

Registration No. 333-\_\_\_\_\_

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form S-8

REGISTRATION STATEMENT  
Under  
THE SECURITIES ACT OF 1933

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

Delaware

94-3136539

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification No.)

3174 Porter Drive  
Palo Alto, California

94304

(Address of Principal  
Executive Offices)

(Zip Code)

OPTIONS ISSUED BY INCYTE PHARMACEUTICALS, INC.  
TO FORMER OPTIONHOLDERS OF HEXAGEN LIMITED

(Full title of the plan)

ROY A. WHITFIELD  
Chief Executive Officer  
Incyte Pharmaceuticals, Inc.  
3174 Porter Drive  
Palo Alto, California 94304  
(650) 855-0555

Copy to:  
STANTON D. WONG  
SALLY BRAMMELL  
Pillsbury Madison & Sutro LLP  
P.O. Box 7880  
San Francisco, CA 94120  
(415) 983-1000

(Name, address and telephone  
number, including area code,  
of agent for service)

CALCULATION OF REGISTRATION FEE

Title of Securities To Be Registered	Amount To Be Registered	Proposed Maximum Offering Price per Share (1)	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
Common Stock	125,734	\$2.03	\$255,240.02	\$70.96
Series A Participating Preferred Stock Purchase Rights (2)	125,734	N/A	N/A	N/A
Total Registration Fee	125,734	N/A	N/A	\$70.96

(1) Estimated solely for the purposes of calculating the amount of the registration fee pursuant to Rule 457(h) under the Securities Act of 1933, as amended, the offering price is based upon the exercise prices for options previously granted by Hexagen Limited.

(2) Associated with the Common Stock are Series A Participating Preferred Stock Purchase Rights that will not be exercisable or evidenced separately from the Common Stock prior to the occurrence of certain events.

The Registration Statement shall become effective upon filing in accordance with Rule 462 under the Securities Act of 1933.

Incyte Pharmaceuticals, Inc. (the "Registrant") acquired all of the issued and outstanding capital stock of Hexagen Limited ("Hexagen") pursuant to a Share Purchase Agreement, dated as of September 21, 1998, among the Registrant, Hexagen and the shareholders of Hexagen. The shares to be registered hereunder are issuable pursuant to (i) options assumed by the Registrant that were originally granted under The Hexagen Limited Unapproved Company Share Option Plan 1996 and (ii) share exchange option agreements entered into between the Registrant and certain consultants to Hexagen who held options to purchase Hexagen ordinary shares.

PART I  
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INFORMATION REQUIRED IN THE SECTION 10(A) PROSPECTUS  
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Item 1. Plan Information.\*  
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Item 2. Registrant Information and Employee Plan Annual Information.\*  
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\* Information required by Part I to be contained in the Section 10(a) prospectus is omitted from the Registration Statement in accordance with Rule 428 under the Securities Act of 1933 and the Note to Part I of Form S-8.

PART II  
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INFORMATION REQUIRED IN THE REGISTRATION STATEMENT  
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Item 3. Incorporation of Certain Documents by Reference.  
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The following documents filed by Registrant (File No. 0-27488) with the Securities and Exchange Commission are incorporated by reference in this Registration Statement:

- (1) The Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1997;
- (2) The Registrant's Quarterly Reports on Form 10-Q for the quarters ended March 31, June 30, and September 30, 1998;
- (3) Registrant's Current Report on Form 8-K, as amended on Form 8-K/A, dated January 22, 1998;
- (4) The Registrant's Current Reports on Form 8-K dated as of June 12, August 17, September 2, September 21, and September 25, 1998;
- (5) The description of the Registrant's Common Stock contained in the Registration Statement on Form 8-A filed with the Securities and Exchange Commission on January 5, 1996; and
- (6) The description of the Registrant's Series A Participating Preferred Stock Purchase Rights contained in the Registration Statement on Form 8-A filed with the Securities and Exchange Commission on September 30, 1998.

In addition, all documents subsequently filed by the Registrant pursuant to Section 13(a), 13(c), 14 and 15(d) of the Securities Exchange Act of 1934, prior to the filing of a post-effective amendment which indicates that all securities offered have been sold or which deregisters all securities then remaining unsold, shall be deemed to be incorporated by reference in this registration statement and to be a part hereof from the date of filing of such documents.

Item 4. Description of Securities.  
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Not applicable.

Item 5. Interests of Named Experts and Counsel.  
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Not applicable.

Item 6. Indemnification of Directors and Officers.  
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Section 145 of the Delaware General Corporation Law provides for the indemnification of officers, directors, and other corporate agents in terms sufficiently broad to indemnify such persons under certain circumstances for liabilities (including reimbursement for expenses incurred) arising under the Securities Act of 1933, as amended (the "Act"). Article VII of the Registrant's Restated Certificate of Incorporation and Article V of the Registrant's Bylaws provide for indemnification of the Registrant's directors, officers, employees and other agents to the extent and under the circumstances permitted by the Delaware General Corporation Law. The Registrant has also entered into agreements with its directors and officers that will require the Registrant, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors or officers to the fullest extent not prohibited by law.

