for our ruxolitinib myelofibrosis program at the outperform level by receiving FDA approval of label modifications and updates by specified time periods. We did not achieve our objectives for other ruxolitinib programs because we did not achieve specified clinical trial results. We met our JAK

inhibitor tolerability objectives, relating to our clinical trials using a combination of our JAK inhibitor with myelosuppressive chemotherapy, at the threshold level. We met our objectives for other earlier stage clinical programs, which related to the achievement of specified clinical trial results and enrollment of certain clinical trials, at the outperform level. We met our medical affairs objectives at the outperform level because we achieved a specified number of objectives relating to publication in peer review journals, presentation of clinical trial data and sponsorship of continuing medical education programs. We met our commercial objectives at the outperform level as a result of achieving net sales in excess of \$230 million. In addition, we achieved a commercial bonus opportunity worth 5 percentage points by achieving net sales in excess of \$235 million. We met our finance objectives at the outperform level, because our stock price performance was more than a specified number of percentage points above that of the NASDAQ Biotechnology Index. Based on these corporate performance results, each of our executive officers received incentive awards for 2013 equal to 141.5% of his or her funding target.

In March 2014, our Board of Directors, based on the recommendations of the Compensation Committee, approved corporate objectives for our 2014 incentive compensation plan. Under this plan, the funding targets for our executive officers, other than the CEO, remain the same as for 2013. Our new CEO has a funding target under the plan of 100% of his annual base salary for 2014, with the actual incentive award depending upon corporate performance; provided, however, that under our new CEO's offer letter with us the actual bonus amount for 2014 will be at least \$800,000. Corporate performance objectives for 2014 are based on achievement of drug discovery objectives, representing 20% of the overall objectives, drug development objectives, representing 40% of the overall objectives, commercial objectives, representing 30% of the overall objectives and finance objectives, representing 10% of the overall objectives. Bonus opportunities enable the payout of up to an additional 20 percentage points. Threshold, target and outperform achievement levels are defined for each corporate objective and, depending on the achievement of those performance levels, a payout ranging from 0% to 150% may be made for each objective. The Committee and management believe that achievement of the target levels of performance for the objectives will be difficult and challenging, but achievable with significant effort and skill, favorable preclinical study and clinical trial results, continued strong commercial performance, and successful stock price performance.

Equity-Based Incentive Awards. The Compensation Committee administers equity-based incentive awards, such as stock option grants, that are made to our executive officers under our 2010 Stock Incentive Plan. The Compensation Committee believes that by providing those persons who have substantial responsibility for our management and growth with an opportunity to increase their ownership of our stock, the best interests of our stockholders and executive officers will be closely aligned. Therefore, executive officers are eligible to receive equity-based incentive awards when the Compensation Committee performs its annual review, although these awards may be granted at other times in recognition of exceptional achievements. As is the case when the amounts of base salary and initial equity awards are determined, the Compensation Committee conducts a review of all components of an executive officer's compensation when determining annual equity awards to ensure that the executive's total compensation conforms to our overall philosophy and objectives.

In January 2013, the Compensation Committee approved grants of stock options to our executive officers in connection with the Committee's evaluation of our 2012 performance. These amounts were based on previously determined stock grant guidelines for all employees, and took into consideration the market reference data described above as well as individual performance. The Compensation Committee also approved the total number of options to be awarded to all employees of the Company in connection with this annual review of stock option grants and reviewed the relative levels of grants to executive officers in relation to grants to non-executive officer employees.

Under our 2010 Stock Incentive Plan, we may grant restricted shares, performance shares, restricted stock units (RSUs) or stock appreciation rights. In 2013, the Compensation Committee did not grant restricted shares, performance shares, RSUs or stock appreciation rights. However, in January 2014, the

Compensation Committee, in conjunction with its independent compensation consultant, Frederic W. Cook & Co., Inc., and our management, established a revised equity grant program that involves the use of performance shares and RSUs in addition to stock options, which is intended to reduce dilution to stockholders and for our executives to tie compensation to performance goals over periods greater than one year. In January 2014, the Management Stock Option Committee, a subcommittee of the Compensation Committee, approved equity-based incentive awards for our executive officers in connection with the Committee's evaluation of our 2013 performance. Each of our executive officers was granted options to purchase shares of our common stock and a performance share award. For each executive officer, the value as of the grant date of the options was equal to 75%, and the value of the shares underlying the performance share award was equal to 25%, of the aggregate value of such options and shares, in each case as determined under generally accepted accounting principles consistent with the valuation of our company's equity incentives.

While the Compensation Committee, in its discretion, may, as it did in January 2014, elect to make grants of restricted shares, performance shares, RSUs or stock appreciation rights if it deems it advisable, the 2010 Stock Incentive Plan contains a limit on the total amount of shares that may be issued other than upon the exercise of stock options or stock appreciation rights or pursuant to sales of restricted shares at purchase prices at least equal to the fair market value of the shares sold. That limit is currently 800,000 shares, and 100,000 of those shares have been issued in connection with the December 2011 RSU grant to our former CEO, Dr. Friedman, and 175,036 shares have been reserved for issuance as a result of the January 2014 grants of performance shares and RSUs and grants of RSUs to new employees. The January 2014 grant to Mr. Hoppenot, in connection with his employment as our new CEO, of RSUs covering 400,000 shares was not made under our 2010 Stock Incentive Plan and, thus, does not count against this limit. As a result, amendments to our 2010 Stock Incentive Plan being submitted to stockholders for a vote at the Annual Meeting include an amendment to increase the limit on the total amount of shares that may be issued other than upon the exercise of stock options or stock appreciation rights or pursuant to sales of restricted shares at purchase prices at least equal to the fair market value of the shares sold from 800,000 to 1,500,000. See Proposal 2, "Proposal to Amend the Amended and Restated 2010 Stock Incentive Plan."

Each performance share award made in January 2014 will convert into actual shares of our common stock based on our attainment of pre-established performance goals measured over a three-year performance period ending December 31, 2016 and the individual's continued service with our company during the performance period.

The actual number of shares of our common stock into which each performance share award may convert will be calculated by multiplying the target number of performance shares allocated to that award by performance percentage multipliers ranging from 0% to 125% based on the actual level at which the applicable performance goals are achieved, as certified by the Compensation Committee (or, as applicable, the Management Stock Option Committee). The performance goals include clinical milestones, weighted at 50%, and revenue milestones, weighted at 50%. There are three clinical milestones relating to our JAK inhibitor ruxolitinib: (1) obtain U.S. approval in hydroxyurea refractory or intolerant polycythemia vera (PV), (2) obtain supplementary FDA approval of a symptomatic benefit claim in PV, and (3) meet the protocol defined primary survival endpoint in a Phase III second-line pancreatic cancer clinical trial. Achievement of all three clinical milestones will result in the maximum percentage multiplier of 125%, achievement of two clinical milestones will result in the target percentage multiplier of 100%, and achievement of one clinical milestone will result in the threshold percentage multiplier of 75%. The multiplier will be 0% if no clinical milestones are achieved. The revenue milestones are based on cumulative net product sales over the three-year performance period ending December 31, 2016 and achievement of maximum, target and threshold levels will result in percentage multipliers of 125%, 100% and 75%, respectively, with achievement below the threshold level resulting in a percentage multiplier of 0%.

Termination Based Compensation Under Employment Agreements and Offer Letters. Our executive officers are parties to employment agreements and offer letters, as described below under "Employment Contracts, Termination of Employment and Change-in-Control Arrangements."

These employment agreements and offer letters provide for severance payments and acceleration of vesting of equity-based awards upon termination of employment under the circumstances described below under "Employment Contracts, Termination of Employment and Change-in-Control Arrangements." In general, the employment agreements provide for severance benefits if an officer's employment is terminated within 24 months following a change in control. These agreements are designed both to attract executives, as we compete for talented employees in a marketplace where such protections are routinely offered, and to retain executives and provide continuity of management in the event of an actual or threatened change in control.

Other Compensation. All of our full-time employees, including our executive officers, may participate in our health programs, such as medical, dental and vision care coverage, and our 401(k) and life and disability insurance programs. These benefits are designed to provide our executive officers and eligible employees a competitive total compensation package that enables us to attract and retain qualified personnel.

Compensation Committee Report

This report shall not be deemed to be "soliciting material" or "filed" with the Securities and Exchange Commission or be deemed incorporated by reference into any filing under the Securities Act of 1933 or under the Securities Exchange Act of 1934, except to the extent the Company specifically incorporates it by reference into a document filed under such Acts.

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis set forth in this Proxy Statement with our management. Based on such review and discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference into the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

Compensation Committee

Paul A. Brooke
Barry M. Ariko
Julian C. Baker

Named Executive Officers

The Summary Compensation Table, Grants of Plan-Based Awards Table and the tables that follow provide compensation information for our named executive officers, including Paul A. Friedman, our President and Chief Executive Officer in 2013, David C. Hastings, our Executive Vice President and Chief Financial Officer, and James M. Daly, Richard S. Levy and Paula J. Swain.

Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Stock Awards (\$)	Option Awards \$(1)	Non-Equity Incentive Plan Compensation \$(2)	All Other Compensation \$(3)	Total (\$)
Paul A. Friedman	2013	687,781	—	1,390,008	732,369	20,761	2,830,919
Former President and Chief Executive Officer(4)	2012	666,458	—	1,735,821	603,000	14,381	3,019,660
David C. Hastings	2011	637,086	1,442,000	2,162,851	650,000	11,943	4,903,880
Executive Vice President and Chief Financial Officer	2013	357,565	—	347,503	253,409	5,848	964,325
James M. Daly(5)	2012	351,129	—	771,478	211,729	5,829	1,340,165
Executive Vice President and Chief Commercial Officer	2011	336,224	—	720,952	247,938	3,788	1,308,902
Richard S. Levy	2013	506,635	—	695,005	359,056	235,280	1,795,976
Executive Vice President and Chief Drug Development and Medical Officer	2012	76,923	—	1,942,153	150,000	18,746	2,187,822
Paula J. Swain	2013	373,423	—	1,042,506	265,933	6,664	1,688,526
Executive Vice President, Human Resources	2012	354,602	—	771,478	212,761	6,569	1,345,410
	2011	352,249	—	720,952	289,356	3,833	1,366,390
	2013	354,029	—	695,005	251,320	6,567	1,306,921
	2012	343,346	—	771,478	206,926	5,807	1,327,557
	2011	330,462	—	720,952	253,838	3,772	1,309,024

(1) Amounts shown do not reflect compensation actually received by the named executive officer. Instead, the amounts reported above in the "Stock Awards" and "Option Awards" columns represent the aggregate grant date fair value of stock awards and option awards granted in the respective fiscal years, as determined in accordance with ASC 718.

(2) Amounts listed in this column represent bonuses paid under the annual incentive compensation plan for each of the respective years. These amounts are not reported in a separately identified Bonus column because the awards are tied to corporate performance objectives, except that, for 2011, the amounts shown for Mr. Hastings, Dr. Levy and Ms. Swain include \$20,000, \$50,000 and \$30,000, respectively, that were determined at the discretion of our Chief Executive Officer and that were in addition to amounts based solely on the achievement of the corporate performance objectives. The amount shown for Mr. Daly for 2012 represents 50% of the amount to which Mr. Daly would have been entitled had he been employed by us for all of 2012, and reflects proration for the portion of 2012 during which he was employed by us and a discretionary percentage based on our CEO and the Compensation Committee's evaluation of his performance in 2012.

(3) Amounts listed in this column for each year represent payments made for group term life insurance and \$5,000 in matching contributions under our 401(k) plan, except with respect to Mr. Daly, who received \$3,000 in matching contributions in 2012.

(4) In January 2014, Dr. Friedman retired as President and Chief Executive Officer and Hervé Hoppenot was appointed President and Chief Executive Officer.

(5) Mr. Daly was appointed as Executive Vice President and Chief Commercial Officer in October 2012.

2013 Grants of Plan-Based Awards

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)(2)			All Other Stock Awards: Number of Shares of Stocks or Units (#)	All Other Awards: Number of Securities Underlying Options (#)(3)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$)
		Threshold (\$)	Target (\$)	Maximum (\$)				
Paul A. Friedman	2/9/2013	388,181	517,575	879,878	—	200,000	18.32	1,390,008
David C. Hastings	2/9/2013	134,316	179,087	304,449	—	50,000	18.32	347,503
James M. Daly	2/9/2013	190,313	253,750	431,375	—	100,000	18.32	695,005
Richard S. Levy	2/9/2013	140,954	187,939	319,496	—	150,000	18.32	1,042,506
Paula J. Swain	2/9/2013	133,209	177,611	301,939	—	100,000	18.32	695,005

(1) The target incentive amounts shown in this column reflect our annual incentive plan awards originally provided under the 2013 incentive compensation plan and represent the pre-established target awards as a percentage of base salary for the 2013 fiscal year, with the potential for actual awards under the plan to either exceed or be less than such funding target depending upon corporate performance. Actual award amounts are not guaranteed and are determined at the discretion of the Compensation Committee, which may consider an individual's performance during the period. For additional information, please refer to the Compensation Discussion and Analysis section. Actual 2013 incentive compensation plan payouts are reflected in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table.

(2) The threshold illustrates the smallest payout that can be made if all of the pre-established performance objectives are achieved at the minimum achievement level. Actual awards may be more or less than these amounts and are at the discretion of the Compensation Committee. The target is the payout that can be made if the pre-established performance objectives have been achieved at the target achievement level. The maximum is the greatest payout that can be made if the pre-established maximum performance objectives are achieved or exceeded at the outperform achievement levels.

(3) Options listed in this column become exercisable as to one-third of the shares on the first anniversary of the grant date, with the remaining shares vesting ratably each month thereafter over the following two years, and have a term of seven years, subject to earlier termination in certain events relating to termination of employment.

Salary

The annual salaries of the named executive officers are reflected under the Salary column of the Summary Compensation Table. The Compensation Committee reviews salaries on an annual basis, and may change each executive officer's salary based on the individual's contributions and responsibilities over the prior twelve months and any change in comparable company pay levels. In January 2013, the Compensation Committee set the 2013 base salaries for our executive officers. Salary compensation is discussed in greater detail under the heading "Compensation Discussion and Analysis."

Incentive Compensation

All named executive officers received a bonus for the 2013 fiscal year under our discretionary 2013 incentive compensation plan. This bonus is reflected under the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table because, except as noted in footnote (2) to that table, the bonus is tied to the corporate performance of the Company. The plan established cash incentive awards for all of our eligible employees for 2013, and was designed to align incentive awards for each participant's individual performance with our corporate goals. Incentive awards for our executive officers were approved by the Compensation Committee in January 2014 and paid in March 2014 pursuant to this plan. Our executive officers each had a funding target under the plan, with the potential for actual awards under the plan to either exceed or be less than such funding target depending upon corporate performance, as well as each executive officer's individual performance. The range of the 2013 awards at the time of establishment of the plan is set forth under the Estimated Future Payouts Under Non-Equity Incentive Plan Awards column to the Grants of Plan-Based Awards Table. Actual incentive award amounts paid to named executive officers for 2013 pursuant to this plan were based on the achievement of corporate goals.

that were predetermined by the Compensation Committee, as described in greater detail under the heading “Compensation Discussion and Analysis,” and is disclosed in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table.

In 2013, all named executive officers received grants of options to purchase Common Stock. The numbers and grant date fair values of these awards under ASC 718 are set forth in the Grants of Plan-Based Awards Table. The exercise price for options awarded in 2013 was the fair market value of our Common Stock on the grant date. These awards will generally vest and become exercisable as to one-third of the shares on the first anniversary of the grant date, with the remaining shares vesting ratably each month thereafter over the following two years.

The amounts, if any, actually realized by the named executive officers for the 2013 awards will vary depending on the vesting of the award and the price of our Common Stock in relation to the exercise price at the time of exercise. Detail regarding the number of exercisable and unexercisable options held by each named executive officer at year-end is set forth in the Outstanding Equity Awards at Fiscal Year-End Table.

Compensation Risk Assessment

The Compensation Committee, in consultation with the Company’s executive management, reviewed the Company’s compensation policies and practices for its employees and concluded that risks arising from those policies and practices are not reasonably likely to have a material adverse effect on the Company.

Employment Contracts, Termination of Employment and Change-in-Control Arrangements

In January 2014, Paul A. Friedman retired as our President and Chief Executive Officer, at which time Dr. Friedman’s employment agreement with the Company was terminated.

In April 2014, the Compensation Committee and Management Stock Option Committee approved amendments to outstanding employee stock option and RSU agreements and to the forms of agreements for future employee stock option and RSU agreement to provide that, in the event of a change in control of the Company, (i) if the successor corporation does not assume or substitute comparable awards for all outstanding employee options and RSUs, then as of the date of completion of the change in control transaction, the vesting of such options and RSUs shall be accelerated in full, and (ii) if outstanding options and RSUs are assumed or replaced by comparable awards by the successor corporation and within one year after the change in control, an equity awardee’s service as an employee is terminated without cause or due to constructive termination, then the vesting of such person’s assumed or substituted options and RSUs shall be accelerated in full. The value of such acceleration in full for each Named Executive Officer, assuming such termination or event was effective as of December 31, 2013, is set forth in the table below under the heading “Potential Payments Upon Termination in Connection with a Change in Control.”

Hervé Hoppenot

In connection with his appointment as President and Chief Executive Officer in January 2014, Mr. Hoppenot and the Company entered into an offer of employment letter and an employment agreement.

Pursuant to the offer letter, Mr. Hoppenot is entitled to an initial base salary of \$800,000 and will participate in the Company’s annual incentive compensation plan with a funding target for a cash bonus under such plan of 100% of his annual base salary and a minimum bonus for 2014 of \$800,000. Beginning in 2015, Mr. Hoppenot’s base salary will be reviewed annually by the Compensation Committee. Future bonuses under the incentive compensation plan will be determined by the Compensation Committee in its discretion based on the achievement of performance goals to be determined annually by the Board or, as applicable, the Committee. Pursuant to the offer letter, Mr. Hoppenot also received a signing bonus of

\$2,200,000, one quarter of which was paid upon commencement of employment and the remainder of which is payable in equal installments on the first day of each of the second, third and fourth calendar quarters of 2014. Except as otherwise provided in his employment agreement, Mr. Hoppenot must remain employed by the Company through the first calendar day of each such quarter in order to receive the respective quarterly portion of the signing bonus.

Mr. Hoppenot received an initial award in January 2014 of options to purchase 124,148 shares of Common Stock and 17,428 performance shares under the Company’s Amended and Restated 2010 Stock Incentive Plan with an aggregate value as of the grant date equal to \$4,500,000, determined under generally accepted accounting principles consistent with the valuation of the Company’s equity incentives. Mr. Hoppenot will be eligible to receive future annual equity awards as determined by the Compensation Committee, and all such equity awards, including the initial award, will be subject to vesting or attainment of performance criteria, as applicable, at the same levels as apply to awards of the same type granted to the Company’s other senior executives for the same fiscal year. Mr. Hoppenot also received in January 2014 a one-time grant of 400,000 RSUs. Each RSU represents the right to acquire one share of the Company’s Common Stock. Vesting of the RSUs will be subject to Mr. Hoppenot’s continued employment on the applicable vesting dates, with one-sixth of the RSUs vesting at the end of each of the calendar years 2014 through 2019, subject to earlier acceleration of vesting upon the occurrence of certain events in accordance with the terms of his employment agreement.

