



INCYTE 2017
Annual Report



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Incyte hosted a ribbon cutting ceremony to celebrate the opening of our new global headquarters in Wilmington, Delaware.



Dear Fellow Stockholders,

2017 was a year of great progress and momentum at Incyte, marked by the significant advancement of our development portfolio and growth of our organization. Today, we are operating at a scale never before seen within our company. More than 1,200 talented and dedicated employees across three continents are working together towards the goal of building Incyte into a leading global biopharmaceutical company. Amidst this great transformation, one thing has remained unchanged – our mission to improve the lives of patients by solving some of the most critical health needs facing society. Patients are the reason we come to work energized and why we are relentless in our pursuit of scientific innovation. It is through this shared purpose that we aim to drive continued success, cement our global leadership in oncology, and drive long-term value for our shareholders.

An exciting year for business growth

Notably, we delivered strong financial performance in 2017, with more than \$1.5 billion in total revenues, representing an increase of nearly 40 percent over 2016. We added Olumiant® (baricitinib)¹ royalties as an important new source of revenue, following its approval for the treatment of rheumatoid arthritis in Europe and in Japan. We also greatly improved our balance sheet this year with the retirement of over \$700 million of convertible debt and a year-end balance of cash, equivalents, and marketable securities of \$1.2 billion.

From a talent and operations perspective, we grew more than 20 percent in 2017, adding experts from both industry and academia to our team. We also achieved our goal of establishing a footprint in Asia. With the opening of our office in Tokyo, Japan we've rounded out our global presence and built a strong backbone to allow for expanded developmental reach and commercial access. We believe we now have the talent, financial resources, and geographic reach to bring our cutting-edge therapies to patients in need around the globe.

Helping more patients than ever – and we're just getting started

We continue to see strong and consistent growth in the number of patients benefiting from Jakafi® (ruxolitinib)² therapy. According to our estimates, more than 11,000 patients in the U.S. were on therapy during the fourth quarter of last year. We will continue to work with doctors, patients, patient advocacy groups, and the U.S. Food and Drug Administration (FDA) to further expand access to those who may be able to benefit from this treatment.

Innovation is in our DNA at Incyte, and underlying each of our research and development programs is a clear mission to create first-in-class and best-in-class medicines that address significant unmet needs for patients. Our innovative approach to R&D and our exceptional team of chemists and biologists have created a development portfolio that continues to grow and advance, fueled by our significant investment in discovery. Today, we have a robust pipeline comprised of 20 clinical candidates being studied against 17 discrete targets, which is truly unique for a company of our size.

Significant progress in our development portfolio

Within our portfolio, our later-stage development programs progressed significantly. With six candidates now in later-stage development, we see the potential for multiple product launches over the next four years. In the near term, we expect two important clinical events in the first half of 2018:

- Results of the pivotal REACH1 trial of ruxolitinib in patients suffering from steroid-refractory acute graft versus host disease (GVHD)
- Initial results from the pivotal ECHO-301 trial of epacadostat plus pembrolizumab in the treatment of unresectable or metastatic melanoma

The new set of ECHO trials evaluating epacadostat in combination with PD-1 antagonists in four different tumor types continue to enroll, and our other pivotal GVHD trials, REACH2, REACH3, and GRAVITAS-301, are ongoing, with data from these trials expected beginning in 2019. We also expect data from FIGHT-202, which is evaluating our novel FGFR1/2/3 inhibitor, INCB54828, in patients with cholangiocarcinoma in 2018.

Our early-stage programs also continue to progress. We expanded our discovery capabilities in 2017 through our bispecifics collaboration with Merus, providing additional opportunities for us to deliver on our commitment to improving and extending the lives of patients with cancer and other serious diseases. Additionally, we added three new clinical candidates to our early-stage portfolio. Following a three-year discovery effort, we are excited to bring our dual AXL/MER inhibitor into clinical trials, and, through our discovery alliance with Agenus, we have both a TIM-3 and a LAG-3 inhibitor that are expected to begin clinical trials in the coming months.



A new home for collaboration and innovation

To complement these important advancements, we were excited to complete and move into our expanded global headquarters in Wilmington, Delaware in 2017. I strongly believe that innovation does not happen over e-mail; it happens when smart people work together in a shared environment. Our new work space was built to provide us with the technology and collaborative setting needed to help drive our long-term success.



“To complement these important advances, we were excited to complete and move into our newly expanded global headquarters in Wilmington, Delaware in 2017.”



In closing, our talented team produced outstanding results in 2017 that we believe have laid the groundwork for future success. Looking to that future, we will continue to work together to transform how cancer is treated by following the science, not taking shortcuts, and ensuring we always keep patients at the forefront of everything we do.

I am proud of what we have achieved, but our work is far from done. With a strong balance sheet, some of the most talented colleagues in the industry, and dynamic year-over-year revenue growth, we are in an excellent position to continue delivering on our mission. Our opportunity to serve patients has never been greater, and I look forward to sharing our future achievements with you.

Best regards,

Hervé Hoppenot
Chairman and CEO

Forward-looking statements: Safe Harbor rules govern any forward-looking statements made in this Annual Report; for more information, please visit page 40.



“ We know we speak a lot about the science. There is no interesting science without the patient’s impact. Because if your drug does nothing important, it’s not really worth it. What we see today in the transformation of cancer, is that if we have a good science, you can see very quickly how much it’s impacting people like all of us, like our own families in a way that is extraordinarily meaningful.”

Hervé Hoppenot
Chairman and CEO



“It’s incredibly motivating to work in a place where the common goal is to cure cancer. It has been exciting to watch the organization grow, and I continue to be inspired by my colleagues’ passion and drive to help patients. I find it so rewarding to be in a position that supports such a highly talented team.”

Jennifer Kilpatrick
Senior Director, Benefits

The significant advancement of our development portfolio and growth of the organization has put Incyte in an excellent position to continue delivering on our mission of improving the lives of patients and driving long-term value for our shareholders.

Incyte-at-a-Glance



Scientific Progress

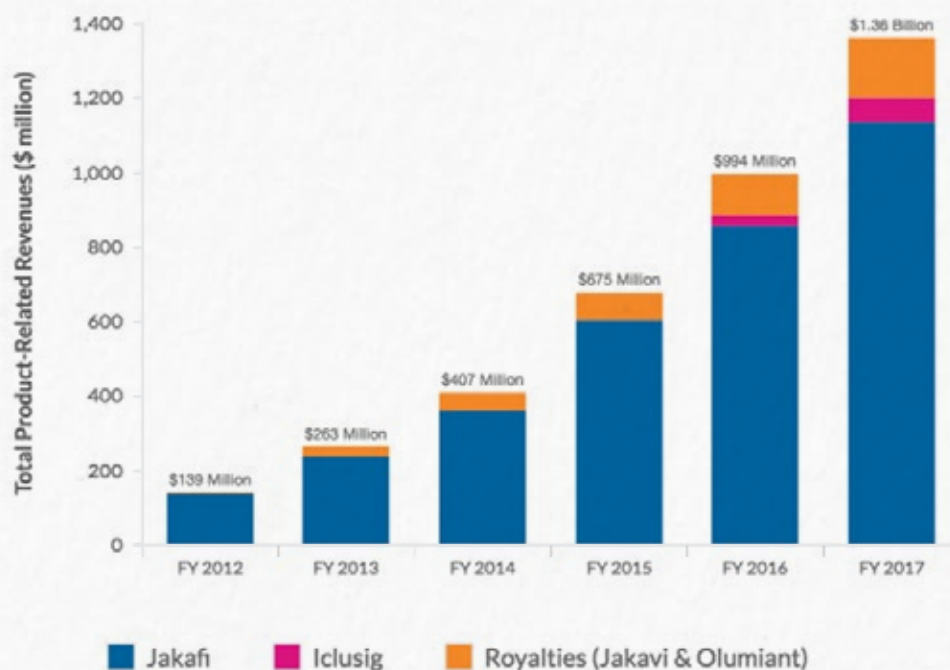
Over the past year, we've placed great emphasis on increasing our scientific reach. In early 2017, we were proud to reopen our building at 1801 Augustine Cut-Off as dedicated laboratory space for the Incyte Research Institute. This additional remodel allowed us to double our laboratory space and therefore significantly increase our capacity and productivity for our discovery scientists. Also during the year, we almost doubled the number of clinical trials for our therapeutic candidates, which in turn drove a significant increase in the number of patients participating in Incyte-sponsored trials.