Item 7. Exemptions from Registration Claimed.  
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Not applicable.

Item 8. Exhibits.  
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- 5.1 Opinion of Pillsbury Madison & Sutro LLP.
- 10.1 The Hexagen Limited Unapproved Company Share Option Plan 1996, as amended.
- 10.2 Form of Share Exchange Option Agreement.
- 23.1 Consent of Ernst & Young LLP, Independent Auditors.
- 23.2 Consent of Pillsbury Madison & Sutro LLP (included in Exhibit 5.1).

Item 9. Undertakings.  
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(a) The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule

424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

Provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the registration statement is on Form S-3 or Form S-8, and the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed by the Registrant pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the Registrant's annual report pursuant to section 13(a) or section 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Palo Alto, State of California, on November 19, 1998.

INCYTE PHARMACEUTICALS, INC.

By /s/ ROY A. WHITFIELD

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Roy A. Whitfield  
Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Roy A. Whitfield, Randal W. Scott and Denise M. Gilbert, and each of them, his true and lawful attorneys-in-fact and agents, each with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments, including post-effective amendments, to this Registration Statement, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Name	Title	Date
/s/ ROY A. WHITFIELD ----- Roy A. Whitfield	Chief Executive Officer (Principal Executive Officer) and Director	November 19, 1998
/s/ DENISE M. GILBERT, Ph.D. ----- Denise M. Gilbert, Ph.D.	Executive Vice President, Chief Financial Officer (Principal Financial Officer)	November 19, 1998

Name

Title

Date

/s/ WILLIAM DELANEY

Corporate Controller (Principal  
Accounting Officer)

November 19, 1998

-----  
William Delaney

/s/ JEFFREY J. COLLINSON

Chairman of the Board

November 19, 1998

-----  
Jeffrey J. Collinson

/s/ RANDAL W. SCOTT, Ph.D.

Director

November 19, 1998

-----  
Randal W. Scott, Ph.D.

/s/ BARRY M. BLOOM, Ph.D.

Director

November 19, 1998

-----  
Barry M. Bloom, Ph.D.

/s/ FREDERICK B. CRAVES, Ph.D.

Director

November 19, 1998

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Frederick B. Craves, Ph.D.

/s/ JON S. SAXE

Director

November 19, 1998

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Jon S. Saxe

INDEX TO EXHIBITS

Exhibit  
-----  
Number  
-----

Exhibit  
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- 5.1 Opinion of Pillsbury Madison & Sutro LLP.
- 10.1 The Hexagen Limited Unapproved Company Share Option Plan 1996,  
as amended.
- 10.2 Form of Share Exchange Option Agreement.
- 23.1 Consent of Ernst & Young LLP, Independent Auditors.
- 23.2 Consent of Pillsbury Madison & Sutro LLP (included in Exhibit 5.1).

PILLSBURY MADISON & SUTRO LLP  
235 Montgomery Street  
San Francisco, CA 94104  
Tel: (415) 983-1000

November 19, 1998

Incyte Pharmaceuticals, Inc.  
3714 Porter Drive  
Palo Alto, CA 94304

Re: Registration Statement on Form S-8

Ladies and Gentlemen:

We refer to the Registration Statement on Form S-8 (the "Registration Statement") to be filed by Incyte Pharmaceuticals, Inc., a Delaware corporation (the "Company"), with the Securities and Exchange Commission under the Securities Act of 1933, as amended, relating to 125,734 shares of Common Stock, par value \$.001, of the Company ("Common Stock") issuable (i) upon the exercise of options originally granted by Hexagen Limited and its predecessor Hexagen plc, a wholly owned subsidiary of the Company ("Hexagen"), under The Hexagen Limited Unapproved Company Share Option Plan 1996 (the "Stock Plan"), which options were assumed by the Company and (ii) upon the exercise by the Company of its rights under those certain Share Exchange Option Agreements dated as of September 21, 1998 between the Company and certain former holders of options to purchase ordinary shares of Hexagen. We advise you that, in our opinion, such shares of the Common Stock, when issued and sold in accordance with the applicable Plan or agreement and the Registration Statement, as declared effective, will be legally issued, fully paid and nonassessable.

We hereby consent to the filing of this opinion with the Securities and Exchange Commission as Exhibit 5.1 to the Registration Statement.