Termination Without Good Reason Prior to a Change in Control. If Mr. Hoppenot voluntarily terminates his employment with the Company other than for good reason and other than in the 24-month period following a change in control (the “Change in Control Employment Period”), the Company will pay Mr. Hoppenot, to the extent not already paid, his annual base salary through the date of termination, any deferred compensation and any accrued vacation pay.

Termination Without Good Reason in Connection with a Change in Control. If Mr. Hoppenot terminates his employment with the Company without good reason during the Change in Control Employment Period, the Company will pay Mr. Hoppenot, to the extent not already paid, his annual base salary through the date of termination, any deferred compensation, any accrued vacation pay, and an amount equal to a pro rata portion of his target bonus calculated according to the number of days he worked through the date of termination in the current fiscal year.

Termination Without Cause or for Good Reason Not in Connection with a Change in Control. If, at any time other than during the Change in Control Employment Period, Mr. Hoppenot’s employment is terminated by the Company without cause or by Mr. Hoppenot for good reason, the Company will pay Mr. Hoppenot, to the extent not already paid, his annual base salary through the date of termination, his signing bonus, any deferred compensation, any accrued vacation pay, and an amount equal to a pro rata portion of his target bonus calculated according to the number of days he worked through the date of termination in the current fiscal year. In addition, the Company will pay him an amount equal to the sum of 1.5 times his annual base salary and the greater of his current target bonus or his bonus amount for the preceding fiscal year. The agreement also provides that Mr. Hoppenot’s stock options and RSUs (other than his one-time grant of 400,000 RSUs) will vest as to the amount that would have vested had he continued to work for the Company for an additional 18 months. All options would continue to be exercisable for 180 days following the date of termination. In addition, the agreement provides that the 400,000 RSUs granted in connection with joining the Company will vest as to 100% of the amount that would have vested had he continued to work for the Company for an additional 12 months and vest as to 50% of the amount that would have vested had he continued to work for the Company for an additional 12 months subsequent to the initial 12 months after the date of termination. The agreement also provides for the payment of COBRA premiums by the Company, or the cash equivalent thereof, for Mr. Hoppenot and his family for up to 12 months, outplacement services for up to 12 months, as well as payment with respect to any other accrued amounts under other of the Company’s benefits arrangements.

Termination in Connection with a Change in Control Without Cause or for Good Reason. If during the Change in Control Employment Period Mr. Hoppenot's employment is terminated by the Company without cause or by Mr. Hoppenot for good reason, the Company will pay Mr. Hoppenot, to the extent not already paid, his annual base salary through the date of termination, his signing bonus, any deferred compensation, any accrued vacation pay, and an amount equal to a pro rata portion of his target bonus calculated according to the number of days he worked through the date of termination in the current fiscal year. In addition, the Company will pay him an amount equal to three times the sum of his current annual base salary and the greater of his current target bonus or his bonus amount for the preceding fiscal year. The agreement also provides that in the event of such a termination, all of Mr. Hoppenot's unvested RSUs and unvested stock options will vest in full, and all stock options will remain exercisable for 12 months following his termination. In addition, all performance shares will vest in full and be settled assuming the target level of performance has been achieved. The agreement also provides for the continuation of benefits for Mr. Hoppenot and his family for up to 36 months, outplacement services for up to 12 months, as well as payment with respect to any other accrued amounts under other of the Company's benefits arrangements.

Other Covenants. The Company has also agreed to maintain for a period of six years commencing on the date of employment an insurance policy pursuant to which \$15 million would be payable to Mr. Hoppenot or his estate in the event of disability or death. Under the agreement, Mr. Hoppenot is subject to non-solicitation/non-hiring and non-disparagement covenants that extend two years from termination of employment. Upon certain breaches of those covenants after termination of employment, Mr. Hoppenot must forfeit all of his unvested stock options, stock appreciation rights, restricted stock units, performance shares, and the gain or income realized from the exercise, vesting or settlement of the same within 24 months prior to the breach.

Agreements with other Named Executive Officers

In November 2003, our Board of Directors approved a form of employment agreement for Executive Vice Presidents. The Company entered into employment agreements with David C. Hastings, Richard S. Levy and Paula J. Swain, effective November 21, 2003. The form of employment agreement for the Executive Vice Presidents was amended in December 2008 to comply with Section 409A of the Internal Revenue Code of 1986, as amended. In April 2012, the employment agreements with our Executive Vice Presidents were amended to increase the amount payable upon an "involuntary termination" of the executive's employment within 24 months following a change in control. The Company entered into an employment agreement with James M. Daly in October 2012 upon his employment as Executive Vice President and Chief Commercial Officer.

The employment agreements with our Executive Vice Presidents provide that in the event of an "involuntary termination" of the executive's employment within 24 months following a change in control (which includes actual termination without cause and constructive termination by way of the assignment of duties substantially and materially inconsistent with the executive's position or other diminishment in position, requiring the executive to be based at any location outside more than 35 miles from the office or location where he or she was based prior to a change in control, a reduction in salary, bonus or adverse change in benefits, or a breach by the Company of the terms of the executive's employment arrangement), we will pay the executive an amount equal to two times the sum of the executive's current annual base salary and the greater of (1) the executive's current target bonus or (2) the executive's bonus amount for the preceding fiscal year. A "change in control" generally includes a significant change in the composition of the Board of Directors, the acquisition by any person or entity of greater than 50% of the combined voting power of the Company's outstanding securities, the approval of a liquidation or dissolution of the Company, or the sale or disposition of all or substantially all of the Company's assets or similar transaction. We will also pay the executive a pro rata portion of the executive's target bonus calculated according to the number of days the executive worked through the termination date in the current fiscal year. The cash payment would be paid in a lump sum payment following the executive's termination. The agreement also

provides that in the event of such a termination, all of the executive's unvested stock options will vest in full, and all stock options will be exercisable for 12 months following the executive's termination. In addition, the agreement provides for the reimbursement of COBRA premiums by the Company for the executive and eligible dependents for up to 12 months, reimbursement (or payment) by the Company for the cost of continued life and disability insurance for the executive for 12 months at the same levels in effect on the termination date, as well as payment with respect to any other accrued amounts under other of the Company's benefits arrangements.

David C. Hastings. In September 2003, in connection with his appointment as Executive Vice President and Chief Financial Officer, Mr. Hastings received an offer letter that provides that if his employment is terminated other than for cause, we will pay him an amount equal to the sum of his current annual base salary and his current target bonus, as well as amounts with respect to any other accrued amounts under other of the Company's benefits arrangements. We will also pay the cost of COBRA premiums for one year, or until he becomes eligible for medical insurance with another employer.

James M. Daly. In October 2012, in connection with his appointment as Executive Vice President and Chief Commercial Officer, Mr. Daly received an offer letter that provides that if, prior to a change in control that would trigger potential benefits under his employment agreement, his employment is terminated other than for cause, we will pay him an amount equal to the sum of two times his current annual base salary plus target bonus and two years of company paid COBRA coverage. In addition, all of his unvested stock options would vest in full.

Potential Payments Upon Termination without a Change in Control

The following table describes the potential payments and benefits triggered by a termination of employment of a named executive officer by the Company without cause, or by the executive for good reason, in each case prior to a change in control and assuming the employment of the named executive officer was terminated on December 31, 2013.

Termination	Cash Payment (\$)	Medical/ Insurance Benefits (\$)	Acceleration of Equity Awards (\$)(1)	Other (\$)(2)	Total (\$)
David C. Hastings					
• Termination without cause	537,263	26,077	—	33,407	596,747
James M. Daly					
• Termination without cause	1,522,500	52,155	9,466,223	3,904	11,044,782

- (1) Represents the amount by which the \$50.63 closing price of our Common Stock on December 31, 2013, the last trading day of 2013, exceeded the exercise price for equity awards for which vesting would have accelerated as a result of termination of employment.
- (2) Includes accrued amounts under other of the Company's benefits arrangements, including accrued vacation and other vested benefits the named executive officer is entitled to receive that are generally available to all salaried employees.

Potential Payments Upon Termination in Connection with a Change in Control

The following table describes the potential payments and benefits triggered by a termination of employment of a named executive officer in connection with a change in control, by the Company without

cause or by the executive for good reason, in each case assuming the employment of the named executive officer was terminated on December 31, 2013.

Termination	Cash Payment (\$)	Medical/ Insurance Benefits (\$)	Acceleration of Equity Awards (\$)(1)	Other (\$)(2)	Total (\$)
David C. Hastings					
• Termination without cause or for good reason(3)	1,318,897	28,598	2,901,176	33,407	4,282,078
James M. Daly					
• Termination without cause or for good reason(3)	1,776,250	29,397	9,466,223	3,904	11,275,774
Richard S. Levy					
• Termination without cause or for good reason(3)	1,365,216	19,537	6,132,176	43,370	7,560,299
Paula J. Swain					
• Termination without cause or for good reason(3)	1,301,909	28,594	4,516,676	39,963	5,887,142

- (1) Represents the amount by which the \$50.63 closing price of our Common Stock on December 31, 2013, the last trading day of 2013, exceeded the exercise price for equity awards for which vesting would have accelerated as a result of termination of employment.
- (2) Includes accrued amounts under other of the Company's benefits arrangements, including accrued vacation and other vested benefits the named executive officer is entitled to receive that are generally available to all salaried employees.
- (3) Includes constructive termination following a change in control. See the section entitled "Agreements with Named Executive Officers" above.