“At the end of 2017, there were more than 2,000 patients across over 600 clinical sites in 15 countries participating in our Incyte-sponsored trials.”

We continue to be motivated by both the challenge and responsibility to improve the lives of patients suffering from cancer and other serious diseases.

Revenue Growth and Financial Strength

In 2017, Incyte saw nearly 40 percent revenue growth over 2016.



Global Growth and Expansion

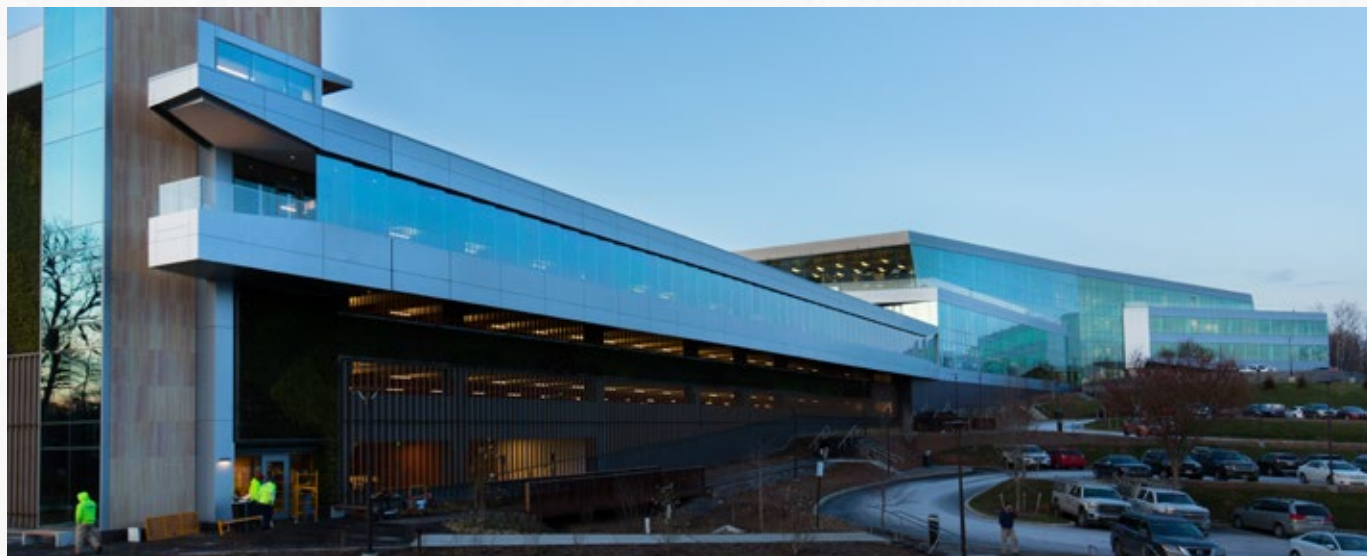
Incyte has 13 offices in 12 countries. In 2017, we opened a new office in Tokyo, Japan and grew our headcount by nearly 20 percent.



Expansion of Wilmington Campus

We are proud of our expanded global headquarters in Wilmington, Delaware, which provides more room for our growing research and development activities.

The campus reflects our commitment to creating an environment that fosters innovation. In addition to housing administration, the clinical development teams, and an expanded lab, we also have multiple outdoor amenities, gardens, and spaces to allow for collaboration and interaction across teams.





Sue's Myelofibrosis Story

It was early spring when Sue's life was turned upside down. She was looking forward to an upcoming trip to Florida for her son's college baseball tournament. But something wasn't right. She kept having strange pains in her left side and felt incredibly tired. Worried about flying while she wasn't feeling well, Sue went to an urgent care clinic to get herself checked out. They noted that she had an enlarged spleen and told her to go see a doctor for blood work.

After two doctors' appointments in two days - including one with a hematologist - Sue was told she wasn't going to Florida. She would instead need to come back the next day for a biopsy.

When the biopsy came back, the results confirmed myelofibrosis, which is part of a rare group of blood cancers known as myeloproliferative neoplasms (MPNs). Sue immediately searched the internet, and what she found was grim.

"I was pretty upset," Sue recalls.

"You just picture what you're going to miss, all this time you're not going to get with your family."

In the shock of processing this news, Sue went through what she calls a "period of numbness." She was more upset for her family than for herself, for her husband, Gary, and for the prospect of not being there when their three sons got married and started families of their own.

But then Sue received some great news. An MPN specialist informed her that the information on the internet was outdated. This gave Sue a renewed sense of hope. That's when her doctor told her about Jakafi, which had been approved for use only a few months earlier.

"I was exhausted and I didn't feel good. I was worried and scared, and then the Jakafi came."

After starting Jakafi², Sue could feel a meaningful difference in her abdomen, caused by her spleen shrinking. She started feeling hungry again and had fewer symptoms and less fatigue.

Today, working with her doctor, Sue has been on Jakafi for six years, and she continues to do well on treatment. “My energy has been fantastic,” Sue declares. “I’ve been feeling really good.”

“I couldn’t believe that a tiny pill could make such an impact on my health. It just seems impossible, but it did.”

Sue’s experience living with myelofibrosis has also given her a new perspective on life.

“I appreciate everything more than I ever did before. I’m not waiting anymore. I’m taking advantage of every minute, and doing so more than maybe I would have if I’d never been diagnosed.”



Sue has taken that appreciation to heart in everything from travel (her favorite destination: Hawaii) to spending more—and better—time with her family and friends, to sharing her experience with others and helping raise awareness for myelofibrosis. She even spoke to us here at Incyte during the celebration for the opening of our expanded global headquarters.

And all those family moments that Sue was worried she would miss in the early days of her diagnosis—her children getting married, establishing careers, and starting families of their own—she now looks forward to witnessing.

Sue’s kindness, good humor, and appreciation for life inspire all of us here at Incyte. Stories like hers are powerful reminders of why we do the work that we do.



“My day-to-day at Incyte is highly variable, but I try to begin each day by remembering that patients are waiting. And so for me, that means focusing on my clinical trials. So I need to recognize, truly, the importance of the work that we’re doing here. It’s really important to me.”

Bill Garrett

Director, Senior Clinical Trial Head



2018 promises to be exciting, with the readout of two pivotal programs and an FDA decision expected in the first half of the year. Beyond these significant milestones, we continue to work diligently to increase the number of appropriate patients benefiting from our therapies as well as evaluate our clinical candidates across a broad spectrum of cancers and other diseases.

Initiation of New Pivotal Programs

We are proud to expand our ECHO program to include a new pivotal trial in partnership with AstraZeneca studying epacadostat in combination with durvalumab in patients with non-small cell lung cancer (NSCLC). Study initiation is expected to begin in the first half of 2018.

Potential Clinical Data Presentations

ECHO-301

A pivotal trial of epacadostat in combination with pembrolizumab for the first-line treatment of patients with unresectable or metastatic melanoma. Initial results are expected in the first half of 2018.

REACH1

A pivotal trial of ruxolitinib in patients with steroid-refractory acute graft-versus host disease (GVHD). Results are expected in the first half of 2018.

FIGHT-202

A Phase 2 study of INCB54828 in patients with cholangiocarcinoma. This represents a global, first-to-market opportunity. Initial results are expected by year-end 2018.

Anticipated Regulatory Milestones

- In 2018, we intend to file an sNDA for ruxolitinib in steroid-refractory acute GVHD pending positive results from REACH1.
- We anticipate an FDA decision for baricitinib in moderate to severe rheumatoid arthritis by mid-2018.

Financial Guidance

Our full-year 2018 financial guidance is as follows:

	GAAP	Non-GAAP
Jakafi® (ruxolitinib) ² net product revenues	\$1.35 billion–\$1.40 billion	\$1.35 billion–\$1.40 billion
Iclusig® (ponatinib) ³ net product revenues	\$80–\$85 million	\$80–\$85 million
Cost of product revenues	\$85–\$95 million	\$64–\$74 million ⁴
R&D expenses	\$1.2 billion–\$1.3 billion	\$1.077 billion–\$1.172 billion ⁵
SG&A expenses	\$515–\$535 million	\$465–\$480 million ⁶
Change in fair value of acquisition-related contingent consideration	\$30 million	\$0 million ⁷



“We try and set the highest standard that we can so that we can move forward at a faster rate, a faster pace, but still doing the right science. So it still all comes back to the science, doing the right thing at the right time with the right people. What we say quite often in the lab is, ‘Individual success equals team success, equals Incyte success, and ultimately equals patient success.’”