Very truly yours,

/s/ PILLSBURY MADISON & SUTRO LLP



THE HEXAGEN LIMITED UNAPPROVED  
COMPANY SHARE OPTION PLAN 1996

Adopted by the Company on 18th November 1996  
Amended on 28th January 1997  
Amended on 21st September 1998

Cameron McKenna  
Mitre House, 160 Aldersgate Street  
London EC1A 4DD  
Tel: 0171 367 3000 Fax: 0171 367 2000

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1. Definitions

1.1 In this Plan the words and expressions set out below shall have the meanings specified against them unless otherwise specifically provided and any reference to a provision of an Act of Parliament shall include any modification, consolidation, re-enactment or extension of it.

"the Auditors"	the auditors (acting as expert not arbitrators) for the time being of the Company or in the event of there being joint auditors such one of them as the Directors shall select;
"Business Day"	a day on which mid market spot currency rates against pounds sterling are published in the Financial Times;
"the Company"	Hexagen Limited;
"Control"	the meaning given to that expression by Section 840 of the Taxes Act;
"Date of Adoption"	the date of the adoption of this Plan;
"Date of Announcement"	the date on which the Company makes an announcement of its results for the last preceding financial year, half year or other period;
"Date of Grant"	the date which is specified in the Option Certificate issued in accordance with Rule 2.5;
"Dealing Day"	a day on which the London Stock Exchange or any other market that is supervised by a regulatory authority is open for the transaction of business;
"Directors"	the Directors for the time being of the Company or the Directors present at a duly convened meeting of the Directors or of a duly appointed committee of the Directors at which a quorum is present including, without limiting the generality of the foregoing, the Remuneration Committee;
"Eligible Person"	any person who at the Date of Grant, is a director of the Company and/or any Subsidiary or any employee of the Company and/or any Subsidiary;
"Exercise Condition"	a condition attaching to an Option in accordance with Rule 2.2;
"Group Member"	a Participating Company or a body corporate which is (within the meaning of Section 736 of the Companies Act 1985) the Company's holding company or a Subsidiary of the Company's holding company or any other body corporate nominated by the Board for this purpose which is not under the Control of any single person, but is under the Control of two or more persons, one of whom being the Company or the Company's holding company and in relation to which the Company, or as the case may be, the Company's holding company is able (whether directly or

indirectly) to exercise 20% or more of its equity voting rights;

"Issue or Re-organisation" any issue of shares or other securities of the Company (other than as consideration for an acquisition) and/or any capitalisation, consolidation or sub-division or reduction of share capital in the Company and/or any other variation in the share capital of the Company which in the opinion of the Auditors justifies a variation in the number of shares subject to an Option and/or the Option Price pursuant to that Option;

"the London Stock Exchange" London Stock Exchange Limited;

"Market Value" such value per share, in relation to which an Option is to be granted, as the Company may consider to be the market value thereof on the day preceding the relevant Date of Grant or, if later, the date of the Directors' resolution to grant an Option pursuant to Rule 2.5 and determined in accordance with Part VIII of the Taxation of Chargeable Gains Act 1992 or if such shares are at that time listed on the London Stock Exchange the average of the middle market quotations of a share as derived from the London Stock Exchange Daily Official List on the 3 Dealing Days preceding the relevant Date of Grant or if such shares are at that time not listed on the London Stock Exchange but are listed on another market supervised by any regulatory authority the average of the middle market quotations of a share as derived from the relevant official daily publication of that market on the three Dealing Days preceding the relevant Date of Grant (and where the price is not quoted in (pound) Sterling converted at the closing mid-point spot rate of exchange in the London foreign exchange markets);

"Non-vested Option" shall be that part of an Option that has the meaning described in Rule 3.2;

Normal Anticipated Retirement Date" the date upon which an Eligible Person attains 65 years of age or such other age at which an Eligible Person is required to retire by his contract of employment;

"Option" a right granted to acquire shares in the Company;

"Option Certificate" a certificate issued to an Option Holder in accordance with Rule 2.5;

"Option Holder" a person holding an Option;

"Option Price" the acquisition price for a share comprised in any Option which shall be determined by the Directors and shall be not less than the nominal value of a share;

"Parallel Options" options granted contemporaneously under any other discretionary share option scheme adopted by the Company

	or any Subsidiary and which are expressed to be linked to Options granted under this Plan;
"Participating Company"	the Company and any Subsidiary which is for the time being nominated by the Directors to be a company participating in this Plan;
"this Plan"	the Hexagen Limited Unapproved Company Share Option Plan 1996 established by these Rules in its present form or as from time to time amended in accordance with the provisions hereof;
"Redundancy"	dismissal by reason of redundancy within the meaning given to that term by the Employment Protection (Consolidation) Act 1978 or the Contracts of Employment and Redundancy Payments Act (Northern Ireland) 1965;
"the Remuneration Committee"	the remuneration committee of the board of Directors;
"Retirement"	retirement at Normal Anticipated Retirement Date or such other date at which it is agreed with the Group Member by which he is employed that such Eligible Person may retire;
"Subsidiary"	a company which is both under the Control of the Company and which is a subsidiary of the Company within the meaning of Section 736 of the Companies Act 1985;
"the Taxes Act"	the Income and Corporation Taxes Act 1988 (as amended);
"Vested Option"	shall be that part of an Option that has the meaning described in Rule 3.2;
"Vested Shares"	shares allotted or transferred to an Option Holder pursuant to Rule 6.3 following the valid exercise of a Vested Option;
"Year of Assessment"	a fiscal year from 6th April to 5th April;

1.2 In these Rules unless the context otherwise requires words denoting the singular number shall include the plural number and words denoting the masculine gender shall include the feminine gender.