2013 Outstanding Equity Awards At Fiscal Year-End

Name	Option Awards(1)			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Un-Exercisable	Option Exercise Price (\$)	Option Expiration Date
Paul A. Friedman	232,686	—	\$ 8.99	1/18/2015
	185,753	—	\$ 5.46	1/13/2016
	191,653	—(2)	\$11.98	2/8/2015
	194,444	—(2)	\$ 3.11	1/27/2016
	156,487	—(2)	\$ 9.41	1/21/2017
	29,166	—(2)	\$13.34	1/21/2017
	290,690	8,304(2)	\$14.72	1/25/2018
	143,750	81,250(2)	\$17.79	1/18/2019
	—	200,000(2)	\$18.32	2/8/2020
	1,424,629	289,554		
David C. Hastings	80,000	—	\$ 8.99	1/18/2015
	100,000	—	\$ 5.46	1/13/2016
	100,000	—(2)	\$11.98	2/8/2015
	100,000	—(2)	\$ 3.11	1/27/2016
	85,000	—(2)	\$ 9.41	1/21/2017
	15,000	—(2)	\$13.34	1/21/2017
	97,222	2,778(2)	\$14.72	1/25/2018
	63,888	36,112(2)	\$17.79	1/18/2019
	—	50,000(2)	\$18.32	2/8/2020
	641,110	88,890		
James M. Daly	116,665	183,335(2)	\$16.62	10/21/2019
	—	100,000(2)	18.32	2/8/2020
	116,665	283,335		

Name	Option Awards(1)			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Un-Exercisable	Option Exercise Price (\$)	Option Expiration Date
Richard S. Levy	70,000	—(2)	\$11.98	2/8/2015
	75,000	—(2)	\$ 3.11	1/27/2016
	85,000	—(2)	\$ 9.41	1/21/2017
	15,000	—(2)	\$13.34	1/21/2017
	97,222	2,778(2)	\$14.72	1/25/2018
	63,888	36,112(2)	\$17.79	1/18/2019
	—	150,000(2)	\$18.32	2/8/2020
	406,110	188,890		
Paula J. Swain	16,967	—	\$ 5.46	1/13/2016
	100,000	—(2)	\$11.98	2/8/2015
	100,000	—(2)	\$ 3.11	1/27/2016
	85,000	—(2)	\$ 9.41	1/21/2017
	15,000	—(2)	\$13.34	1/21/2017
	97,222	2,778(2)	\$14.72	1/25/2018
	63,888	36,112(2)	\$17.79	1/18/2019
	—	100,000(2)	\$18.32	2/8/2020
	478,077	138,890		

- (1) Except as otherwise noted in note (2), all options listed in this table became exercisable as to 25% of the shares on the first anniversary of the grant date, with the remaining shares vesting ratably each month thereafter over the following three years. Except as otherwise noted, the options have a term of ten years, subject to earlier termination in certain events relating to termination of employment. Vesting of the options is subject to acceleration under the circumstances described under "Employment Contracts, Termination of Employment and Change-in-Control Arrangements."
- (2) Option becomes exercisable as to one-third of the shares on the first anniversary of the date of grant, with the remaining shares vesting ratably thereafter over the following two years. Option has term of seven years, subject to earlier termination in certain events relating to termination of employment. Vesting of the option is subject to acceleration under the circumstances described under "Employment Contracts, Termination of Employment and Change-in-Control Arrangements."

2013 Option Exercises

Name	Option Award	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)(1)
Paul A. Friedman	400,489	\$11,382,227
David C. Hastings	200,000	\$ 4,400,744
Richard S. Levy	183,440	\$ 3,096,618
Paula J. Swain	197,727	\$ 4,212,209

- (1) Value realized is based on the fair market value of our Common Stock on the date of exercise minus the exercise price and does not necessarily reflect proceeds actually received by the individual.

Equity Compensation Plan Information

The following table gives information about our Common Stock that may be issued upon the exercise of options, warrants and rights under all of our existing equity compensation plans as of December 31, 2013, including the 1991 Stock Plan, the 1993 Directors' Stock Option Plan, the Amended and Restated 2010 Stock Incentive Plan (the "2010 Plan") and the 1997 Employee Stock Purchase Plan.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	20,123,089	\$15.16	6,475,882
Equity compensation plans not approved by security holders	—	—	—
Total	20,123,089	\$15.16	6,475,882

(1) Includes 1,099,268 shares available for issuance under the Company's 1997 Employee Stock Purchase Plan and 5,376,614 shares available for issuance under the 2010 Plan.

As of March 31, 2014, the Company had outstanding options to purchase an aggregate of 17,464,447 shares of Common Stock under the 1991 Stock Plan, the 1993 Directors' Stock Option Plan and the 2010 Plan at a weighted average exercise price of \$19.72 per share and with a weighted average remaining contractual term of 4.60 years, outstanding restricted stock units for 114,581 shares of Common Stock and outstanding performance shares pursuant to which a maximum of 60,455 shares could be issued. As of March 31, 2014, the Company had 3,929,274 shares of Common Stock available for future issuance under the 2010 Plan and had no outstanding awards under the 2010 Plan other than outstanding options, restricted stock units and performance shares. Other than outstanding options to purchase Common Stock under the 1991 Stock Plan, the 1993 Directors' Stock Option Plan and the 2010 Plan, outstanding restricted stock units and performance shares under the 2010 Plan, and 400,000 outstanding restricted stock units granted outside of the 2010 Plan to Hervé Hoppenot, the Company had no other outstanding awards as of March 31, 2014, and no shares remain available for future issuance under either the 1991 Stock Plan or the 1993 Directors' Stock Option Plan.

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The Audit Committee of the Board of Directors is composed of three directors, each of whom qualifies as "independent" under the current listing requirements of The NASDAQ Stock Market. The current members of the Audit Committee are Barry M. Ariko, Richard U. De Schutter and Wendy L. Dixon. The Audit Committee acts pursuant to a written charter that was originally adopted by the Board of Directors in June 2000 and was most recently amended in March 2013.

In performing its functions, the Audit Committee acts in an oversight capacity and necessarily relies on the work and assurances of the Company's management, which has the primary responsibility for financial statements and reports, and of the independent registered public accounting firm, who, in their report, express an opinion on the conformity of the Company's annual financial statements with accounting principles generally accepted in the United States and the effectiveness of the Company's internal control over financial reporting. It is not the duty of the Audit Committee to plan or conduct audits, to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles, or to assess or determine the effectiveness of the Company's internal control over financial reporting.

Within this framework, the Audit Committee has reviewed and discussed with management the Company's audited financial statements as of and for the year ended December 31, 2013 and the Company's internal control over financial reporting. The Audit Committee has also discussed with the independent registered public accounting firm, Ernst & Young LLP, the matters required to be discussed by AICPA, Professional Standards, Vol. 1, AU Section 380, as adopted by the Public Company Accounting Oversight Board in Rule 3200T. In addition, the Audit Committee has received the written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm's communications with the Audit Committee concerning independence, and has discussed with the independent registered public accounting firm the independent registered public accounting firm's independence.

Based upon these reviews and discussions, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

Audit Committee

Barry M. Ariko
Richard U. De Schutter
Wendy L. Dixon

PROPOSAL 2

PROPOSAL TO AMEND THE AMENDED AND RESTATED 2010 STOCK INCENTIVE PLAN

In March 2014, the Board of Directors approved amendments to our Amended and Restated 2010 Stock Incentive Plan (the “2010 Plan”), subject to the approval of our stockholders at the Annual Meeting, to increase the number of shares available for issuance and to increase the limitation on the number of shares that may be issued pursuant to certain sales or awards. The following summary of the principal features of the 2010 Plan, as amended, is qualified by reference to the terms of the plan, a copy of which is available without charge upon stockholder request to Secretary, Incyte Corporation, Experimental Station, Route 141 & Henry Clay Road, Building E336, Wilmington, Delaware 19880. The 2010 Plan has also been filed electronically with the Securities and Exchange Commission together with this Proxy Statement, and can be accessed on the SEC’s web site at <http://www.sec.gov>.

Description of Amendments

The first amendment to the 2010 Plan approved by the Board of Directors and submitted for stockholder approval consists of an increase in the number of shares available for issuance thereunder by 3,000,000 shares, from 21,753,475 shares to 24,753,475 shares.

The proposed increase of 3,000,000 in the number of shares reserved for issuance under the 2010 Plan is needed to allow us to continue to provide effective and appropriate equity incentives to our employees and directors. With limited exceptions, our equity awards have historically solely consisted of stock options, and awards made as part of our annual compensation review process have solely consisted of stock options. Our Board of Directors and the Compensation Committee of the Board have believed that stock option grants align compensation incentives with stockholder interests, provide at-risk compensation for management by providing them with a strong incentive to improve the Company’s performance, and provide employees with the opportunity to benefit significantly from the success of the Company. We offer stock option awards to all new hires and have found that attractive and competitive initial equity awards are often an important inducement for the high-performing, entrepreneurial individuals who we believe are key to our success. We expect to continue to expand our workforce in support of our research and development and commercialization efforts and anticipate hiring between 100 and 120 new employees during 2014. As we recruit to fill these new positions, the amount of shares required for initial awards to new hires, together with the amount required for annual awards to existing employees, in each case consistent with our historical practices, increases.