Maryanne Covington
Director, Pharmacology

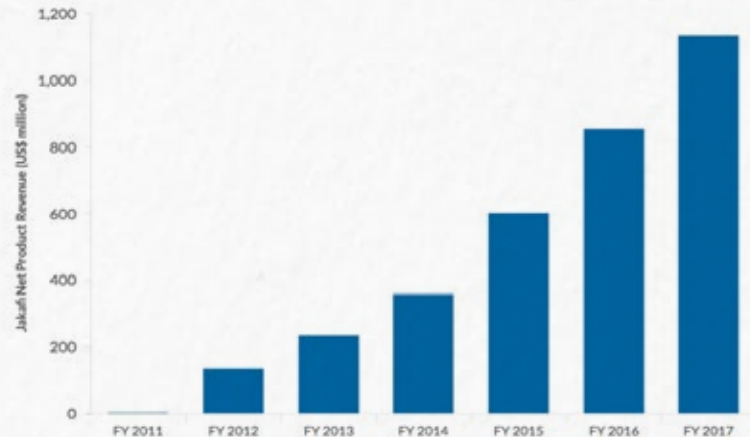


Our robust growth in product-related revenue comes from four sources: sales from Jakafi[®] (ruxolitinib)², sales from Iclusig[®] (ponatinib)³, and royalties from both Jakavi[®] (ruxolitinib)⁸ and Olumiant[®] (baricitinib)¹. In 2017, total product-related revenue increased nearly 40 percent over 2016. In 2017, total product-related revenue increased nearly 40 percent over 2016.

Jakafi

Jakafi continues to outperform our expectations. At the end of 2017, more than 11,000 patients in the United States were benefiting from this treatment.

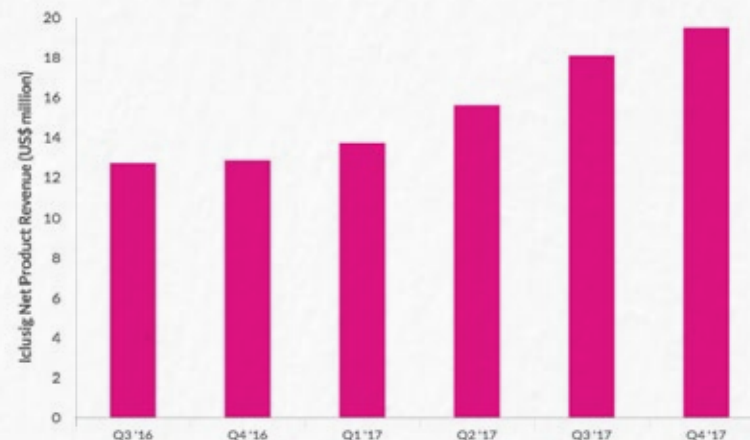
- Our 2018 Jakafi net product revenue guidance is \$1.35 billion-\$1.40 billion.
- The long-term net product revenue guidance for Jakafi was increased to \$2.5 billion-\$3.0 billion in January 2018.



Iclusig

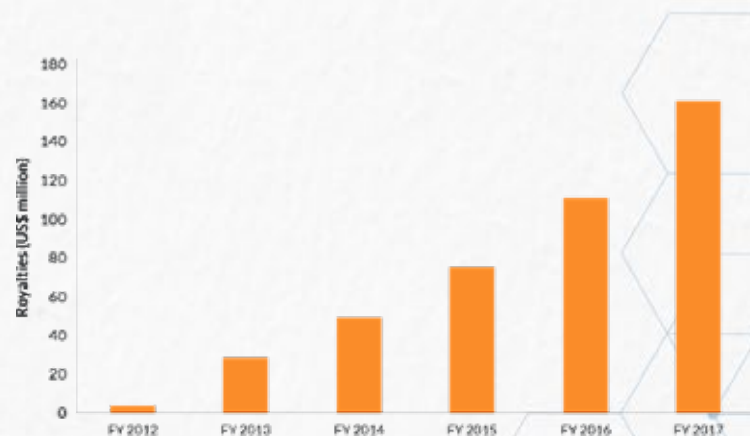
Iclusig sales growth has also been strong, with Q4 sales growing 51 percent over Q4 of last year. We believe this speaks to the quality of our European organization and should bode well for potential global drug launches in the future.

- Our 2018 Iclusig net product revenue guidance is \$80 million-\$85 million.



Royalties

For the year, we recognized \$152 million in Jakavi (ruxolitinib) royalties from Novartis – representing 37 percent growth over last year – and \$9 million in Olumiant royalties from Eli Lilly, both contributing to our top-line.





“I think we hold a unique position here at Incyte. We have a really strong pipeline, and we have a lot of different projects in a lot of different areas that target different biological systems that have potential to treat a variety of different diseases. I think the thing that gives us an advantage is that we can find and develop new targets and molecules that will complement our existing portfolio.”

Eddy Yue

Research Fellow, Discovery Chemistry



Incyte’s clinical development portfolio is comprised of 20 clinical candidates being studied against 17 discrete targets. Our oncology portfolio includes cutting-edge immuno-oncology and targeted therapies, including small molecules, large molecules, and bispecific antibodies, providing us the opportunity to explore combinations of therapies from both within and beyond our own portfolio. In addition, we are also advancing several clinical programs in non-oncology indications, including studies of a topical formulation of our JAK1/JAK2 inhibitor ruxolitinib in atopic dermatitis and vitiligo.



“We have incredible talent in our discovery and development teams which has translated into a unique portfolio of product candidates. What matters most in the work we do is to strive to improve lives or cure patients, and Incyte has a strong team of energetic people fully committed to that effort. Our collective goal to leverage this portfolio and bring new and innovative therapies to market for patients in need makes me very proud to work here.”

Christine Mage
Senior Director, Global Medical Communications

Discovery Platforms

Small Molecules

Incyte was founded on its expertise in small molecule discovery, and it continues to be the backbone of the company. Currently, the majority of clinical candidates in the portfolio come from Incyte’s small molecule discovery unit. We continue to increase capacity and add new capabilities to fully capitalize on success and build a more robust and diverse early clinical portfolio.

Large Molecules

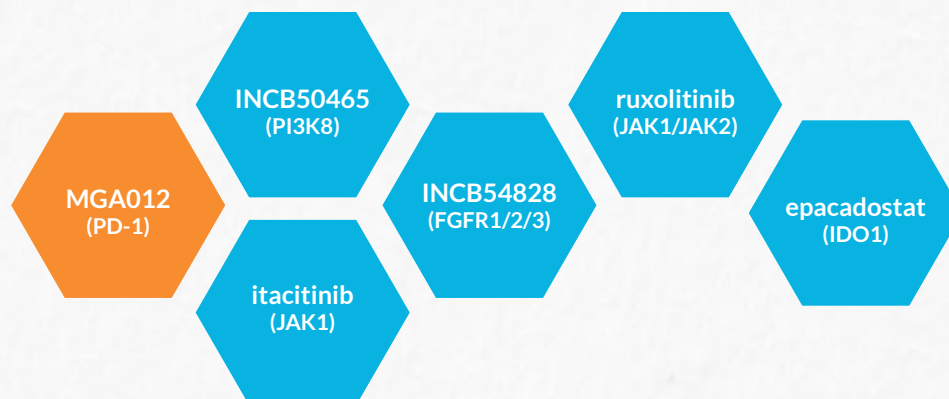
Incyte began large molecule discovery efforts in 2015 through a discovery alliance with Agenus. This partnership was very productive, yielding four potential clinical candidates in a very short time frame. Molecules which target GTR and OX40 have already been delivered into clinical development, and two additional candidates, which target TIM-3 & LAG-3, respectively, are expected to enter the clinic in 2018. Incyte’s discovery team has also developed the large molecule platform internally to develop molecules independent of any collaborations.

Bispecifics

Due to their unique ability to simultaneously engage multiple protein targets, we believe bispecific antibodies have the potential to play an important role in the future of biotherapeutics. As such, we entered into a long-term research collaboration with Merus to discover and develop bispecific antibodies. This collaboration further expands our large molecule discovery capabilities into an innovation-rich area of research, which we believe will create additional opportunities over the next ten years.

