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

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 1997

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _________________to___________________

Commission File Number: 0-27488

INCYTE PHARMACEUTICALS, INC.
(Exact name of registrant as specified in its charter)

Delaware	94-3136539
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

3174 Porter Drive
Palo Alto, California 94304
(Address of principal executive offices)

(650) 855-0555
(Registrant's telephone number, including area code)

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

The number of outstanding shares of the registrant's Common Stock, $0.001 par value, was 24,026,402 as of October 31, 1997.

INCYTE PHARMACEUTICALS, INC.

INDEX

PART II: OTHER INFORMATION

PART I: FINANCIAL INFORMATION
ITEM 1 FINANCIAL STATEMENTS

INCYTE PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)
(unaudited)

	SEPTEMBER 30, 1997	DECEMBER 31, 1996*
ASSETS		
Current assets:		
Cash and cash equivalents	$ 51,286	$ 7,628
Restricted cash	6,000	-
Marketable securities - available-for-sale	65,006	30,622
Accounts receivable	9,256	2,469
Prepaid expenses and other current assets	1,970	2,456
Total current assets	133,518	43,175
Property and equipment, net	30,199	22,936
Long-term investments	14,850	313
Deposits and other assets	2,491	452
Total assets	$ 181,058	$ 66,876
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 4,402	$ 4,670
Accrued liabilities	12,419	1,507
Deferred revenue	22,629	14,878
Current portion of capital lease obligations and notes payable	48	73
Total current liabilities	39,498	21,128
Non-current portion of capital lease obligations and notes payable	19	37
Non-current portion of accrued rent	405	464
Total liabilities	39,922	21,629
Stockholders' equity:		
Capital stock	12	10
Additional paid-in capital	171,651	81,832
Unrealized gains (losses) on securities - available-for-sale	28	(73)
Accumulated deficit	(30,555)	(36,522)
Total stockholders' equity	141,136	45,247
Total liabilities and stockholders' equity	$ 181,058	$ 66,876

* The condensed consolidated balance sheet at December 31, 1996 has been derived from the audited financial statements at that date.

See accompanying notes

PART I: FINANCIAL INFORMATION
ITEM 1 FINANCIAL STATEMENTS

INCYTE PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)
(unaudited)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1997	1996	1997	1996
Revenues	$22,662	$12,917	$61,714	$27,604
Costs and expenses:				
Research and development	17,482	11,928	48,975	28,986
Selling, general and administrative	3,252	1,735	8,731	4,263
Purchase of in-process research and development	-	3,165	-	3,165
Total costs and expenses	20,734	16,828	57,706	36,414
Income (loss) from operations	1,928	(3,911)	4,008	(8,810)
Interest and other income, net	1,271	559	2,273	1,823
Income (loss) before income taxes	3,199	(3,352)	6,281	(6,987)
Provision for income taxes	155	-	314	-
Net income (loss)	$ 3,044	$(3,352)	$ 5,967	$(6,987)
Net income (loss) per share	$ 0.12	$ (0.16)	$ 0.25	$ (0.35)
Shares used in computing net income (loss) per share	24,796	20,358	23,524	20,212

See accompanying notes

PART I: FINANCIAL INFORMATION
ITEM 1 FINANCIAL STATEMENTS

INCYTE PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	NINE MONTHS ENDED SEPTEMBER 30, 1997	NINE MONTHS ENDED SEPTEMBER 30, 1996
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 5,967	$ (6,987)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	7,260	4,282
Non-cash portion of purchase of in-process research and development	-	3,000
Changes in certain assets and liabilities:		
Accounts receivable	(6,787)	4,615
Prepaid expenses, deposits and other assets	(1,553)	(459)
Accounts payable	(268)	1,964
Accrued and other liabilities	4,853	1,273
Deferred revenue	7,751	15,431
Total adjustments	11,256	30,106
Net cash provided by operating activities	17,223	23,119
CASH FLOWS FROM INVESTING ACTIVITIES:		
Long-term investments	(8,537)	(313)
Transfer to restricted cash	(6,000)	-
Capital expenditures	(16,251)	(15,185)
Proceeds from sale of assets leased back under operating leases	1,694	-
Purchase of securities - available-for-sale	(49,489)	(11,230)
Sale of securities - available-for-sale	8,515	-
Maturity of securities - available-for-sale	6,725	11,600
Net cash used in investing activities	(63,343)	(15,128)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuances of common stock, net	89,821	1,251
Principal payments on capital lease obligations	(43)	(41)
Net cash provided by financing activities	89,778	1,210
Net increase in cash and cash equivalents	43,658	9,201
Cash and cash equivalents at beginning of period	7,628	10,547
Cash and cash equivalents at end of period	$ 51,286	$ 19,748