## 2. Participation

2.1 The Directors with the approval of the Remuneration Committee may, on such dates as they shall determine (subject to Rules 2.3 and 2.4 below) grant Options to such Eligible Persons as they may in their absolute discretion select. No Eligible Person shall be entitled as of right to participate in this Plan.

2.2 The Directors acting on the recommendation of the Remuneration Committee may impose an objective condition on any Option which they grant preventing its exercise (other than in accordance with Rules 5.2, (except in the case of Retirement) and 5.3) unless such condition has been complied with ("the Exercise Condition"). If, after the Directors have imposed an Exercise Condition, events happen which cause them to consider that it is no longer appropriate they may vary the Exercise Condition.

- 2.3 Subject to Rule 2.4 below if and for so long as the shares in the Company are admitted to the Official List of the London Stock Exchange or are admitted to trading on the Alternative Investment Market or in any other market supervised by any regulatory authority the Directors may only grant Options within the periods commencing:
- 2.3.1 on the fourth Dealing Day next following the Date of Adoption and ending 42 days after such Date of Adoption; or
- 2.3.2 on the fourth Dealing Day next following a Date of Announcement and ending 42 days after such Date of Announcement.
- 2.4 Notwithstanding Rule 2.3 above the Directors may grant Options outside the periods specified in Rule 2.3 above in circumstances which the Directors in their absolute discretion deem sufficiently exceptional to justify the grant of options at that time.
- 2.5 The Directors shall grant Options by resolution. As soon as practicable thereafter, the Directors shall issue in respect of each Option granted as aforesaid an Option Certificate given under seal or executed as a deed which Option Certificate will specify the Date of Grant. The Option Certificate shall be in such form as the Directors shall from time to time determine and shall specify the number of shares comprised in the Option, the Date of Grant as determined by the Directors, any Exercise Condition and Parallel Option Condition and the Option Price. For the avoidance of doubt the Directors may specify a Date of Grant which pre-dates the date of the resolution to grant an Option.
- 2.6 Any Eligible Person to whom an Option is granted may by notice given in writing within 30 days after the Option Certificate is issued to them renounce his rights thereto, in which event such Option shall be deemed for all purposes never to have been granted.
- 2.7 Each Option shall be personal to the Option Holder to whom it is granted and other than a transfer to the Option Holder's personal representatives on death shall not be transferable, assignable or chargeable. Any other purported transfer, assignment, charge, disposal or dealing with the rights and interests of the Option Holder under this Plan shall render the Option void.
- 2.8 The Directors may also impose a condition ("the Parallel Option Condition") on any Option that in the event of the Option Holder exercising a Parallel Option, that Option shall immediately lapse in respect of the underlying shares in respect of which the Parallel Option shall have been exercised.
- 2.9 For the purpose of Rule 2.8 Options shall be treated as lapsing in the order in which they were originally granted.
- 2.10 In the event of an Option lapsing under Rule 2.8 in part only, the balance of the Option shall continue to be exercisable in accordance with this Plan.
3. Exercise Condition and Vesting
- 3.1 An Option granted pursuant to this Plan shall, unless decided otherwise by the Directors and stated on the Option Certificate, be subject to a vesting arrangement such that the following Exercise Condition shall apply:

Time of Exercisability  
-----  
of relevant option  
-----

Maximum percentage of relevant  
-----  
option that may be exercised  
-----

prior to 1st anniversary of the Date of Grant

0%

upon the 1st anniversary of the Date of Grant

25%

after 1 year from the Date of Grant but the  
before the 4th anniversary from Date of Grant

25% plus approximately  
2.0834% for each complete  
month after the first 12  
months from the Date of Grant

on or after the 4th anniversary of the  
Date of Grant

100%

3.2 The part of an Option which has become exercisable pursuant to the terms of Rule 3.1 or any other Exercise Condition that may be imposed shall be termed a "Vested Option", whereas the part of an Option which has yet to reach the date of exercise pursuant to the terms of Rule 3.1 or any other Exercise Condition shall be termed a "Non-vested Option".

3.3 Upon the allotment or transfer of Vested Shares to an Option Holder (or his nominee), the shares shall be the property of the Option Holder. For the avoidance of doubt, the allotment or transfer of such Vested Shares to an Option Holder (or his nominee) shall be irrevocable regardless of whether the Option Holder remains or ceases to be an eligible person of a Group after the date of allotment or transfer as the case may be.