Later-Stage Development Portfolio

Our later-stage development programs continue to progress well. With six clinical compounds now in later-stage development, we see the potential for multiple product launches over the next four years.



Jakafi®(ruxolitinib)²

We have achieved great success with our first approved product, Jakafi®, and we seek to further develop therapeutics based on our expertise in JAK inhibition.

REACH

Ruxolitinib in Graft Versus Host Disease (GVHD)

The incidence of GVHD has been growing in recent years due to the increase in the number of allogeneic transplants. Unfortunately, approximately 50 percent of these transplant patients develop GVHD, and mortality rates in these patients can be very high. In the first year, mortality rates can be between 25 percent and 75 percent, depending on the grade, so the unmet need here is very clear.

Building upon positive, independently published third-party data of ruxolitinib in GVHD, we initiated the REACH clinical program to evaluate ruxolitinib in patients with steroid-refractory GVHD. REACH1, a pivotal Phase 2 trial in steroid-refractory acute GVHD, was initiated in December 2016 and is now fully recruited. REACH2, the Novartis-sponsored Phase 3 trial in steroid-refractory acute GVHD, and REACH3, the Phase 3 trial in steroid-refractory chronic GVHD that is co-sponsored by Incyte and Novartis, are both now underway.

citadel

INCB50465 (PI3K Delta)

The PI3K-delta pathway mediates oncogenic signaling in B cell malignancies. INCB50465 is a PI3K-delta inhibitor that has demonstrated potency and selectivity in preclinical studies and has potential therapeutic utility in the treatment of patients with lymphoma. We have initiated the CITADEL clinical program to evaluate INCB50465 in non-Hodgkin lymphomas, including patients with diffuse large b-cell lymphoma (DLBCL), follicular lymphoma, marginal zone lymphoma, and mantle cell lymphoma.

RESET

Ruxolitinib in Essential Thrombocythemia (ET)

Ruxolitinib has shown meaningful symptomatic benefits in patients with myeloproliferative neoplasms (MPNs). In our effort to provide additional treatment options for these patients, we decided to expand the development of ruxolitinib to include ET, a Philadelphia chromosome negative MPN characterized by the overproduction of platelets in the bone marrow. The pivotal RESET trial is enrolling ET patients that are refractory to or intolerant of hydroxyurea, the current standard of care for first-line treatment of these patients.

GRAYITAS

Itacitinib (JAK1)

Itacitinib is a selective JAK1 inhibitor, which is 20 times more selective of JAK1 over JAK2. Similar to ruxolitinib, we believe itacitinib could be an exciting new treatment option for patients with GVHD. Preliminary data from a proof-of-concept trial of itacitinib in patients with acute GVHD showed that treatment-naïve patients treated with itacitinib had an overall response rate of more than 80 percent. Based on this promising data, a pivotal program investigating itacitinib in patients with treatment-naïve acute GVHD was initiated in July 2017.



Epacadostat (IDO1)

Epacadostat is a first-in-class, potent, and selective inhibitor of IDO1, an enzyme with immunosuppressive effects that undermine the immune system's natural ability to attack tumor cells. Tumors can exploit multiple mechanisms to evade immune surveillance, and we hypothesize that the combination of epacadostat with immunotherapy agents targeting other mechanisms of immune evasion may re-establish antitumor immunity across a broad range of cancers.

Our ongoing ECHO clinical development program is investigating the development of epacadostat in combination with other therapeutic agents, including checkpoint inhibitors, vaccines, epigenetic therapies, and chemotherapies.

Our most advanced trial is ECHO-301, a Phase 3 study evaluating the combination of epacadostat with pembrolizumab as a first-line treatment for patients with unresectable or metastatic melanoma. This trial is now fully recruited, and we expect to announce initial results in the first half of 2018.

Our ECHO program has grown significantly in the last year to include nine additional pivotal trials. There are now six new pivotal trials in patients with non-small cell lung cancer (NSCLC), bladder, renal, and head & neck cancer in combination with pembrolizumab, two new pivotal trials in patients with NSCLC and head & neck cancer in combination with nivolumab, and one new additional trial in patients with NSCLC in combination with durvalumab. The trials in combination with pembrolizumab and nivolumab are now all recruiting patients, and we expect the trial in combination with durvalumab to begin in the first half of 2018.

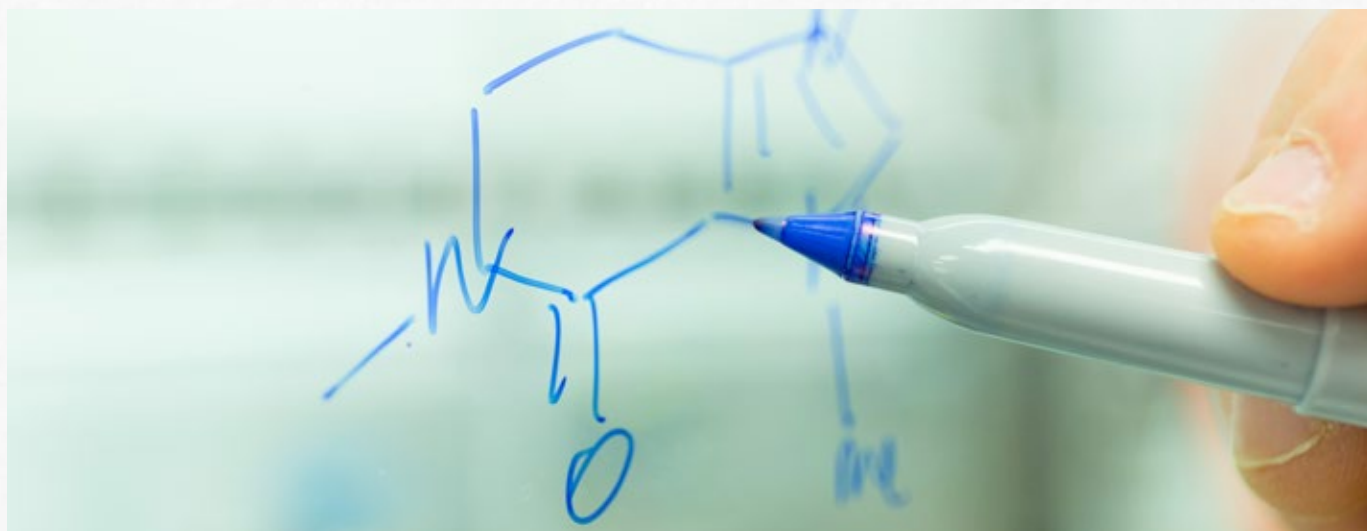


INCB54828 (FGFR1/2/3)

INCB54828 is an inhibitor of the FGFR isoforms 1, 2, and 3 that has demonstrated potency and selectivity in preclinical studies. The FGFR family of receptor tyrosine kinases can act as oncogenic drivers in a number of liquid and solid tumor types. We initiated the FIGHT clinical program to evaluate INCB54828 across a spectrum of cancers that are driven by FGF/FGFR mutations. The program now has three Phase 2 trials enrolling: FIGHT-201 in patients with bladder cancer, FIGHT-202 in patients with cholangiocarcinoma, and FIGHT-203 in patients with 8p11 myeloproliferative syndrome (8p11 MPN).

MGA-012 (PD-1)

We understand that PD-1 inhibition is likely to be an important backbone in the future of immunotherapy. To that end, we acquired the exclusive worldwide rights for the development and commercialization of MacroGenics' PD-1 inhibitor, MGA-012, in all indications. Enrollment in the dose escalation portion of the Phase 1 study of MGA-012 has been completed, and it is currently being evaluated as monotherapy across four solid tumor types in the dose expansion portion of the study.



Earlier-Stage Portfolio



INCAGN2385 (LAG-3)

INCAGN2385 is a LAG-3 inhibitor which was discovered within our antibody discovery alliance with Agenus Inc. LAG-3 is a cell surface receptor that negatively regulates antigen-specific T cell responses. The LAG-3 pathway has been identified as a potential barrier to productive tumor-specific T cell immunity generated by PD-1/PDL-1 blockade. Pre-clinical evaluation of INCAGN2385 showed that the compound was well-tolerated and demonstrated the expected pharmacokinetic profile. Incyte is now wholly responsible for driving development forward, and we expect to initiate a Phase 1 study to explore the safety and tolerability of INCAGN2385 as a monotherapy in patients with advanced solid tumors in 2018.