We do not believe the proposed 3,000,000 share increase will be unduly dilutive to stockholders. A common measure of potential dilution from outstanding equity awards is “overhang,” generally defined as equity awards outstanding but not exercised, plus equity awards available to be granted (together referred to as potential equity award shares), divided by the sum of total common shares outstanding plus potential equity award shares. As of March 31, 2014, our overhang was 11.4%, as compared with 15.7% as of March 31, 2013. We believe that our overhang is at this level for a number of reasons, including, as noted above, the fact that we have historically used only stock options for equity awards, and because most of our outstanding stock option awards consist of vested and in-the-money options that remain outstanding due to our low employee turnover. As of March 31, 2014, outstanding stock options to purchase 2,120,304 shares are scheduled to expire in the next two years, and these options will either be exercised or forfeited. We also note that our overhang would be substantially lower if shares underlying our outstanding convertible debt were treated as outstanding. As of March 31, 2014, we had outstanding \$91.7 million of convertible notes with a conversion price of \$8.78 per share and \$750.0 million of convertible notes with a conversion price of \$51.76 per share. If all of the shares underlying these convertible notes were treated as outstanding, our overhang would have been 10.0% as of March 31, 2014.

In addition, as discussed under “Compensation Discussion and Analysis,” the Compensation Committee has worked with its independent compensation consultant and our management to design an

equity award program that includes the use of performance shares and restricted stock units (“RSUs”) to reduce dilution to stockholders and tie compensation to performance goals over periods greater than one year. To the extent that performance shares or RSUs are awarded, the number of stock options granted would be reduced commensurately, so that an award of one performance share or RSU would reduce the number of stock option awards by between two and one-half to four shares, as determined by the Compensation Committee. In January 2014, the Management Stock Option Committee implemented the new equity award guidelines, with each executive officer and certain other senior management employees being granted options to purchase shares of our Common Stock and a performance share award. For each recipient, the value as of the grant date of the options was equal to 75%, and the value of the shares underlying the performance share award was equal to 25%, of the aggregate value of such options and shares, in each case as determined under generally accepted accounting principles consistent with the valuation of our Company’s equity incentives. Other Company employees were granted options to purchase shares of our Common Stock and an RSU, with the value as of the grant date of the options equal to 75%, and the value of the shares underlying the RSU equal to 25%, of the aggregate value of such options and shares.

To support this increased use of performance shares and RSUs, the second amendment approved by the Board of Directors and submitted for stockholder approval consists of an increase of the limitation on the number of shares that may be issued pursuant to sales or awards other than upon exercise of options or other than pursuant to sales at purchase prices at least equal to the fair market value of the shares sold from 800,000 shares to 1,500,000 shares. As of March 31, 2014, 275,036 shares of the 800,000 share limit had been issued or reserved for issuance, in the form of 100,000 RSUs issued to Dr. Friedman in connection with his agreement to remain employed as our President and Chief Executive Officer through December 31, 2013, 114,581 RSUs issued to other employees of the Company, and 60,455 shares reserved for issuance based on maximum achievement of performance goals relating to outstanding performance shares as of that date.

2010 Stock Incentive Plan

The 2010 Plan was initially adopted by our Board of Directors in March 2010 and approved by our stockholders in May 2010. It was amended and restated by our Board of Directors in March 2011 and further amended by our Board of Directors in April 2012, and our stockholders approved the amendments in May 2011 and May 2012. It was last amended and restated by our Board of Directors in April 2013 and our stockholders approved the amended and restated 2010 Plan in May 2013. Our Board of Directors further amended the Plan in January, March and April 2014.

The purpose of the 2010 Plan is to assist in the recruitment, retention and motivation of employees, outside directors and consultants who are in a position to make material contributions to our long-term success and the creation of stockholder value. The 2010 Plan offers a significant incentive to encourage our employees, outside directors and consultants by enabling those individuals to acquire shares of our Common Stock, thereby increasing their proprietary interest in the growth and success of our Company.

The 2010 Plan provides for the direct award or sale of shares of Common Stock (including restricted shares), the award of RSUs and stock appreciation rights, the award of performance shares and the grant of incentive stock options to purchase Common Stock intended to qualify for preferential tax treatment under Section 422 of the Internal Revenue Code of 1986, as amended (the “Code”), and nonstatutory stock options to purchase Common Stock that do not qualify for such treatment under the Code. All employees, including officers, of the Company or any subsidiary, non-employee directors of the Company and any consultant who performs services for the Company or any subsidiary are eligible to purchase shares of Common Stock and to receive awards of shares, restricted shares, performance shares, RSUs or stock appreciation rights or grants of nonstatutory stock options. Only employees are eligible to receive grants of incentive stock options. As of December 31, 2013, 487 employees (including officers) and

non-employee directors would have been eligible to purchase Common Stock and to receive awards under the 2010 Plan.

Administration

The 2010 Plan is administered by the Compensation Committee. Subject to the limitations set forth in the plan, the Compensation Committee has the authority to determine, among other things, to whom awards will be granted, the number of shares subject to awards, the term during which an option or stock appreciation right may be exercised and the rate at which the awards may vest or be earned, including any performance criteria to which they may be subject. The Compensation Committee also has the authority to determine the consideration and methodology of payment for awards. The Board has created a secondary committee, the Non-Management Stock Option Committee, which is authorized to make awards and grants under the 2010 Plan to eligible individuals other than members of the Board, the "Section 16 officers," and employees who hold the title of Senior Vice President or above.

Maximum Shares and Award Limits

A total of 21,753,475 shares of Common Stock are currently reserved for issuance under the 2010 Plan. As of March 31, 2014, the Company had outstanding options to purchase an aggregate of 13,655,234 shares of Common Stock (with exercise prices ranging from \$11.70 to \$64.55 per share) under the 2010 Plan, outstanding performance shares pursuant to which a maximum of 60,455 shares could be issued, and outstanding RSUs for 114,581 shares, and had 3,929,274 shares of Common Stock available for issuance under the 2010 Plan (or 6,929,274 shares of Common Stock including the 3,000,000 shares subject to stockholder approval at the Annual Meeting). As of March 31, 2014, the Company had outstanding options to purchase an aggregate of 17,464,447 shares of Common Stock under the 1991 Stock Plan, the 1993 Directors' Stock Option Plan and the 2010 Plan at a weighted average exercise price of \$19.72 per share and with a weighted average remaining contractual term of 4.60 years. The 2010 Plan replaced the 1991 Stock Plan and the 1993 Directors' Stock Option Plan. Shares that are subject to awards that expire, terminate or are cancelled under either the 1991 Stock Plan or the 1993 Directors' Stock Option Plan will not be made available for future awards under the 2010 Plan. Other than outstanding options to purchase Common Stock under the 1991 Stock Plan, the 1993 Directors' Stock Option Plan and the 2010 Plan, outstanding performance shares and RSUs under the 2010 Plan, and 400,000 outstanding RSUs granted outside of the 2010 Plan to Hervé Hoppenot, the Company had no other outstanding awards as of March 31, 2014, and no shares remain available for future issuance under either the 1991 Stock Plan or the 1993 Directors' Stock Option Plan. No one award recipient may receive awards under the 2010 Plan in any calendar year that relate to more than 800,000 shares of Common Stock. No more than 1,500,000 shares may be issued pursuant to sales or awards other than upon exercise of options or other than pursuant to sales at purchase prices at least equal to the fair market value of the shares sold (including the 700,000 shares subject to stockholder approval at the Annual Meeting). In addition, no more than 10% of the total number of shares of Common Stock reserved for issuance under the 2010 Plan may be subject to awards of restricted shares, RSUs or performance shares with vesting periods shorter than the minimum vesting periods applicable to such awards under the 2010 Plan.

These limitations shall be adjusted as appropriate and equitable in the event of a stock dividend, stock split, reclassification of stock or similar events. If an award made under the 2010 Plan expires without having been exercised in full, or if any restricted shares, RSUs or performance shares are forfeited or repurchased by Company due to failure to vest, then the corresponding shares will again become available for awards under the 2010 Plan. Upon the settlement of stock appreciation rights, all of the shares subject to any such stock appreciation right will reduce the number of shares available under the 2010 Plan, regardless of the number of shares actually issued. If any award is paid in cash rather than shares of Common Stock, the payment of cash will not reduce the number of available shares. The Company may grant awards under other plans or programs, which may be settled in shares of Common Stock issued

under the 2010 Plan. Such shares shall be treated like shares issued in settlement of RSUs and, when issued, will reduce the number of shares of Common Stock available for issuance under the 2010 Plan.

Stock Options

The terms of any grants of stock options under the 2010 Plan will be set forth in a stock option agreement to be entered into between the Company and the recipient. The Compensation Committee will determine the terms and conditions of such option grants, which need not be identical. Stock options may provide for the accelerated exercisability in the event of the award recipient's death, disability, or retirement or other events and may provide for expiration prior to the end of its term in the event of the termination of the award recipient's service. The Compensation Committee may modify, extend or assume outstanding options or may accept the cancellation of outstanding options in return for the grant of new options for the same or a different number of shares and at the same or a different exercise price, or in return for the grant of the same or a different number of shares. However, outstanding options may not be modified to lower the exercise price, nor may outstanding options be assumed or accepted for cancellation in return for the grant of new options with a lower exercise price, unless approved by the Company's stockholders. In no event will the Company purchase or assume in exchange for cash any stock option whose exercise price exceeds the fair market value of the underlying shares of Common Stock.