4. Market Value

4.1 For the purpose of this Plan, the market value of the shares in relation to which the Option was granted shall be calculated in the case of an Option granted under this Plan by reference to the Market Value (as defined in Rule 1.1 above).

4.2 No Options shall in any event be offered more than 10 years after the Date of Adoption.

5. Rights to exercise options

5.1 Subject to the provisions of Rules 5.2 and 5.3 an Option shall be capable of being exercised in accordance with the provisions of Rule 6:

5.1.1 not earlier than such date as the Directors shall decide and indicate in the Option Certificate concerned; and

5.1.2 before the seventh anniversary of its Date of Grant or such earlier date as the Directors may specify,

Provided that any relevant Exercise Condition has been satisfied, unless the Rules provide otherwise.

No Option may be granted, exercised, released or surrendered at a time when such grant, exercise, release or surrender would not be in accordance with the "Model Code for Securities Transactions by Directors of Listed Companies" issued by the London Stock Exchange as amended from time to time.

5.2 If an Option Holder ceases for any reason (otherwise than by reason of his death) to be an Eligible Person of a Group Member any Vested Option at the date of such event or cessation held by him may (and subject to Rule 5.3 below may, if at all) be exercised within 12 months of such event or cessation subject always to satisfaction of any relevant Exercise Condition. Any Non-vested Option shall lapse upon the date of such event or cessation and shall not be exercisable during the period of 12 months thereafter or at any other time unless the Directors otherwise permit.

For the avoidance of doubt and without prejudice to the generality of this Rule 5.2 the reasons for an Option Holder ceasing to be an Eligible Person of a Group Member includes: termination of his employment with a Group Member by him or by a Group Member under the conditions of his contract with such Group Member; injury; disability; pregnancy; sickness; Redundancy; Retirement; the company for which the Option Holder works ceasing to be a Group Member; or the business or part-business in which the Option Holder works being transferred to a person who is not a Group Member.

An Option Holder shall not be treated for the purposes of this Rule 5.2 as ceasing to be an Eligible Person of a Group Member until such time as he is no longer a director or employee of any Group Member, and a female Option Holder who ceases to be such an Eligible Person by reason of pregnancy or confinement and who returns to work at the end of the maternity leave period conferred on her by section 33 of the Employment Protection (Consolidation) Act 1978 or who exercises her right to return to work following maternity absence in the circumstances described in section 39 of the Employment Protection (Consolidation) Act 1978 (or otherwise returns to work if the Directors so determine) before exercising an Option under this Plan shall be treated for those purposes as not having ceased to be such an Eligible Person. For the avoidance of doubt the period of maternity absence for a female Option Holder who returns to work in the circumstances described in Section 39 of the Employment Protection (Consolidation) Act 1978 shall qualify in full for any vesting period pursuant to the Exercise Condition set out in Rule 3.1 or any other Exercise Condition meaning that there shall be no interruption in any vesting period during such maternity absence.

5.3 If an Option Holder dies before exercising an Option granted to him under this Plan and at a time when he is either an Eligible Person of a Group Member or entitled to exercise the Option by virtue of Rule 5.2 above, any Vested Option at the date of his death may (and must, if at all) be exercised by his personal representatives within 12 months after the date of his death. Any Non-vested Option shall lapse upon the date of his death and shall not be exercisable by his personal representatives during the period of 12 months thereafter or at any other time, unless the Directors otherwise permit. For the avoidance of doubt, if an Option Holder dies before exercise of a Vested Option in the 12 months subsequent to his ceasing to be an Eligible Person of a Group Member pursuant to Rule 5.2 above, his personal representatives may exercise the Vested Option within 12 months after the date of death, notwithstanding the period that has elapsed since his ceasing to be an Eligible Person of a Group Member.

5.4 Notwithstanding any other provision of this Plan, an Option granted under this Plan may not be exercised after the expiration of the period of 7 years (or such shorter period as the Directors may have determined before the grant thereof) beginning with the Date of Grant.