INCB81776 (ALX/MER)

INCB81776 is an orally administered, potent, and selective inhibitor of AXL and MER kinases that exhibits selective pharmacological activity and enhanced anti-tumor immune activity. AXL and MER are critical regulators of innate immunity, phagocytosis, and immune-suppressive activity and therefore may be able to impact the growth, survival and malignant progression of neoplastic cells directly and potentially even restore and enhance host immunity against cancers. We are expecting to initiate clinical work to explore the safety and tolerability of INCB81776 in patients with advanced solid tumors in 2018.

INCAGN2390 (TIM-3)

INCAGN2390 is a TIM-3 inhibitor which was discovered within our antibody discovery alliance with Agenus Inc. TIM-3 is an inhibitory receptor involved in immune tolerance often co-opted by tumors to prevent successful antitumor responses. Pre-clinical evaluation of INCAGN2390 showed that the compound was well-tolerated and demonstrated the expected pharmacokinetic profile. Incyte is now wholly responsible for driving development forward, and we plan to initiate a Phase 1 study to explore the safety and tolerability of INCAGN2390 as a monotherapy in patients with advanced solid tumors in 2018.

INCB62079 (FGFR4)

INCB62079 is a selective, irreversible inhibitor of FGFR4 that has exhibited 250 times greater selectivity for FGFR4 than other FGFR isoforms in preclinical studies. Preclinical data has also demonstrated the compound's selective activity against cancer cell lines with FGF19-FGFR4 pathway activation, and dose-dependent activity in murine models of FGF19-driven hepatocellular carcinoma. A Phase 1/2 dose escalation trial in patients with advanced hepatocellular carcinoma and other malignancies is now underway.

INCB01158 (ARG)

INCB01158 is a first-in-class, small molecule arginase inhibitor in hematology and oncology licensed from Calithera Biosciences, Inc. In preclinical models, arginase inhibition has been shown to enhance antitumor immunity both as a single agent and in combination with other immunomodulatory therapeutics. INCB01158 is currently being studied as a monotherapy and in combination with the anti-PD-1 agent pembrolizumab.

INCB57643 (BRD)

INCB57643 is a BRD inhibitor. BRDs are a family of proteins which play important roles in mediating gene transcription, most notably by facilitating the expression of oncogenes such as MYC, one of the most frequently dysregulated oncogenes in all human cancer. INCB57643 is in an open-label dose-escalation trial in patients with advanced malignancies.

INCB59872 (LSD1)

INCB59872 is an LSD1 inhibitor. The function of LSD1 has been reported to maintain stem cell-like gene expression patterns in various cancers, including acute myeloid leukemia and small cell lung cancer. A proof-of-concept clinical trial of INCB59872 is underway.

INCB53914 (PIM)

INCB53914 is a pan-PIM kinase inhibitor that has demonstrated potency and selectivity in preclinical studies. Overexpression of PIM kinases has been reported in human hematological cancers with each isoform showing a distinct expression pattern among the various malignancy subtypes. A clinical trial of INCB53914 in advanced malignancies is underway.

INCAGN1949 (OX40)

INCAGN1949 is an anti-OX40 agonist antibody, which is being developed within our antibody discovery alliance with Agenus Inc. OX40 is a costimulatory receptor that is expressed on effector T cells and is important for T cell survival and enhanced cytokine production. Preclinical data demonstrate that anti-OX40 agonist antibodies inhibit tumor growth by enhancing the levels and function of effector T cells and by decreasing regulatory T cells. Incyte is now wholly responsible for driving development forward, and clinical trials studying INCAGN1949 as a monotherapy and in combination with other immune checkpoint inhibitors are under way.

INCAGN1876 (GITR)

INCAGN1876 is an anti-GITR agonist antibody, which was discovered within our antibody discovery alliance with Agenus Inc. GITR is a costimulatory receptor that is expressed on effector T cells and is important for T cell survival and enhanced cytokine production. Preclinical data demonstrate that anti-GITR agonist antibodies inhibit tumor growth by enhancing the levels and function of effector T cells and by decreasing regulatory T cells. Incyte is now wholly responsible for driving development forward, and clinical trials studying INCAGN1876 as a monotherapy and in combination with other immune checkpoint inhibitors are underway.

INCB52793 (JAK1)

INCB52793 is a selective JAK1 inhibitor, which is 150 times more selective for JAK1 over JAK2. INCB52793 is currently being evaluated in combination cohorts with azacitadine in patients with acute myeloid leukemia (AML).

Partnered Programs

Baricitinib is a JAK1/JAK2 inhibitor, which we licensed to Eli Lilly in 2009. Baricitinib has now been approved in Europe, Japan, and other regions outside of the United States as Olumiant^{®1} for the treatment of patients with rheumatoid arthritis (RA) in patients with inadequate response to standard-of-care therapies.

In December 2017, Lilly confirmed that it had resubmitted the NDA for RA, and the FDA subsequently accepted it as a Class II resubmission, which leads to a six month review. We and Lilly look forward to a final decision from the FDA in the first half of 2018.

Beyond RA, Lilly initiated a Phase 3 program of baricitinib in atopic dermatitis in late 2017 and has stated that it expects to initiate a Phase 3 program in psoriatic arthritis in 2018. Lilly has also stated that the results from the Phase 2 trial of baricitinib in patients with systemic lupus erythematosus are expected to be presented at a medical meeting later in 2018.

Capmatinib, a MET inhibitor which we licensed to Novartis, is currently in a Phase 1b/2 trial in patients with MET-amplified lung cancer, and data are expected in 2018. Novartis has stated that it anticipates submitting an NDA in this indication in 2019.



“ I’m most inspired in my job by the patient. I’ve had the opportunity in my role to speak with a number of MPN patients and the overwhelming response that I have gotten is of gratitude. Even if it’s a little bit of time, any little bit of extra time for a patient is so impactful. And so that’s what inspires me and gets me out of bed every day.”

Mary Beth Rush
Director, Consumer Marketing



At Incyte, we're driven by a passion for innovative science and a desire to make a meaningful difference in the lives of patients with cancer and other serious diseases.

Our Culture

At Incyte, nothing is more foundational to our success than our people. It is their talent, passion, creativity, and commitment that have allowed us to follow the science and achieve important advances in the treatment of cancer and other serious diseases. We believe that when our colleagues thrive and everyone is encouraged to reach their fullest potential, we are better able to pursue pivotal innovations and truly help patients.

We take our responsibility to support our people and to create a challenging, fulfilling work environment seriously. Perhaps that's why, sixteen years on, 17 of our 23 original colleagues still work at Incyte.



Original Incyte colleagues gather to celebrate our 15th anniversary in Delaware in the fall of 2017.

We support our colleagues through open and honest performance reviews and plentiful opportunities to interact with and ask questions of senior leadership. We also regularly invite patients to speak at our quarterly Town Halls to share their journeys. Meeting them and hearing their stories allows us to connect directly with those we're working to help.

We also celebrate outstanding achievements with our Incyte Bravo Award program, which provides the opportunity to recognize and reward extraordinary efforts of our colleagues here at Incyte.

Incyte fosters a culture of passion, accountability, and teamwork. We are motivated by our primary challenge to discover first-in-class and best-in-class medicines for patients in need. All of our discovery research takes place onsite in our Wilmington, Delaware headquarters, where collaboration between research and development helps optimize decision making and drive innovation.



“ At Incyte, our culture is one of trust and empowerment. Our globally integrated team’s goal is to play a transformative role in the fight against cancer to impact the lives of patients and that is what inspires us to aim higher, push harder and innovate tirelessly.”

Bryan Black
Regional VP, Head of European Legal Affairs

At Incyte, we are constantly looking to improve ourselves, whether in the research lab, in continuing education and training, or in our cafeterias, which provide nutritious options, or in office-based group fitness classes. We believe this makes us a healthier, stronger, and more tightly knit team.

We also strive to maintain our small company culture even as we grow and expand. Social events such as our annual Chinese New Year/Lunar New Year celebration and a family day at the Adventure Aquarium in Camden, NJ allow everyone to interact and get to know each other outside of meetings and also facilitates a place for people to meet new colleagues they may not have the opportunity to connect with based on their roles.