(Continued)

See accompanying notes

PART I: FINANCIAL INFORMATION
ITEM 1 FINANCIAL STATEMENTS

INCYTE PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED
(in thousands)
(unaudited)

	NINE MONTHS ENDED SEPTEMBER 30, 1997	1996
SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION:		
Interest paid	$ 14	$ 39
Taxes paid	$ 125	$ -
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Property and equipment acquired pursuant to capital lease obligations	$ -	$ 36
Long-term investments acquired pursuant to future obligation to distribute restricted cash	$6,000	$ -

See accompanying notes

PART I: FINANCIAL INFORMATION
ITEM 1 FINANCIAL STATEMENTS

INCYTE PHARMACEUTICALS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 1997
(UNAUDITED)

1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. The condensed consolidated balance sheet as of September 30, 1997, statements of operations for the three and nine months ended September 30, 1997 and 1996 and the statements of cash flows for the nine months ended September 30, 1997 and 1996 are unaudited, but include all adjustments (consisting of normal recurring adjustments) which the Company considers necessary for a fair presentation of the financial position, operating results and cash flows for the periods presented.

The condensed consolidated financial statements include the accounts of its wholly-owned subsidiaries. In July 1996, all of the outstanding shares of Genome Systems, Inc. ("Genome Systems") were acquired by the Company in a business combination accounted for as a pooling of interests. Accordingly, all prior financial data have been restated to represent the combined financial results of the previously separate entities (Note 4). Although the Company believes that the disclosures in these financial statements are adequate to make the information presented not misleading, certain information and footnote information normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission.

Certain reclassifications were made to prior periods' balances to conform with the 1997 presentation. Results for any interim period are not necessarily indicative of results for any future interim period or for the entire year. The accompanying condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1996.

2. REVENUE RECOGNITION

The Company recognizes revenue for database collaboration agreements evenly over the term of the agreement. Revenue is deferred for fees received before earned. Revenues from custom orders, such as satellite databases, are recognized upon shipment. Revenues from reagents and genomic screening products are recognized when shipped, and revenues from genomic screening services are recognized upon completion.

3. NET INCOME (LOSS) PER SHARE

Net income (loss) per share is computed using the weighted average number of shares of common stock outstanding and dilutive common equivalent shares. Common equivalent shares from stock options and warrants are excluded from the computation for periods prior to 1997, as their effect is antidilutive. For the three and nine months ended September 30, 1997, common equivalent shares from stock options are included in the computation using the treasury stock method as their effect is dilutive.

In February 1997, the Financial Accounting Standards Board (FASB) issued Statement No. 128, Earnings per Share, which is required to be adopted on December 31, 1997. At that time, the Company will be required to change the method currently used to compute earnings per share and to restate all prior periods. Under the new requirements for calculating basic earnings per share, the dilutive effect of stock options and warrants will be excluded. Diluted earnings per share will include the dilutive effect of stock options and warrants using the treasury stock method. The treasury stock method will be applied using the average market price of the Company's Common Stock during the period. The basic earnings per share would have been $0.13 and $0.28 for the three and nine months ended September 30, 1997, respectively. The diluted earnings per share would have been $0.12 and $0.25 for the three and nine months ended September 30, 1997, respectively.

4. BUSINESS COMBINATION

In July 1996, the Company issued 204,073 shares of Common Stock in exchange for all of the capital stock of Genome Systems, Inc., a privately held genomics company located in St. Louis, Missouri. Genome Systems provides genomic research products and technical support services to scientists to assist them in the identification and isolation of novel genes. The merger has been accounted for as a pooling of interests and, accordingly, the Company's financial statements and financial data have been restated to include the accounts and operations of Genome Systems for all periods presented.