6. Exercise of options
- 6.1 Options may be exercised in whole or in part.
- 6.2 The exercise of any Option granted under this Plan shall be effected by giving notice to the Company and otherwise in such form and manner as the Directors may from time to time prescribe and, unless the Directors determine otherwise, any such notice shall have effect only on its receipt by the Company, together with the appropriate payment.
- 6.3 Subject to Rule 6.4 below, within 30 days after an Option under this Plan has been exercised by any person, the Directors on behalf of the Company shall allot to him (or his nominee) or, as appropriate, procure the transfer to him (or his nominee) of the number of shares in respect of which the Option has been exercised, provided that, for the avoidance of doubt, where shares are so allotted or transferred to a nominee, the beneficial interest in them must vest in the person who exercised the Option.
- 6.4 All shares allotted under this Plan shall rank pari passu in all respects with the shares of the same class for the time being in issue save as regards any rights attaching to such shares by reference to a record date prior to the date of the allotment, and in the case of the transfer of existing shares, the transferee shall not acquire any rights attaching to such shares by reference to a record date prior to the date of the transfer.
- 6.5 The allotment or transfer of any shares under this Plan shall be subject to obtaining any approval or consent mentioned in Rule 12.5 below.
7. Adjustment of options for variation of share capital
- 7.1 In the event of a subdivision of the outstanding shares ("Shares") of the company whose shares may be acquired by the exercise of Options granted under this Plan (hereinafter, the "Company"), a declaration of a dividend payable in Shares or other securities of the Company, a declaration of a dividend payable in a form other than Shares or other securities of the Company in an amount that has a material effect on the value of Shares, a combination or consolidation of the outstanding Shares into a lesser number of Shares, a recapitalisation, a spinoff, a reclassification or a similar occurrence, the Board of Directors of the Company (or the committee thereof to which administration of this Plan has been delegated) shall make appropriate adjustments in one or both of:
- 7.1.1 the number of whole Shares issuable pursuant to the exercise of each outstanding Option; or
- 7.1.2 the exercise price under each outstanding Option.
- 7.2 In the event that the Company is a party to a merger or other reorganisation, outstanding Options shall be subject to the agreement of merger or reorganisation. Such agreement may provide, without limitation:
- 7.2.1 for the assumption of outstanding Options by the surviving corporation or its parent and for the administration of the Plan by the surviving corporation or its parent;
- 7.2.2 for their continuation by the Company, if the Company is a surviving corporation;
- 7.2.3 for payment of a cash settlement equal to the difference between the amount to be paid for a Share pursuant to such agreement and the exercise price; or

7.2.4 for the acceleration of their exercisability followed by the cancellation of Options not exercised,

in all cases without the Option Holders' consent. Any cancellation shall not occur until after such acceleration is effective and Option Holders have been notified of such acceleration.

7.3 Except as provided in this Rule 7, an Option Holder shall have no rights by reason of:

7.3.1 any subdivision or consolidation of shares of stock of any class or series of the Company;

7.3.2 the payment of any dividend; or

7.3.3 any other increase or decrease in the number of shares of stock of any class or series of the Company. Any issue by the Company of shares of stock of any class or series, or securities convertible into shares of stock of any class or series, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number or Option Price of Shares subject to an Option. The grant of an Option pursuant to the Plan shall not affect in any way the right or power of the Company to make adjustments, reclassifications, reorganisations or changes of its capital or business structure, to merge or consolidate or to dissolve, liquidate, sell or transfer all or any part of its business or assets.

7.4 As soon as reasonably practicable after making any adjustment under Rule 7.1 above, the Directors shall give notice in writing thereof to any Option Holders affected thereby.

8. Expenses

Any expenses of the Company involved in any issue or transfer of shares in the name of any Option Holder or his personal representative(s) or nominee(s) shall be payable by the Company.

9. Indemnity

9.1 In any case where an Option holder exercises his option and:

9.1.1 the Company is treated, by virtue of any of Sections 203B to 203I of the Taxes Act, as having made a payment of income of an Option holder which is assessable to income tax under Schedule E; and

9.1.2 the Company is required by virtue of Section 203J(3) of the Taxes Act, to account for an amount of income tax ("the due amount") in respect of that payment;

the Option holder shall, before the end of the period of thirty days from the date on which the Company is treated as making that payment, make good to the Company the amount so accounted for.

9.2 Unless the Option holder pays the due amount to the Company in accordance with Rule 9.1, shares will not be issued or transferred to the Option Holder, as the case may be, nor shall the Option holder's name be entered in the Register of Members of the Company until such time as the due amount is paid to the Company.

10. Administration

- 10.1 Any notification or other notice in writing which the Company is required to give, or may desire to give, to any Eligible Person or Option Holder (or his personal representative(s)) in pursuance of this Plan shall be sufficiently given if delivered to him by hand or sent through the post in prepaid cover addressed to the Eligible Person or Option Holder (or his personal representative(s)) at the last address known to the Company as being his address. Any certificate, notification or other notice in writing required to be given to the Company shall be properly given if sent to or delivered to the Company at its registered office. Any notification, certificate or other notices sent by post shall be deemed delivered on the second day following the date of posting. All notices documents certificates given by or to an Eligible Person or Option Holder (or his personal representative(s)) shall be sent at his risk.
- 10.2 Option Holders (or their personal representative(s)) shall have made available to them copies of all notices and other documents sent by the Company to its holders of shares generally.