Incyte colleagues gather in our office in Geneva, Switzerland.

Join Us

Are you inspired by innovative science and intelligent, passionate coworkers? Do you want to be part of a team that continues to develop and deliver first-in-class and best-in-class medicines for patients with cancer and other diseases?

Visit our Careers page to explore current opportunities and learn more about working at Incyte, including the competitive benefits package we offer employees at www.incyte.com/join-us/careers.aspx.

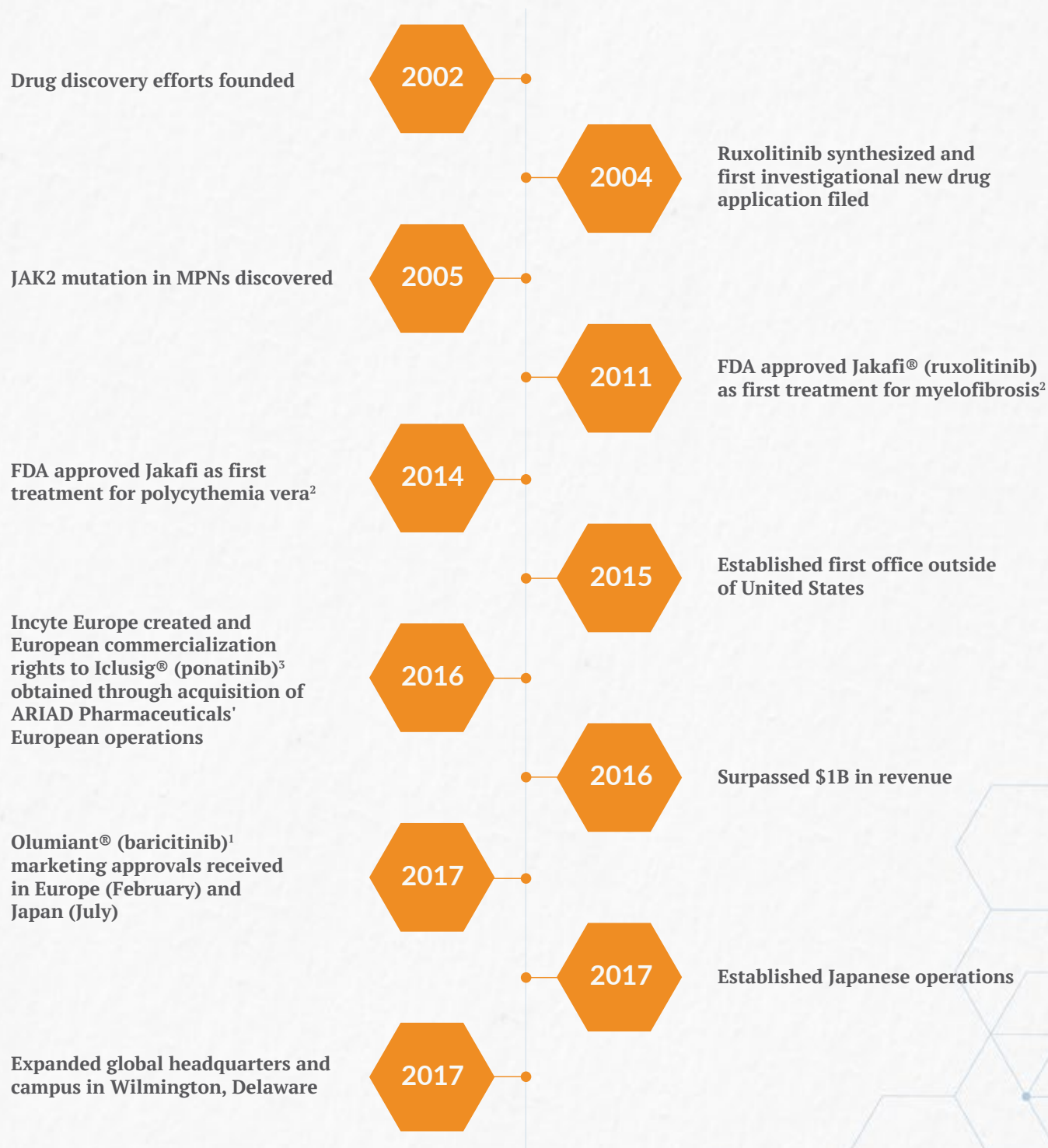


“The ideal Incyte employees are people that are intellectually curious. They have the ability to multitask, to be flexible, to change directions, to really respond to new data that’s constantly coming in.”

Paula Swain
Head of Human Resources

Our History

Incyte's drug discovery and development efforts were founded in 2002 in Wilmington, Delaware by a team of world-class research scientists, chemists, and biologists. Sixteen years later, we have evolved into a global company with operations in the United States, Europe, and Japan.



Our Leadership



Hervé Hoppenot
Chairman, Chief Executive Officer



Jonathan E. Dickinson
General Manager, Europe



Lothar H. Finke, MD, PhD
Head of Clinical Development
and General Manager, Japan



**Barry P. Flannelly,
PharmD, MBA**
General Manager, US



David W. Gryska
Chief Financial Officer



Reid M. Huber, PhD
Chief Scientific Officer



Vijay Iyengar, MD
Head of Global Strategy and
Corporate Development



Michael Morrissey
Head of Global Technical
Operations



Steven H. Stein, MD
Chief Medical Officer



Paula J. Swain
Head of Human Resources



Wenqing Yao, PhD
Head of Discovery Chemistry

Board of Directors

Hervé Hoppenot
Chairman and Chief Executive Officer, Incyte Corporation

Julian C. Baker
Managing Partner, Baker Brothers Investments

Jean-Jacques Bienaimé
Chief Executive Officer, BioMarin Pharmaceutical, Inc.

Paul A. Brooke
Founder and Former Managing Partner, venBio LLC

Paul J. Clancy
Executive Vice President and Chief Financial Officer,
Alexion Pharmaceuticals, Inc.

Wendy Dixon, PhD
Former Chief Marketing Officer and President, Global
Marketing, Bristol-Myers Squibb Company

Jacquelyn A. Fouse, PhD
Executive Chair, Dermavent Sciences

Paul A. Friedman, MD
Chief Executive Officer, Madrigal Pharmaceuticals, Inc.



“There aren’t redundancies in roles at Incyte. Every one of us has a specific role to play, and you have to do that in order for the company to be successful and for patients to be impacted. We’re encouraged to provide solutions and ideas that will impact the company and ultimately the patient. No idea, regardless of how aspirational, is ever laughed at or frowned upon. It’s actually encouraged.”

Mary Beth Rush
Director, Consumer Marketing



At Incyte, our commitment extends beyond our own success to enhancing the communities in which we operate, improving the treatment and experience of patients, supporting our colleagues, and protecting the environment.

Patients

Commitment to Patients

At Incyte, we take our commitment to patients with cancer and other diseases very seriously. Having a positive impact on their lives is our highest calling as a company, and we support our patients through commitments in four key areas: Patient Safety, Scientific Excellence, Access to Medicine, and Patient Education and Awareness.

Patient Safety

Patient safety is our highest priority, and we believe that clinical trials and approvals by global regulatory authorities offer the optimal means of providing patients with broad access to medicines as prescribed by qualified healthcare professionals. Before we initiate any clinical trial, we ensure there is an appropriate risk-to-benefit ratio and have protocols in place to obtain each participant's informed consent. We also use an Independent Data Monitoring Committee to supervise all ongoing trials to better protect the safety of trial participants.

Scientific Excellence

At Incyte, we believe in following the science. We hold our clinical research to the highest scientific and ethical standards, from our rigorous discovery process, to our adherence to clinical standards set by the FDA and other global regulatory bodies, to our focus on data transparency through presentations of both positive and negative data at appropriate medical meetings and in peer-reviewed journals.

We also believe that science is a collaborative effort, and we are committed to partnering with companies, universities, and other research institutions to share knowledge, resources, and ideas that may best benefit patients.



“The patient support program is a part of the job that makes me excited to come to work. We talk to patients and advocates, and it's clear that assistance in managing cancer beyond providing medication is needed. Our goal is to support them in the course of the disease and help them deal with the loneliness and anxiety that comes with a cancer diagnosis - and there is more for us to do. Being able to contribute, even in a small way, is very rewarding.”