5. JOINT VENTURE

In September 1997, the Company formed a joint venture, diaDexus, LLC ("diaDexus"), in conjunction with SmithKline Beecham Corporation ("SB") which will utilize genomic and bioinformatic technologies in the discovery and commercialization of molecular diagnostics. The Company and SB each hold a 50 percent equity interest in diaDexus and the Company accounts for the investment under the equity method. A portion of the investment is reflected as restricted cash and in accrued liabilities on the balance sheet since that balance is held in an escrow account and will be disbursed to diaDexus as needed. As of September 30, 1997, no earnings or losses have been incurred by diaDexus and, therefore, no equity in earnings or losses for diaDexus have been recorded in the Company's statement of operations.

6. LONG-TERM INVESTMENTS

For the nine months ended September 30, 1997, the Company made equity investments in a number of companies whose businesses may be complementary to the Company's business. All investments, except diaDexus, which is accounted for under the equity method, are carried at the estimated fair market value.

7. STOCKHOLDERS' EQUITY

In August 1997, the Company completed a follow-on public stock offering and issued 1,377,713 shares of Common Stock, including 177,713 shares covered by the underwriters' over-allotment option, at $67.00 per share. Net proceeds from this offering were approximately $87 million after deducting the underwriting discount and offering expenses.

In October 1997, the Company's Board of Directors authorized a two-for-one stock split effected in the form of a stock dividend paid on November 7, 1997 to holders of record on October 17, 1997. As a result, the number of shares of Common Stock reserved for issuance under the 1991 Stock Plan, the Non-Employee Directors' Stock Option Plan and the 1997 Employee Stock Purchase Plan increased from 2,400,000 to 4,800,000, from 200,000 to 400,000 and from 200,000 to 400,000, respectively, on such payment date. All share and per share data have been adjusted retroactively to reflect the split.

PART I: FINANCIAL INFORMATION
ITEM 2

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

This Management's Discussion and Analysis of Financial Condition and Results of Operations as of September 30, 1997 and for the three and nine month periods ended September 30, 1997 and 1996 should be read in conjunction with the sections entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business - Factors That May Affect Results" in the Company's Annual Report on Form 10-K for the year ended December 31, 1996 and the section entitled "Risk Factors" in the Company's Prospectus dated July 31, 1997 filed with the Securities and Exchange Commission.

When used in this discussion, the word "expects" and similar expressions are intended to identify forward-looking statements. Such statements, which include statements as to expected expenditure levels and the adequacy of capital resources, are subject to risks and uncertainties that could cause actual results to differ materially from those projected. These risks and uncertainties include, but are not limited to, the ability of the Company to obtain and retain customers; competition from other entities; early termination of a database collaborator agreement or failure to renew an agreement upon expiration; the ability to successfully integrate the operations of recent business combinations; the cost of accessing technologies developed by other companies; uncertainty as to the scope of coverage, enforceability or commercial protection from patents that issue on gene sequences and other genetic information; the viability of joint ventures and businesses in which the Company has purchased equity; and the matters discussed in the section entitled "Business -- Factors That May Affect Results" in the Company's Form 10-K for the year ended December 31, 1996 and the section entitled "Risk Factors" in the Company's Prospectus dated July 31, 1997 filed with the Securities and Exchange Commission. These forward looking statements speak only as of the date hereof. The Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

OVERVIEW

Incyte Pharmaceuticals, Inc. (the "Company") designs, develops and markets genomic database products, genomic data management software tools and related reagents and services. The Company's genomic databases integrate bioinformatics software with proprietary and, when appropriate, publicly available genetic information to create information-based tools used by pharmaceutical and biotechnology companies in drug discovery and development. In building the databases, the Company utilizes high-throughput, computer-aided gene sequencing and analysis technologies to identify and characterize the expressed genes of the human genome, as well as certain animal, plant and microbial genomes.

Revenues recognized by the Company are predominantly related to database collaboration agreements and consist primarily of non-exclusive database access fees. Revenues also include the sales of genomic screening products and services and fees for custom or "satellite" database services. The Company's database collaboration agreements provide for future milestone payments and royalties from the sale of products derived from proprietary information obtained through the databases. There can be no assurance that any database collaborators will ever generate products from information contained within the databases and thus that the Company will ever receive milestone payments or royalties.