The exercise price of each option will be set by the Compensation Committee, subject to the following limits. The exercise price of an incentive stock option cannot be less than 100% of the fair market value of a share of Common Stock on the date the option is granted, and in the event an option recipient is deemed to be a 10% owner of our Company or one of our subsidiaries, the exercise price of an incentive stock option cannot be less than 110% of the fair market value of a share of Common Stock on the date the option is granted. The exercise price of a nonstatutory stock option cannot be less than 100% of the fair market value of a share of Common Stock on the date the option is granted. On April 14, 2014, the closing price for our Common Stock on The NASDAQ Stock Market was \$44.32. The maximum period in which an option may be exercised will be fixed by the Compensation Committee and included in each stock option agreement but cannot exceed ten years in the case of an incentive stock option, and in the event an option recipient is deemed to be a 10% owner of our Company or one of our subsidiaries, the maximum period for an incentive stock option granted to that person cannot exceed five years. In addition, no option recipient may be granted incentive stock options that are exercisable for the first time in any calendar year for Common Stock having a total fair market value (determined as of the option grant) in excess of \$100,000.

The exercise price for the exercise of a stock option may be paid in cash or, to the extent that the stock option agreement so provides, by surrendering shares of Common Stock, by delivery of an irrevocable direction to a securities broker to sell shares and to deliver all or part of the sale proceeds to the Company in payment of the aggregate exercise price, by delivery of an irrevocable direction to a securities broker or lender to pledge shares, as security for a loan, and to deliver all or part of the loan proceeds to the Company in payment of the aggregate exercise price, by delivering a full-recourse promissory note, or in any other form that is consistent with applicable laws, regulations and rules. Options generally will be nontransferable except in the event of the option recipient's death.

Stock options granted under the 2010 Plan must be exercised by the optionee before the expiration of such option. Each stock option agreement will set forth the extent to which the option recipient will have the right to exercise the option following the termination of the recipient's service with us, and the right to exercise the option of any executors or administrators of the award recipient's estate or any person who has acquired such options directly from the award recipient by bequest or inheritance.

Automatic Option Grants to Directors

The 2010 Plan provides for the automatic grant of options to purchase shares of Common Stock to directors of the Company who are not employees of the Company. Each non-employee director who first joins the Board of Directors after the effective date of the 2010 Plan will receive a nonstatutory stock option to purchase 25,000 shares of our Common Stock at an exercise price equal to the fair market value of a share of Common Stock on the date of grant. The option will vest and become exercisable as to 25% of those shares on the first anniversary of the date of grant. The balance of those shares will vest and become exercisable monthly over a three year period beginning on the day that is one month after the first anniversary of the date of grant, at a monthly rate of 1/48th of the number of shares subject to such option. On the date of each annual meeting of our stockholders, each non-employee director who will continue to serve as a member of the Board of Directors will receive an additional nonstatutory stock option to purchase 15,000 shares of Common Stock at an exercise price equal to the fair market value of a share of Common Stock on the date of grant. Each of these options will vest and become exercisable in full on the first anniversary of the date of grant or, if earlier, on the date of our next regular annual meeting of our stockholders. Each such director who is not initially elected at a regular annual meeting of our stockholders will receive an option to purchase a pro rata portion of 15,000 shares based upon the number of full months remaining from the date of the election of the director until the next regular annual meeting of our stockholders divided by twelve. This option will vest in full at the next regular annual meeting of our stockholders following the date of grant. Options granted to non-employee directors will become fully vested if a change in control occurs with respect to the Company during the director's service. The Board of Directors may from time to time increase the number of shares subject to an initial or annual grant if the Board determines that the increase is necessary to induce individuals to become or remain non-employee directors, or to address an increase in the duties or responsibilities of a non-employee director. The Board may also determine that the exercise price of such an option shall be greater than the fair market value of the Common Stock on the date of grant and that the option shall be exercisable on a different schedule than stated above.

Restricted Shares

The terms of any awards of restricted shares under the 2010 Plan will be set forth in a restricted share agreement to be entered into between the Company and the recipient. The Compensation Committee will determine the terms and conditions of the restricted share agreements, which need not be identical. Restricted share awards generally will be subject to vesting requirements of a minimum period of three years, and may be subject to transfer restrictions. Award recipients who are granted restricted shares generally have all of the rights of a stockholder with respect to those shares. Restricted shares may be issued for consideration as the Compensation Committee may determine, including cash, cash equivalents, full-recourse promissory notes, past services and future services.

Restricted Stock Units

The terms of any awards of RSUs under the 2010 Plan will be set forth in an RSU agreement to be entered into between the Company and the recipient. The Compensation Committee will determine the terms and conditions of the RSU agreements, which need not be identical. RSUs give an award recipient the right to acquire a specified number of shares of Common Stock, or at the Compensation Committee's discretion, cash, or a combination of Common Stock and cash, at a future date upon the satisfaction of certain vesting conditions based upon a vesting schedule or performance criteria established by the Compensation Committee. RSUs generally will be subject to vesting requirements of a minimum period of three years. RSUs may be granted in consideration of a reduction in the award recipient's other compensation, but no cash consideration is required of the award recipient. Unlike restricted shares, the stock underlying RSUs will not be issued until the stock units have vested, and recipients of RSUs

generally will have no voting or dividend rights prior to the time of issuance of any Common Stock upon settlement.

Stock Appreciation Rights

The terms of any awards of stock appreciation rights under the 2010 Plan will be set forth in an agreement to be entered into between the Company and the recipient. The Compensation Committee will determine the terms, conditions and restrictions of any such agreements, which need not be identical. A stock appreciation right generally entitles the award recipient to receive a payment upon exercise equal to the amount by which the fair market value of a share of Common Stock on the date of exercise exceeds the value of a share of Common Stock on the date of grant. The exercise price of a stock appreciation right cannot be less than 100% of the fair market value of a share of Common Stock on the date the stock appreciation right is granted. The amount payable upon the exercise of a stock appreciation right may be settled in cash or by the issuance of shares of Common Stock.

Performance Shares

The terms of any awards of performance shares under the 2010 Plan will be set forth in an agreement to be entered into between the Company and the recipient. The Compensation Committee will determine the terms, conditions and restrictions of any such agreements, which need not be identical.

Performance shares give an award recipient the right to acquire a specified number of shares of Common Stock, or at the Compensation Committee's discretion, cash, or a combination of Common Stock and cash, at a future date, based on performance criteria set forth in the performance share agreement. The actual number of performance shares eligible for settlement may be larger or smaller than the number included in the original award, based on the performance criteria. Performance shares may be granted in consideration of a reduction in the award recipient's other compensation, but no cash consideration is required of the award recipient. An award of performance shares generally will vest only if the award recipient performs services for the entire performance period (or if less, one year). Recipients of performance shares generally will have no voting or dividend rights prior to the time of issuance of any Common Stock upon settlement.

Qualifying Performance Criteria

The 2010 Plan sets forth performance criteria that may be used in the case of performance shares and certain other awards intended to qualify as "performance-based compensation" under Section 162(m) of the Code. To qualify as a "performance-based compensation," the number of shares or other benefits granted, issued, retainable or vested under an award may be made subject to the attainment of performance goals for a specified period of time relating to one or more of the following performance criteria, either individually, alternatively or in any combination, applied to either us as a whole or to a business unit or subsidiary, either individually, alternatively or in any combination, and measured either annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous years' or quarter's results or to the performance of one or more comparable companies or a designated comparison group or index, in each case as specified by the Compensation Committee in the award: (a) cash flow (including operating cash flow), (b) earnings per share, (c) earnings before any combination of interest, taxes, depreciation, or amortization, (d) return on equity, (e) total stockholder return, (f) share price performance, (g) return on capital, (h) return on assets or net assets, (i) revenue, (j) income or net income, (k) operating income or net operating income, (l) operating profit or net operating profit, (m) operating margin or profit margin (including as a percentage of revenue), (n) return on operating revenue, (o) return on invested capital, (p) market segment shares, (q) economic profit, (r) achievement of target levels of discovery and/or development of products, including but not limited to regulatory achievements, (s) achievement of research and development objectives, and (t) formation of joint ventures, strategic relationships or other commercial, research or development collaborations. The

Compensation Committee may appropriately adjust any evaluation of performance under a qualifying performance criteria to exclude any of the following events that occur during a performance period: (i) asset write-downs, (ii) litigation or claim judgments or settlements, (iii) the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results, (iv) accruals for reorganization and restructuring programs and (v) any extraordinary, nonrecurring items disclosed in the Company's financial statements or in managements' discussion and analysis of financial condition and results of operations appearing in our annual report to stockholders for the applicable year. If applicable, the Compensation Committee will determine the qualifying performance criteria and any permitted exclusions for events described in the preceding sentence not later than the 90th day of the performance period, and will determine and certify the extent to which the qualifying performance criteria have been met. The Compensation Committee may not in any event increase the amount of compensation payable under the 2010 Plan upon the attainment of qualifying performance criteria to an award recipient who is a "covered employee" within the meaning of Section 162(m) of the Code.

Amendment and Termination

No awards may be granted under the 2010 Plan after March 18, 2020. The Board of Directors may amend or terminate the 2010 Plan at any time, but an amendment will not become effective without the approval of the Company's stockholders to the extent required by applicable laws, regulations or rules. No amendment or termination of the 2010 Plan will affect an award recipient's rights under outstanding awards without the award recipient's consent.

Effect of Certain Corporate Events

In the event of a subdivision of the outstanding Common Stock or a combination or consolidation of the outstanding Common Stock (by reclassification or otherwise) into a lesser number of shares, a spin-off or a similar occurrence, or declaration of a dividend payable in Common Stock or, if in an amount that has a material effect on the price of the shares, in cash, the Compensation Committee will make appropriate adjustments in the number of shares covered by outstanding awards and the exercise price of outstanding options and stock appreciation rights, and the number of shares available under the 2010 Plan.