Esther Broer
Senior Brand Manager

Access to Medicine

Incyte is committed to ensuring patients have access to life-changing medicines.

Some patients with serious conditions may be eligible to participate in an Incyte-sponsored clinical trial but unable to pay for certain costs. We are committed to improving these patients' access to clinical trials by providing financial support as appropriate and consistent with applicable laws, regulations, and guidelines. We may also choose to provide individual patients with access to unapproved or investigational products outside of a clinical trial setting through Incyte's compassionate use program.



Our IncyteCARES (Connecting to Access, Reimbursement, Education, and Support) program strives to support patients in the United States before and during treatment with ongoing education resources as well as a dedicated nursing support program. IncyteCARES also provides co-pay assistance or free medicine to eligible patients to help cover some of the costs associated with their Jakafi® (ruxolitinib)¹ prescription. For more information, visit www.IncyteCARES.com.

In June 2017, the National Institute for Health and Care Excellence (NICE) in the United Kingdom published a recommendation for Iclusig® (ponatinib)³ as an option to treat adult patients with Philadelphia-positive acute lymphoblastic leukemia (Ph+ ALL) and chronic, accelerated, or blast phase chronic myeloid leukemia (CML) within its approved marketing authorization, so long as we provide it with the discount agreed in the patient access scheme. Iclusig had been available to patients through the Cancer Drugs Fund since the summer of 2013 after approval by the European Medicines Agency (EMA) as an orphan drug. As of March 2018, Iclusig is fully reimbursed in 20 European countries (plus Israel).

Incyte plans to launch CML Life during 2018, a patient support program for patients in Europe suffering from chronic myeloid leukemia (CML), regardless of their treatment or their stage of disease. CML Life will seek to help patients, caregivers, and health care professionals better understand CML from diagnosis to treatment, with the goal of improving patient outcomes. This program has been co-created and co-developed with the patients that may eventually be using it, as well as the healthcare professionals who may also be supporting its use.

Patient Education and Awareness

Voices of MPN is a website launched by Incyte that was created to help connect MPN patients to information, educational programs, and community activities as well as to provide a forum where people can share stories and promote disease awareness.

Each year, in partnership with CURE Magazine, Incyte sponsors the MPN Heroes program, which honors and celebrates individuals and organizations for their contributions in caregiving, community leadership, or scientific advances in the MPN community. Experience Voices of MPN for yourself at www.VoicesofMPN.com.



Our 2017 MPN Heroes were honored for their commitment to MPN care at the annual MPN Heroes Celebration Event, hosted by CURE Media Group.

Team

Commitment to Our Team

Incyte is committed to ensuring our colleagues are happy and healthy. We offer competitive compensation and benefits packages, and over the years have added numerous additional benefits to support colleagues in their professional and personal endeavors.

We encourage continuing education through internal training, as well as relevant external courses. Additional learning seminars on topics as diverse as nutrition and financial planning are also offered on-site.

In addition to a competitive benefits package, we fulfill our commitment to the health of our team members through free flu shots and access to complimentary health incentives, such as free melanoma screenings or nutrition counseling. We've also introduced a patient support program, which helps employees, spouses, domestic partners, children, parents, and parents-in-law with a variety of healthcare and insurance-related issues, including researching services, securing second opinions, and making more informed decisions. All team members, including part-time employees, are eligible for this benefit.

Furthermore, our cafeterias provide nutrition-conscious options, helping to make sure that colleagues can make more informed dietary choices while at work.



“At Incyte, I feel that we empower our employees. I’ve empowered my team, and I’ve been empowered by my manager, as well, to come up with an idea and implement it. What’s the worst thing that’s going to happen? It’s not going to work, but then we learn from that and we come up with another solution.”

Ankur Shah
Director, U.S. Medical Information

Community

Commitment to Our Community

Our community is more than an address. It's our home. Through Incyte Involved, we support three initiatives focused on actively participating in and improving our community.



The **Incyte Charitable Giving Foundation** is dedicated to supporting charitable organizations serving the needs of local Delaware communities. The foundation is focused on two areas – oncology patient support and helping people in need. In 2017, the Incyte Charitable Giving Foundation's first full year of giving, the Foundation provided support for 16 local organizations, up from 10 in 2016.

Through the Foundation, we also launched the Incyte Cancer Care Assistance Fund for Delaware with our partner, Cancer Support Community Delaware, which will provide emergency financial assistance for cancer patients, their caregivers and family members living in Delaware. The fund will provide financial assistance for medical expenses and/or basic living expenses on behalf of cancer patients who demonstrate financial need as a result of their illness and their treatment. Expenses that would be considered include medical bills, co-pays, scans, and testing, as well as rent, mortgage, utilities, phone, transportation, groceries, and childcare.



A team from Incyte participated in the B+ Foundation's 5K event. B+ Foundation is one of the many organizations for which the Incyte Charitable Giving Foundation has pledged to provide funding.

Our **Community Service Program** provides our colleagues with paid time off to volunteer in their communities. In 2017, Incyte colleagues donated nearly 700 hours of time working with organizations including the Food Bank of Delaware, Habitat for Humanity, and Salvation Army. This is a remarkable increase of more than 60 percent since 2016.



We also support our colleagues' charitable interests through our Matching Gifts Program, which matches 100 percent of their donations up to a predetermined cap. In 2017, we matched more than \$100,000 given by our colleagues to their charities of choice. In line with our growth in operations, we also extended the matching gifts program to our team in Europe. Learn more about Incyte Involved at www.incyte.com/what-we-do/incyte-involved.aspx.



Incyte participated in LLS's Light the Night event for the eighth year running.

Beyond these formal programs, we also enjoy being involved in many other charitable events and drives. For example, a group of Incyte colleagues participated in the 5K event at the European Hematology Association's (EHA) Annual Congress in Madrid.



More than 30 colleagues from Incyte participate in the 5K event to benefit patients at the European Hematology Association's (EHA) Congress in Madrid.

Other philanthropic events during the year included the **Miles for Melanoma 5K Walk/Run** to support and raise funds for the Melanoma Research Foundation and our eighth year in participating in the **Light the Night Walk**, which benefits the Leukemia & Lymphoma Society. A group of Incyte colleagues from around the United States also volunteered to set up and man water stations at the **Cancer Survivors' Celebration Walk & 5K** during the 2017 American Society of Clinical Oncology's (ASCO) Annual Meeting. The event collectively raised more than \$318,600 for the Robert H. Lurie Comprehensive Cancer Center of Northwestern University.



A team from Incyte participated in the B+ Foundation's 5K event. B+ Foundation is one of the many organizations for which the Incyte Charitable Giving Foundation has pledged to provide funding.

During the holiday season, we feel it's especially important to be mindful of those who are less fortunate than us. That's why every year we have an annual food drive to collect food and cash donations for the Food Bank of Delaware and an annual Salvation Army Angel Tree Program, in which Delaware-based employees can buy toys for one or more local children in need. In 2017, Incyte collectively donated 950 pounds of food for the Food Bank of Delaware and helped 800 families in Delaware.

By participating in charitable activities, we deliver a positive impact on the greater communities in which we live and work.



Incyte colleagues use their paid volunteer day to help the Toy Shop sort and organize donations from Incyte and others.



“Incyte Involved is really starting to create a community service culture, and it’s helping us to become good business leaders in the community that we work and live in.”

Paula Swain
Head of Human Resources

Environment

Commitment to the Environment

Incyte is committed to operating in a way that reduces our environmental impact. This commitment includes programs for data collection and analysis in order to measure and reduce hazardous air emissions, greenhouse gases, and water use. All hazardous waste is recycled, reused, fuel blended, or disposed of at an EPA-approved disposal facility.

“Over 80 percent of Incyte’s chemical waste is fuel blended for energy recovery.”

We also make it convenient for our team members to help support environmental sustainability. For example, separate waste and recycling bins are placed throughout our offices, both in public areas and at each individual’s workstation. Our new cafeteria at our expanded headquarters goes even further, using reusable plates and silverware to limit landfill waste.

Incyte also supports the use of electric cars by colleagues with charging units in our parking lots for complimentary use during the day.

Incyte’s commercial operations team recently began using only Forest Stewardship Council® (FSC)-certified printers for all of Incyte’s marketing materials. In addition, we now only use paper made from recycled material for all of our printed pieces.