The Company incurred annual operating losses from inception through December 31, 1996. While the Company reported net income in each of the first three quarters of 1997, there can be no assurance that the Company can maintain profitability. The Company's ability to achieve and maintain significant revenues will be dependent upon its ability to obtain additional database collaborators and retain existing collaborators. The Company's ability to maintain profitability will also be dependent upon the level of expenditures necessary for the Company to maintain and support its services to its collaborators and the extent to which it incurs research and development, investment, acquisition-related or other expenses related to the development and provision of its products and services to database collaborators. Further, the Company's database collaboration agreements typically have a term of three years, which may be terminated earlier by a collaborator if the Company breaches the database collaboration agreement, which may include certain performance obligations, and fails to cure such breach within a specified period. One of the Company's database collaboration agreements expires at the end of 1997 and there can be no assurance that the agreement will be renewed, and if renewed, under what terms. Further, beginning in August 1997, one database collaborator has the right on 30 days' written notice to terminate its database collaboration agreement. There can be no assurance that any of the Company's database collaboration agreements will be renewed upon expiration or not terminated earlier in accordance with its terms. The loss of revenues from any database collaborator could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's operating results may fluctuate significantly from quarter to quarter as a result of a variety of factors, including changes in the demand for the Company's products and services, the pricing of database access to database collaborators, the nature, pricing and timing of other products and services provided to the Company's collaborators, changes in the research and development budgets of the Company's collaborators and potential collaborators, capital expenditures, acquisition and licensing costs and other costs related to the expansion of Incyte's operations and the introduction of competitive databases or services. In particular, the Company has a limited ability to control the timing of database installations, there is a lengthy sales cycle required for the Company's database products, the time required to complete custom orders can vary significantly and the Company's increasing investment in external research and development alliances could result in significant quarterly fluctuations in expenses due to the payment of milestones, license fees or research payments. The Company's investments in joint ventures and businesses may require the Company to record losses or expenses related to its proportionate ownership interest in such entities, the acquisition of in-process technologies, or the impairment in the value of the securities underlying such investments. In addition, the need for continued investment in development of the Company's databases and related products and services and for extensive ongoing collaborator support capabilities results in significant fixed expenses. If revenue in a particular period does not meet expectations, the Company may not be able to adjust significantly its level of expenditures in such period, which would have an adverse effect on the Company's operating results. The Company believes that quarterly comparisons of its financial results will not necessarily be meaningful and should not be relied upon as an indication of future performance.

In July 1996, the Company issued Common Stock in exchange for all of the outstanding shares of Genome Systems, Inc. ("Genome Systems"), a genomics service company located in St. Louis, Missouri. The transaction has been accounted for as a pooling of interests, and the consolidated financial statements discussed herein and all historical financial information have been restated to reflect the combined operations of both companies. In August 1996, the Company acquired for stock Combion, Inc. ("Combion"), a microarray technology company located in Pasadena, California. The acquisition of Combion has been accounted for as a purchase, and the consolidated financial statements discussed herein include the results of Combion from the date of acquisition, August 15, 1996, forward. In September 1997, the Company formed a joint venture, diaDexus, LLC ("diaDexus"), with SmithKline Beecham Corporation ("SB") which will utilize genomic and bioinformatic technologies in the discovery and commercialization of molecular diagnostics. The Company and SB each hold a 50 percent equity interest in diaDexus. The investment is accounted for under the equity method and the Company will record its share of diaDexus' earnings and losses in its statement of operations. As of September 30, 1997, no earnings or losses have been incurred by diaDexus and, therefore, no earnings or losses for diaDexus have been recorded in the Company's statement of operations.

RESULTS OF OPERATIONS

Revenues for the three and nine months ended September 30, 1997 increased to $22.7 million and $61.7 million, respectively, compared to $12.9 million and $27.6 million for the corresponding periods in 1996. Revenues resulted primarily from database access fees and, to a much lesser extent, from genomic screening products and services and custom satellite database services. The increase in revenues was predominantly driven by an increase in the number of database collaboration agreements.

Total costs and expenses for the three and nine months ended September 30, 1997 increased to $20.7 million and $57.7 million, respectively, compared to $16.8 million and $36.4 million for the corresponding periods in 1996. Total costs and expenses for the three and nine month periods ended September 30, 1996 included a one-time charge of $3.2 million for the purchase of in-process research and development relating to the acquisition of Combion. Total costs and expenses are expected to increase in the foreseeable future due to continued investment in new product development and data production, obligations under existing and future research and development alliances, and increased investment in marketing, sales and customer services. However, if the Company does not obtain additional collaborators in a timely manner or if the Company's database collaborators do not renew their collaboration agreement at the end of their applicable terms, the Company may not be able to adjust significantly its level of expenditures in any period, which would have an adverse effect on the Company's operating results.