11. General

- 11.1 The Directors shall at all times ensure that there are sufficient shares available as may be required to meet the subsisting rights of Option Holders by either ensuring that the Company shall at all times keep available for allotment unissued shares at least sufficient to satisfy Options under which shares may be subscribed for and/or to procure that sufficient shares are available for transfer to satisfy Options.
- 11.2 The Company shall at its expense make application to the London Stock Exchange for admission to the Official List of all shares allotted pursuant to the exercise of any Option provided that shares are at that time listed on the London Stock Exchange.
- 11.3 The decision of the Directors in any dispute or question relating to any Option shall be final and conclusive, subject to the written confirmation of the Auditors whenever required under the provisions of this Plan.
- 11.4 Participation in this Plan by an Option Holder is a matter entirely separate from any pension right or entitlement he may have and from his terms or conditions of employment with any Group Member and participation in this Plan shall in no respects whatever affect in any way an Option Holder's pension rights or entitlement or terms or conditions of employment with any Group Member. In particular (but without limiting the generality of the foregoing words) any Option Holder who leaves employment with any Group Member shall not be entitled to any compensation for any loss of any right or benefit or prospective right or benefit under this Plan which he might otherwise have enjoyed whether such compensation is claimed by way of damages for wrongful dismissal or breach of contract or by way of compensation for loss of office or otherwise howsoever.
- 11.5 The grant of an Option shall be subject to obtaining any approval or consent required under the provisions of the document "Admission of Securities to Listing" published by the London Stock Exchange, of the City Code on Takeovers and Mergers, or of any regulations and enactments.
- 11.6 In the event that shares are transferred or issued to an Option Holder in pursuance of any Option granted under this Plan, the Option Holder shall, if so required by the person making the transfer, join that person in making a claim for relief under section 165 of the Taxation of Chargeable Gains Act 1992 in respect of the disposal made by him in effecting such transfer.

12. Alterations

- 12.1 Subject to Rules 12.2, 12.4 and 12.5 below, the Directors may at any time alter or add to all or any of the provisions of this Plan, or the terms of any Option granted under it (including the Exercise Condition), in any respect. For the avoidance of doubt however no alteration, deletion or addition to the Exercise Condition shall require the approval by ordinary resolution of the members of the Company in general meeting, as described in Rule 12.2.
- 12.2 Subject to Rule 12.3 below, no alteration or addition to the advantage of Option Holders shall be made under Rule 12.1 above without the prior approval by ordinary resolution of the members of the Company in general meeting.
- 12.3 Rule 12.2 above shall not apply to any alteration or addition which:-
- 12.3.1 is necessary or desirable in order to comply with the provisions of any proposed or existing legislation, or to obtain or maintain favourable taxation, exchange control or regulatory treatment of any Participating Company, Group Member or Option Holder, and is not made to Rule 3 above or
  - 12.3.2 is minor in nature and is made to benefit the administration of this Plan.
- 12.4 No alteration or addition to the disadvantage of any Option Holder shall be made under Rule 12.1 above unless:-
- 12.4.1 the Directors shall have invited every relevant Option Holder to give an indication as to whether or not he approves the alteration or addition, and
  - 12.4.2 the alteration or addition is approved by a majority of those Option Holders who have given such an indication.
- 12.5 As soon as reasonably practicable after making any alteration or addition under Rule 12.1 above, the Directors shall give notice in writing thereof to any Option Holder affected thereby.

13. Trustees

A Participating Company may provide money to the trustees of any trust or any other person to enable him to acquire shares to be held for the purposes of this Plan, or enter into any guarantee or indemnity for these purposes, to the extent permitted by Section 153 of the Companies Act 1985.

14. Inland Revenue Requests

The Company shall provide to the Inland Revenue (within such time limit as the Inland Revenue directs) any information required by it and an Option Holder shall:-

- 14.1 promptly provide to the Company such information as it may reasonably request; and
- 14.2 consent to the Company providing such information concerning him to the Inland Revenue for the purpose of complying with such request from the Inland Revenue.

15. Termination

The Company in general meeting or the Directors may at any time resolve to terminate this Plan in which event no further Options shall be granted, but the provisions of this Plan shall in relation to Options then subsisting continue in full force and effect.

Dated  
1998

-----  
[ ]

AND

INCYTE PHARMACEUTICALS, INC.

AND

HEXAGEN LIMITED

-----  
SHARE EXCHANGE OPTION AGREEMENT  
-----

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Dated:

BETWEEN:

- (1) \_\_\_\_\_ of \_\_\_\_\_ (the "Option Holder"); and
- (2) INCYTE PHARMACEUTICALS, INC., a corporation incorporated in the State of Delaware, USA whose principal place of business is at 3174 Porter Drive, Palo Alto, CA 94304, United State of America ("Incyte"); and
- (3) HEXAGEN LIMITED (registered in England with number 317808) whose registered office is at 214 Cambridge Science Park, Milton Park, Cambridge, CB4 4WA ("Hexagen").