Compliance and Transparency

Commitment to Compliance and Transparency

We aim to make a difference – for patients, medical professionals, organizations, the broader healthcare community, and all our global stakeholders. To achieve these goals, we are committed to conducting business ethically. We hold ourselves accountable to the highest standards to ensure that all of our interactions are conducted appropriately. We regularly review and amend our practices according to current laws and regulations, as well as both our own standards and the standards required of us by the communities in which we live and work.

All new team members are required to read and acknowledge their commitment to comply with Incyte’s Code of Business Conduct and Ethics, which serves as our roadmap for acting ethically whenever and wherever we conduct business. It provides, among other things, that:

- We foster a respectful and safe workplace
- We conduct business ethically
- We operate honestly and transparently
- We act as a good corporate citizen

For more details, please visit our Corporate Governance page at www.incyte.com/ir/corporate-governance.aspx.



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TDD for Hearing Impaired:

800.231.5469

Foreign Stockholders:

201.680.6578

TDD Foreign Stockholders:

201.680.6610

Outside Counsel

Pillsbury Winthrop Shaw Pittman LLP

Independent Registered Public Accounting Firm

Ernst & Young LLP

Market Information

Incyte Common Stock trades on The Nasdaq Global Select Market under the symbol INCY.

Investor Relations

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

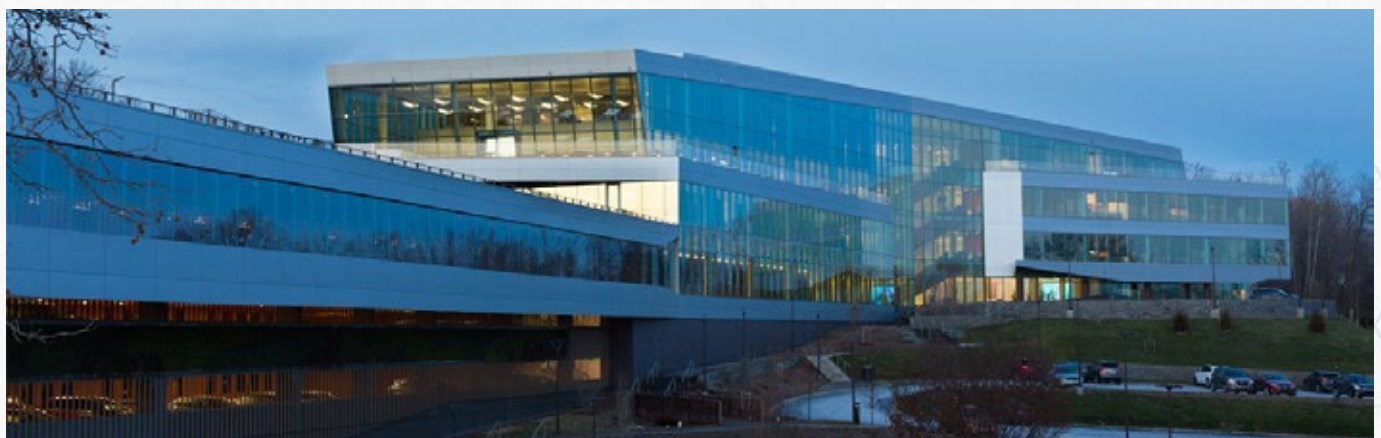
Contact

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Director, Investor Relations
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Annual Meeting

The Annual Meeting of Stockholders will be held May 1, 2018, at 2:00 pm, Eastern Daylight Time, at Incyte Corporation, 1801 Augustine Cut-Off, Wilmington, DE 19803.



Forward-Looking Statements

Except for the historical information set forth herein, the matters set forth in this annual report contain predictions, estimates and other forward-looking statements, including without limitation statements regarding: our belief that we now have the talent, financial resources and geographic reach to be able to bring our therapies to patients around the globe; our expectations for important clinical events in the first half of 2018; our expectation for data from the REACH2, REACH3 and GRAVITAS-301 trials beginning in 2019; our expectation for data from FIGHT-202 later in 2018; our goal to transform Incyte into a world-class global biopharmaceutical organization; our ability to expand access to Jakafi (ruxolitinib) to those who may be able to benefit from this treatment; whether we are successful with new product launches over the next four years; our expectation to begin clinical trials for our TIM-3 and LAG-3 inhibitor in the near term; whether we will achieve any of our planned goals for 2018, including without limitation the initiation of our new pivotal programs and the potential clinical data presentations as well as anticipated regulatory milestones; our financial guidance for 2018; our expectation that our collaboration with Merus will create additional growth opportunities over the next ten years; plans for continued development of Jakafi (ruxolitinib) in essential thrombocythemia and GVHD as well as additional indications and life cycle management plans for Jakafi (ruxolitinib) and myeloproliferative neoplasm research; whether the pivotal trials of epacadostat in combination with pembrolizumab and in combination with nivolumab will be successful, including the ECHO-301 study in advanced or metastatic melanoma, and the expected timing of developments relating to those studies; whether baricitinib for RA will be approved in the U.S.; whether and when Lilly will pursue possible next steps towards seeking or achieving approval in the U.S. for baricitinib for RA, whether baricitinib will ever be approved in the U.S. for any indication and whether development of baricitinib in other indications will be successful or will continue as currently planned; plans and expectations regarding our product pipeline and strategy - including timelines for advancing our drug candidates (including without limitation epacadostat, ruxolitinib and itacitinib) through clinical trials (including enrollment and commencement), whether certain trials will serve as the basis for registration, timelines for regulatory submissions and timelines for releasing trial data, and whether any specific program will be successful - and plans and expectations regarding development activities of our collaboration partners; whether we will realize the anticipated benefits of our collaborations; whether the plans and expectations regarding our pipeline over the next 12 months will drive potential value; whether and when we will launch CML Life and whether it will help improve patient outcomes; and the potential therapeutic and commercial value of our drug candidates.

These forward-looking statements are based on our current expectations and are subject to risks and uncertainties that may cause actual results to differ materially, including unanticipated developments in and risks related to: the efficacy or safety of our products and the products of our collaboration partners; the acceptance of our products and the products of our collaboration partners in the marketplace; market competition; the results of further research and development by our company, our collaboration partners or our competitors; sales, marketing, distribution and manufacturing requirements; clinical trials, including pivotal trials, possibly being unsuccessful or insufficient to meet applicable regulatory standards for clinical advancement or approval or warrant continued development; the ability to enroll sufficient numbers of subjects in any such clinical trials; other market, economic or strategic factors and technological advances; unanticipated delays in clinical trials or drug development generally; our ability to compete against parties with greater financial or other resources; our dependence on our relationships with our collaboration partners; greater than expected expenses; expenses relating to litigation or strategic activities; obtaining and maintaining effective patent coverage for our products and our product candidates; and other risks detailed from time to time in our reports filed with the Securities and Exchange Commission, including our Form 10-K for the year ended December 31, 2017. We disclaim any intent or obligation to update these forward-looking statements.



1. Worldwide rights to baricitinib licensed to Eli Lilly; Olumiant (baricitinib) is approved for the treatment of mild to moderate rheumatoid arthritis in patients with inadequate response to standard-of-care therapies
2. Jakafi (ruxolitinib) is approved for use in intermediate or high-risk myelofibrosis, including primary myelofibrosis, post-polycythemia vera myelofibrosis and post-essential thrombocythemia myelofibrosis, and in patients with polycythemia vera who have had an inadequate response to or are intolerant of hydroxyurea
3. Iclusig (ponatinib) is approved for use in chronic myeloid leukemia (CML) and Philadelphia-positive (Ph+) acute lymphoblastic leukemia (ALL) patients who are resistant to or intolerant of certain second generation BCR-ABL inhibitors and all patients who have the T315I mutation
4. Adjusted to exclude the amortization of licensed intellectual property for Iclusig relating to the acquisition of the European business of ARIAD Pharmaceuticals, Inc.
5. Adjusted to exclude the estimated cost of stock-based compensation and upfront consideration of approximately \$13 million relating to the Syros Pharmaceuticals, Inc. collaboration
6. Adjusted to exclude the estimated cost of stock-based compensation
7. Adjusted to exclude the change in fair value of estimated future royalties related to sales of Iclusig in the licensed territory relating to the acquisition of the European business of ARIAD Pharmaceuticals, Inc.
8. Ex-U.S. rights to ruxolitinib license to Novartis; commercialized by Novartis as Jakavi