Research and development expenses for the three and nine months ended September 30, 1997 increased to $17.5 million and $49.0 million, respectively, compared to $11.9 million and $29.0 million for the corresponding periods in 1996. The increase in research and development expenses resulted primarily from an increase in bioinformatics and software development efforts, the continued and expanded operations relating to the acquisition of Combion and Genome Systems, license and milestone payments under research and development alliances, and increased costs related to intellectual property protection. The Company expects research and development spending to increase over the next few years as the Company continues to pursue the development of new database products and services, invest in new technologies, broaden its gene sequence production operations and invest in the continued protection of its intellectual property.

Selling, general and administrative expenses for the three and nine months ended September 30, 1997 increased to $3.3 million and $8.7 million, respectively, compared to $1.7 million and $4.3 million for the corresponding periods in 1996. The increase in selling, general and administrative expenses resulted primarily from the growth in marketing, sales and customer support and corporate administration. The Company expects that selling, general and administrative expenses will increase throughout 1997 due to continued growth in marketing, sales and customer support, as well as expanding operations.

Interest and other income, net for the three and nine months ended September 30, 1997 increased to $1.3 million and $2.3 million, respectively, from $0.6 million and $1.8 million for the corresponding periods in 1996 primarily as a result of increased interest income from higher average combined cash, cash equivalent and marketable securities balances.

The estimated effective annual income tax rate for the third quarter of 1997 is 5%, which represents the provision for federal and state alternative minimum taxes after utilization of net operating loss carryforwards. No provisions have been recorded prior to the 1997 fiscal year as the Company incurred annual net operating losses.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 1997, the Company had $116.3 million in cash, cash equivalents and marketable securities, compared to $38.3 million as of December 31, 1996. For the nine month period ended September 30, 1997, cash provided by financing activities was partially offset by capital expenditures, consisting primarily of purchases of data-processing-related computer hardware, laboratory equipment and facilities improvements, as well as investments in research and development alliances. The Company has classified all of its marketable securities as short-term, as the Company may not hold its marketable securities until maturity in order to take advantage of favorable market conditions. Available cash is invested in accordance with the primary objectives of the Company's investment policy: liquidity, safety of principal and diversity of investments.

Net cash provided by operating activities was $17.2 million for the nine months ended September 30, 1997, as compared to net cash provided by operating activities of $23.1 million for the nine months ended September 30, 1996. The decrease in net cash provided by operating activities resulted primarily from the increase in accounts receivable and decrease in the change in deferred revenue partially offset by the change from net loss to net income in 1997 and increased depreciation and amortization expense. Net cash generated by operating activities may in the future fluctuate significantly from quarter to quarter due to the timing of large prepayments by database collaborators.

The Company's investing activities, other than purchases, sales and maturities of marketable securities, have consisted of capital expenditures and long-term investments in research and development alliances. Capital expenditures for the nine months ended September 30, 1997 increased to $16.3 million from $15.2 million for the nine months ended September 30, 1996. Long-term investments in companies with which the Company has research and development alliances increased to $8.5 million for the nine months ended September 30, 1997 from $0.3 million for the nine months ended September 30, 1996. In addition, $6.0 million held in an escrow account was catagorized as restricted cash due to diaDexus pursuant the joint venture agreement with SB. Net cash used by investing activities may in the future fluctuate significantly from quarter to quarter due to the timing of strategic equity investments, capital purchases and maturity/sales and purchases of marketable securities.

Net cash provided by financing activities was $89.8 million and $1.2 million for the nine months ended September 30, 1997 and 1996, respectively. The increase was primarily due to proceeds from the follow-on public stock offering in August 1997.

The Company expects its cash requirements to increase through 1998 as it increases its investment in data-processing-related computer hardware in order to support its existing and new database products, continues to seek access to technologies through investments, research and development alliances, license agreements and/or acquisitions, and addresses its needs for larger facilities and/or improvements in existing facilities. The Company expects to continue to fund future operations with revenues from genomic database products and services in addition to using its current cash, cash equivalents and marketable securities.