In the event of a merger or other reorganization, subject to any acceleration provisions in the agreement relating to an award, outstanding awards will be treated in the manner provided in the agreement of merger or reorganization. That agreement may provide for the assumption of outstanding awards by the surviving corporation or its parent, for their continuation by the Company (if the Company is the surviving corporation), for the substitution by the surviving corporation or its parent of its own awards, or for the acceleration of the exercisability of awards followed by the cancellation of those awards. The agreement of merger or reorganization may also provide for the cancellation of outstanding awards, with a payment of the value of those awards (without regard as to whether those awards have vested or are exercisable) as of the closing date of the merger or reorganization. In such an event, the payment may be in cash or securities, be paid in installments, be deferred until the underlying award would have vested, become exercisable or settled under the agreement relating to the award, and may be subject to vesting and performance criteria no less favorable to the recipient than under the agreement relating to the award, in all cases without the recipients' consent.

Certain Federal Income Tax Aspects of Awards Under the Plan

This is a brief summary of the federal income tax aspects of awards that may be made under the 2010 Plan based on existing U.S. federal income tax laws. This summary provides only the basic tax rules. It does not describe a number of special tax rules, including the alternative minimum tax and various elections that may be applicable under certain circumstances. It also does not reflect provisions of the income tax laws of any municipality, state or foreign country in which a holder may reside, nor does it reflect the tax consequences of a holder's death. The tax consequences of awards under 2010 Plan depend upon the type

of award and, if the award is to an executive officer, whether the award qualifies as performance-based compensation under Section 162(m) of the Code.

Incentive Stock Options

The recipient of an incentive stock option generally will not be taxed upon grant of the option. Federal income taxes are generally imposed only when the shares of Common Stock from exercised incentive stock options are disposed of, by sale or otherwise. The amount by which the fair market value of the Common Stock on the date of exercise exceeds the exercise price is, however, included in determining the option recipient's liability for the alternative minimum tax. If the incentive stock option recipient does not sell or dispose of the shares of Common Stock until more than one year after the receipt of the shares and two years after the option was granted, then, upon sale or disposition of the shares, the difference between the exercise price and the market value of the shares of Common Stock as of the date of exercise will be treated as a capital gain, and not ordinary income. If a recipient fails to hold the shares for the minimum required time the recipient will recognize ordinary income in the year of disposition generally in an amount equal to any excess of the market value of the Common Stock on the date of exercise (or, if less, the amount realized or disposition of the shares) over the exercise price paid for the shares. Any further gain (or loss) realized by the recipient generally will be taxed as short-term or long-term gain (or loss) depending on the holding period. We will generally be entitled to a tax deduction at the same time and in the same amount as ordinary income is recognized by the option recipient.

Nonstatutory Stock Options

The recipient of stock options not qualifying as incentive stock options generally will not be taxed upon the grant of the option. Federal income taxes are generally due from a recipient of nonstatutory stock options when the stock options are exercised. The excess of the fair market value of the Common Stock purchased on such date over the exercise price of the option is taxed as ordinary income. Thereafter, the tax basis for the acquired shares is equal to the amount paid for the shares plus the amount of ordinary income recognized by the recipient. We will generally be entitled to a tax deduction at the same time and in the same amount as ordinary income is recognized by the option recipient by reason of the exercise of the option.

Other Awards

Recipients who receive RSU awards will generally recognize ordinary income when they receive shares upon settlement of the awards, in an amount equal to the fair market value of the shares at that time. Recipients who receive awards of restricted shares subject to a vesting requirement will generally recognize ordinary income at the time vesting occurs, in an amount equal to the fair market value of the shares at that time minus the amount, if any, paid for the shares. However, a recipient who receives restricted shares which are not vested may, within 30 days of the date the shares are transferred, elect in accordance with Section 83(b) of the Code to recognize ordinary compensation income at the time of transfer of the shares rather than upon the vesting dates. Recipients who receive stock appreciation rights will generally recognize ordinary income upon exercise in an amount equal to the excess of the fair market value of the underlying shares of Common Stock on the exercise date and cash received, if any, over the exercise price. Recipients who receive performance shares will generally recognize ordinary income at the time of settlement, in an amount equal to the cash received, if any, and the fair market value of any shares received. We will generally be entitled to a tax deduction at the same time and in the same amount as ordinary income is recognized by the recipient.

Code Section 162(m)

Section 162(m) of the Code would render non-deductible to us certain compensation in excess of \$1,000,000 received in any year by certain executive officers unless such excess is "performance-based

compensation.” The approval of our amended and restated 2010 Plan by our stockholders in 2013 satisfied one of the requirements for the performance-based compensation exemption.

New Plan Benefits

The Compensation Committee has not made any determination with respect to future awards under the 2010 Plan and, except for automatic grants to non-employee directors, awards and the terms of any awards under the plan for the current year or any future year are not determinable. As described above, the 2010 Plan provides for the automatic grant of options to non-employee directors, and each non-employee director nominee who will continue to serve as a member of the Board of Directors will receive an additional option to purchase 15,000 shares of Common Stock.

Required Vote

Approval of the amendments to our Amended and Restated 2010 Stock Incentive Plan requires the affirmative vote of a majority of the shares present and entitled to vote.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE “FOR” THE AMENDMENTS TO THE COMPANY’S AMENDED AND RESTATED 2010 STOCK INCENTIVE PLAN.

PROPOSAL 3

ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION

This Proposal 3, commonly known as a “say-on-pay” proposal, provides our stockholders with the opportunity to vote to approve, on a non-binding, advisory basis, the compensation of our named executive officers as disclosed in this Proxy Statement in accordance with the compensation disclosure rules of the Securities and Exchange Commission.

As described in detail under the heading “Executive Compensation—Compensation Discussion and Analysis,” our executive compensation programs are designed to attract and retain our named executive officers, who are critical to our success. Under these programs, our named executive officers are rewarded for the achievement of annual and long-term corporate objectives, and the creation of increased stockholder value. Please read the Compensation Discussion and Analysis for additional details about our executive compensation programs, including information about the 2013 compensation of our named executive officers.

In 2011, 2012 and 2013, we sought, and received, approval for our executive compensation program. In addition, in 2011, we sought, and received, approval to hold a “say-on-pay” vote each year. Accordingly, we are again asking our stockholders to indicate their support for our named executive officer compensation as described in this Proxy Statement. This Proposal 3 gives our stockholders the opportunity to express their views on our named executive officers’ compensation. This vote is advisory, which means that the vote on executive compensation is not binding on the Company, our Board of Directors or the Compensation Committee of the Board of Directors. This vote is not intended to address any specific item of compensation, but rather the vote relates to the compensation of our named executive officers, as described in this Proxy Statement in accordance with the compensation disclosure rules of the Securities and Exchange Commission. Accordingly, we again will ask our stockholders to vote for the following resolution at the annual meeting:

“RESOLVED, that the Company’s stockholders approve, on a non-binding, advisory basis, the compensation of the named executive officers, as disclosed in the Company’s Proxy Statement for the 2014 Annual Meeting of Stockholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the Summary Compensation Table and the other related tables and disclosure.”

THE BOARD OF DIRECTORS RECOMMENDS A VOTE “FOR” THE APPROVAL, ON A NON-BINDING, ADVISORY BASIS, OF THE COMPENSATION OF THE COMPANY’S NAMED EXECUTIVE OFFICERS.

PROPOSAL 4

RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has appointed the firm of Ernst & Young LLP as the Company’s independent registered public accounting firm for the fiscal year ending December 31, 2014. Ernst & Young LLP has audited our financial statements since the Company’s inception in 1991. Representatives of Ernst & Young LLP are expected to be present at the Annual Meeting. They will have an opportunity to make a statement, if they desire to do so, and will be available to respond to appropriate questions.

Principal Accountant Fees and Services

The following table sets forth the aggregate fees billed or expected to be billed by Ernst & Young LLP for audit and other services rendered.

	Year Ended December 31,	
	2013	2012
	(in thousands)	
Audit Fees(1)	\$ 977	\$ 764
Audit-related Fees(2)	26	25
Tax Fees(3)	—	290
All Other Fees	—	—
	\$1,003	\$1,079

- (1) Audit fees include fees billed for the audit of the Company’s annual statements and reviews of the Company’s quarterly financial statements, including the Company’s Annual Report on Form 10-K, the audit of the Company’s internal control over financial reporting, and include fees for SEC registration statements and consultation on accounting standards or transactions.
- (2) Audit-related fees include fees billed for employee benefit plan audits and consultations concerning financial and accounting matters not classified as audit services.
- (3) Tax fees consist of various tax compliance and consultation services, including an analysis of the Company’s net operating loss carryforwards under Internal Revenue Code Section 382 and other tax consultation services related to the growth of the Company.

The Audit Committee considered whether the provision of the services other than the audit services is compatible with maintaining Ernst & Young LLP’s independence.

Pre-Approval Policies and Procedures

The Audit Committee has established a policy to pre-approve all audit and permissible non-audit services provided by the Company’s independent registered public accounting firm. All of the services provided in 2013 and 2012 were pre-approved.