Based upon its current plans, the Company believes that its existing resources and anticipated cash flows from operations will be adequate to satisfy its capital needs at least through 1998. However, the Company can offer no assurance that the Company will be able to obtain additional collaborators or retain existing collaborators for the Company's databases or that such database products and services will produce revenues, which together with the Company's cash, cash equivalents and marketable securities, will be adequate to fund the Company's cash requirements. The Company's cash requirements depend on numerous factors, including the ability of the Company to attract and retain collaborators for its databases and genomic products and services; the Company's research and development activities, including expenditures in connection with alliances, license agreements and acquisitions of and investments in complementary technologies and businesses; competing technological and market developments; the cost of filing, prosecuting, defending and enforcing patent claims and other intellectual property rights; the purchase of additional capital equipment, including capital equipment necessary to ensure that the Company's sequencing operation remains competitive; and costs associated with the integration of new operations assumed through mergers and acquisitions. There can be no assurance that additional funding, if necessary, will be available on favorable terms, if at all.

In October 1997, the Company's Board of Directors authorized a two-for-one stock split effected in the form of a stock dividend paid on November 7, 1997 to holders of record on October 17, 1997. As a result, the number of shares of Common Stock reserved for issuance under the 1991 Stock Plan, the Non-Employee Directors' Stock Option Plan and the 1997 Employee Stock Purchase Plan increased from 2,400,000 to 4,800,000, from 200,000 to 400,000 and from 200,000 to 400,000, respectively, on such payment date. All share and per share data have been adjusted retroactively to reflect the split.

PART II: OTHER INFORMATION

ITEM 1 Legal Proceedings

Not Applicable

ITEM 2 Changes in Securities

None

ITEM 3 Defaults upon Senior Securities

None

ITEM 4 Submission of Matters to a Vote of Security Holders

None

ITEM 5 Other Information

None

ITEM 6 Exhibits and Reports on Form 8-K.

a) Exhibits
See Exhibit Index on Page 17

b) Reports on Form 8-K
None

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

INCYTE PHARMACEUTICALS, INC.

Date: November 12, 1997 By: /s/Roy A. Whitfield

Roy A. Whitfield
Chief Executive Officer

Date: November 12, 1997 By: /s/Denise M. Gilbert

Denise M. Gilbert
Executive Vice President and
Chief Financial Officer

INCYTE PHARMACEUTICALS, INC.

EXHIBIT INDEX

+ Confidential treatment has been requested with respect to certain portions of this Agreement.

* To be filed by amendment.

EXHIBIT 11.1

INCYTE PHARMACUETICALS, INC.

STATEMENT RE: COMPUTATION OF EARNINGS (LOSS) PER SHARE
(in thousands, except per share amounts)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1997	1996	1997	1996
Primary Earnings (Loss) Per Share				
Weighted average common shares outstanding during the period.	22,881	20,358	21,609	20,212
Adjustment for dilutive effect of outstanding stock options.	1,915	-	1,915	-
Weighted average common and common stock equivalent shares used for primary earnings (loss) per share. . . .	24,796	20,358	23,524	20,212
Net income (loss).	$ 3,044	$(3,352)	$ 5,967	$(6,987)
Net income (loss) per share.	$ 0.12	$ (0.16)	$ 0.25	$ (0.35)
Fully Diluted Earnings (Loss) Per Share				
Weighted average common shares outstanding during the period.	22,881	20,358	21,609	20,212
Adjustment for dilutive effect of outstanding stock options.	2,146	-	2,057	-
Weighted average common and common stock equivalent shares used for fully diluted earnings (loss) per share.	25,027	20,358	23,666	20,212
Net income (loss).	$ 3,044	$(3,352)	$ 5,967	$(6,987)
Net income (loss) per share.	$ 0.12	$ (0.16)	$ 0.25	$ (0.35)

Note: Fully diluted earnings (loss) per share is not presented separately on the face of the Statement of Operations as the dilution of the outstanding stock options does not differ materially.

This schedule contains summary financial information extracted from Item 1 of
Form 10-Q for the period ended September 30, 1997 and is qualified in its
entirety by reference to such 10-Q.

1,000
U.S. DOLLARS

9-MOS
DEC-31-1997
JAN-01-1997
SEP-30-1997
1
57,286
65,006
9,256
0
0
133,518
47,102
16,582
181,058
39,498
0
0
0
12
141,124
181,058
0
61,714
0
0
48,975
0
0
6,281
314
5,967
0
0
0
5,967
.25
.25