Required Vote

Ratification will require the affirmative vote of a majority of the shares present and entitled to vote. Stockholder ratification of the selection of Ernst & Young LLP as the Company’s independent registered public accounting firm is not required by the Company’s Bylaws or otherwise. However, the Board is submitting the selection of Ernst & Young LLP to the stockholders for ratification as a matter of corporate practice. If the stockholders fail to ratify the selection, the Audit Committee will reconsider whether or not to retain that firm. Even if the selection is ratified, the Audit Committee in its discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if the Audit Committee determines that such a change would be in the best interests of the Company and its stockholders.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE “FOR” RATIFICATION OF ERNST & YOUNG LLP AS THE COMPANY’S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information as of April 10, 2014, as to shares of Common Stock beneficially owned by: (i) each person who is known to us to own beneficially more than 5% of the Common Stock, (ii) each of our directors, (iii) each of our executive officers named under “Executive Compensation—Summary Compensation Table” and (iv) all of our directors and executive officers as a group. Ownership information is based upon information furnished by the respective individuals or entities, as the case may be. Unless otherwise indicated below, the address of each beneficial owner listed on the table is c/o Incyte Corporation, Experimental Station, Route 141 & Henry Clay Road, Building E336, Wilmington, DE 19880. The percentage of Common Stock beneficially owned is based on 167,546,571 shares outstanding as of April 10, 2014. In addition, shares issuable pursuant to options or convertible securities that may be acquired within 60 days of April 10, 2014 are deemed to be issued and outstanding and have been treated as outstanding in calculating and determining the beneficial ownership and percentage ownership of those persons possessing those securities, but not for any other individuals.

Name and Address of Beneficial Owner(1)	Shares Beneficially Owned(1)	Percentages Beneficially Owned
5% Stockholders		
T. Rowe Price Associates, Inc.(2)	23,968,188	14.3%
Baker Bros. Advisors, LP, Julian C. Baker, Felix J. Baker and affiliated entities(3)	19,800,360	11.8%
Capital World Investors(4)	18,813,200	11.2%
Wellington Management Company, LLP(5)	8,624,965	5.1%
Named Executive Officers and Directors		
Paul A. Friedman(6)	1,173,553	*
David C. Hastings(7)	413,499	*
James M. Daly(8)	44,443	*
Richard S. Levy(9)	262,648	*
Paula J. Swain(10)	340,281	*
Richard U. De Schutter(11)	297,710	*
Barry M. Ariko(12)	225,834	*
Julian C. Baker(13)	19,800,360	11.8%
Paul A. Brooke(14)	315,000	*
Wendy L. Dixon(15)	120,834	*
Hervé Hoppenot	—	—
All directors and executive officers as a group (12 persons)(16)	23,014,161	13.7%

* Represents less than 1% of our Common Stock.

- (1) To our knowledge, the persons named in the table have sole voting and investment power with respect to all shares of Common Stock shown as beneficially owned by them, subject to community property laws where applicable and the information contained in the notes to this table.
- (2) According to an amended Schedule 13G filed February 11, 2014, filed by T. Rowe Price Associates, Inc. (“T. Rowe Price”), T. Rowe Price may be deemed to beneficially own all shares listed in the table, and has sole dispositive power with respect to all shares listed in the table and sole voting power with respect to 5,060,610 shares. The address of the principal place of business of T. Rowe Price and T. Rowe Price New Horizons Fund, Inc. is 100 E. Pratt Street, Baltimore, Maryland 21202.
- (3) Baker Bros. Advisors LP is the investment adviser to 667, L.P., Baker Brothers Life Sciences, L.P. and 14159 L.P. (“Baker Funds”). Baker Bros. Advisors (GP), LLC is the sole general partner of Baker Bros. Advisors LP. Pursuant to the amended and

restated management agreements, as amended, among the Baker Bros. Advisors LP, the Baker Funds and their respective general partners, Baker Bros. Advisors LP has complete and unlimited discretion and authority with respect to the Baker Funds' investments and voting power over investments. According to an amended Schedule 13D filed November 15, 2013 and Form 4 filed November 13, 2013, the total number of shares of Common Stock beneficially owned includes shares directly held as follows:

Holder	Shares	Shares Underlying 2015 Notes(a)
667, L.P.	2,023,937	864,123
Baker Brothers Life Sciences, L.P.	12,430,783	3,640,888
14159, L.P.	355,839	101,595
Julian C. Baker	83,629	—
Felix J. Baker	61,046	—
Entities affiliated with Julian C. Baker and Felix J. Baker	48,520	—

(a) Represents shares issuable upon the conversion of the Company's 4.75% Convertible Senior Notes due 2015 (the "2015 Notes").

Entities under the advisement of Baker Bros. Advisors LP also own 0.375% Convertible Senior Notes due 2018 (the "2018 Notes") and 1.25% Convertible Senior Notes due 2020 (the "2020 Notes") issued by the Company, which are not convertible into Common Stock within 60 days of April 10, 2014 except upon the occurrence of specified corporate events. As of April 10, 2014, the number of shares of Common Stock underlying the 2018 Notes and 2020 Notes held by such entities are as follows:

Holder	Shares Underlying 2018 Notes	Shares Underlying 2020 Notes
667, L.P.	483,017	483,017
Baker Brothers Life Sciences, L.P.	4,411,415	4,703,621
14159, L.P.	109,626	116,890

Pursuant to an agreement with the Company, entities affiliated with Julian C. Baker and Felix J. Baker and the Company agreed that any of the 2015 Notes, 2018 Notes, and 2020 Notes held by those entities will not be convertible to the extent that those entities, together with any of their affiliates or other persons that may be deemed to form a "group" with those entities within the meaning of Section 13(d) of the Securities Exchange Act of 1934, would beneficially own, for the purposes of Section 13(d) of the Securities Exchange Act of 1934, in excess of 19.999% of the outstanding shares of Common Stock after conversion.

Julian C. Baker also has sole voting and dispositive power with respect to 190,000 shares subject to options exercisable within 60 days of April 10, 2014. The address for Julian C. Baker and Felix J. Baker is 667 Madison Avenue, 21st Floor, New York, New York 10065.

- (4) According to a Schedule 13G filed February 13, 2014, Capital World Investors may be deemed to beneficially own and have sole dispositive and sole voting power over all shares listed in the table. The address of the principal place of business of Capital World Investors is 333 South Hope Street, Los Angeles, California 90071.
- (5) According to an amended Schedule 13G filed February 14, 2014, filed by Wellington Management Company, LLP ("Wellington"), Wellington, in its capacity as investment adviser, may be deemed to beneficially own all shares listed in the table, and has shared dispositive power with respect to 8,624,965 shares and shared voting power with respect to 3,244,837 shares. The address of the principal place of business of Wellington is 280 Congress Street, Boston, Massachusetts 02110.
- (6) Includes 756,035 shares subject to options exercisable within 60 days of April 10, 2014.
- (7) Includes 404,999 shares subject to options exercisable within 60 days of April 10, 2014.
- (8) Represents shares subject to options exercisable within 60 days of April 10, 2014.
- (9) Includes 258,347 shares subject to options exercisable within 60 days of April 10, 2014.
- (10) Includes 322,220 shares subject to options exercisable within 60 days of April 10, 2014.
- (11) Includes 100,000 shares subject to options exercisable within 60 days of April 10, 2014.
- (12) Includes 180,000 shares subject to options exercisable within 60 days of April 10, 2014.
- (13) See note (3) above.
- (14) Includes 205,000 shares subject to options exercisable within 60 days of April 10, 2014.
- (15) Includes 113,334 shares subject to options exercisable within 60 days of April 10, 2014.
- (16) Includes shares included pursuant to notes (6), (7), (8), (9), (10), (11), (12), (13), (14) and (15) above and 19,999 shares subject to options exercisable within 60 days of April 10, 2014 held by other executive officers of the Company.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Under the securities laws of the United States, the Company's directors, executive officers and any persons holding more than 10% of the Company's Common Stock are required to report their initial ownership of the Company's Common Stock and any subsequent changes in that ownership to the Securities and Exchange Commission. Specific due dates for these reports have been established and the Company is required to identify in this Proxy Statement those persons who failed to timely file these reports. Based solely on our review of the copies of such forms received by us, or written representation from certain reporting persons, we believe that all of the filing requirements for such persons were satisfied for 2013.

STOCKHOLDER PROPOSALS FOR THE 2015 ANNUAL MEETING

To be considered for inclusion in the Company's proxy statement for the Company's 2015 Annual Meeting of Stockholders, stockholder proposals must be received by the Secretary of the Company no later than December 17, 2014. These proposals also must comply with the proxy proposal submission rules of the Securities and Exchange Commission under Rule 14a-8.

A stockholder proposal not included in the Company's proxy statement for the 2015 Annual Meeting will be ineligible for presentation at the meeting unless the stockholder gives timely notice of the proposal in writing to the Secretary of the Company at the principal executive offices of the Company, provides the information required by the Company's Bylaws, and otherwise complies with the provisions of the Company's Bylaws. To be timely, our Bylaws provide that the Company must have received the stockholder's notice not less than 90 days nor more than 120 days prior to the first anniversary of the preceding year's annual meeting of stockholders. However, in the event that no annual meeting was held in the preceding year or the annual meeting is called for a date that is more than 30 days before or more than 60 days after the first anniversary date of the preceding year's annual meeting of stockholders, notice by the stockholder to be timely must be so received by the Secretary of the Company not later than the close of business on the later of (1) the 90th day prior to the date of the meeting and (2) the 10th day following the earlier to occur of the day on which notice of the date of the scheduled annual meeting was mailed or the day on which public announcement of the date of such scheduled annual meeting was first made.

ANNUAL REPORT

The Company will furnish without charge, upon written request of any person who was a stockholder or beneficial owner of Common Stock at the close of business on April 10, 2014, a copy of the Company's Annual Report on Form 10-K, including the financial statements, the financial statement schedules, and all exhibits. The written request should be sent to: Investor Relations Department, Incyte Corporation, Experimental Station, Route 141 & Henry Clay Road, Building E336, Wilmington, DE 19880.

Whether you intend to be present at the Annual Meeting or not, we urge you to vote by telephone, the internet, or by signing and mailing the enclosed proxy promptly.

By Order of the Board of Directors



Hervé Hoppenot
President and Chief Executive Officer

April 22, 2014