1. Recitals

- 1.1 The Option Holder holds options over [ ] ordinary shares in Hexagen (the "Original Share Option") pursuant to an option agreement between the Option Holder and Hexagen executed on \_\_\_\_\_ (the "Original Option Agreement").
- 1.2 Upon exercise of the Original Share Option the Option Holder wishes to have the opportunity to offer to Incyte and Incyte wishes to have the opportunity to require the purchase of the Hexagen ordinary shares issued in respect thereof in exchange for Incyte Common Stock.
- 1.3 Incyte is prepared to offer to the Option Holder in exchange for his ordinary shares in Hexagen such number of shares of Incyte Common Stock as is determined in accordance with the provisions of this Agreement. Should the Original Share Option be exercised in full, [ ] shares of Incyte Common Stock (subject to adjustment as provided in clause 7.1) would be offered in exchange for such Hexagen shares.

2. Definitions

"Incyte Common Stock" means the common stock, \$0.001 par value, of Incyte, and any securities of Incyte issued as a dividend or other distribution with respect to or in exchange for or in replacement of such Common Stock.

"Incyte Exchange Option" means the option granted to Incyte under clause 3.1;

"Exchange Options" means the Incyte Exchange Option and the Option Holder Exchange Option;

"Exchange Ratio" means the calculation set out at Schedule III to the Share Purchase Agreement between Incyte, Hexagen and the shareholders of Hexagen being Appendix A to an agreement between Incyte and Hexagen dated 14th August 1998;

"Exchange Shares" means the Incyte Common Stock to be issued and exchanged by Incyte for Hexagen Shares as set out herein;

"Original Option Agreement" means an Agreement granting the Original Share Option to the Option Holder under the terms and conditions specified therein;

"Original Share Option" means the option to acquire ordinary shares in Hexagen granted by Hexagen pursuant to the Original Option Agreement to the Option Holder;



"Option Holder Exchange Option" means the option granted to the Option Holder under clause 3.2; and

"Hexagen Shares" means the ordinary shares in Hexagen issued to the Option Holder following the exercise of his Original Share Option.

3. Grant of Exchange Option

3.1 The Option Holder grants to Incyte an option to purchase his Hexagen Shares in accordance with the terms herein.

3.2 Incyte grants to the Option Holder an option to require Incyte to purchase his Hexagen Shares in accordance with the terms herein.

4. Exercise of Original Option by Option Holder

When the Original Share Option becomes exercisable the Option Holder may exercise it in whole or in part in accordance with the terms of the Original Share Option.

5. Exercise of Option Holder Exchange Option

5.1 If the Option Holder wishes to exercise his Option Holder Exchange Option, he shall be required to give notice in writing (the "Exchange Exercise Notice") to Incyte of his intention to exercise the Option Holder Exchange Option no later than five days following his exercise of an Original Share Option, whether such exercise be in whole or part. The Exchange Exercise Notice shall indicate the number of Hexagen Shares in respect of which the exercise is to take effect.

5.2 For the avoidance of doubt, the Option Holder shall be entitled to so exercise his Option Holder Exchange Option on each occasion that he exercises an Original Share Option (whether in whole or part).

6. Exercise of Incyte Exchange Option

6.1 The Option Holder is required to give notice in writing (the "Option Exercise Notice") to Incyte upon any exercise by him of the Original Share Option and such Option Exercise Notice shall be given no later than five days following his exercise of an Original Share Option. The Option Exercise Notice shall set out the number of shares in respect of which he has so exercised the Original Share Option. The Option Holder acknowledges that the service on Incyte itself of such Option Exercise Notice within five days of the exercise of an Original Share Option is to be a requirement for a valid exercise of the said Original Share Option.

6.2 If Incyte wishes to exercise its Incyte Exchange Option, it shall be required to give notice in writing to the Original Option Holder no later than five days following receipt of the Option Exercise Notice, such notice by Incyte to indicate the number of Hexagen Shares in respect of which it so exercises the Incyte Exchange Option.

7. Consideration

7.1 On any exercise of an Incyte Exchange Option or an Option Holder Exchange Option, the consideration payable by Incyte for the acquisition of Hexagen Shares from the Option Holder shall be the issue of Exchange Shares in accordance with the Exchange Ratio provided always that in the event of a rights or capitalisation issue in respect of the shares in Incyte, or a reduction, consolidation, subdivision or reorganisation of Incyte's share capital, such number of Exchange Shares to be issued to the Option Holder shall be subject to adjustment by the Directors of Incyte so as to protect any appreciation in the value of the shares over which Incyte Exchange Option or an Option Holder Exchange Option is granted and if there be a dispute over the number of Exchange Shares to be issued hereunder, such dispute is to be settled by Incyte's auditors for the time being, acting as experts and not as arbitrators, who shall decide what is fair and reasonable.

8. Completion

8.1 Completion of the exchange of any Hexagen Shares for Exchange Shares hereunder shall take place within seven business days of the giving of the relevant notice to exercise the Exchange Options hereunder pursuant to Clause 5 or Clause 6 as the case may be.

8.2 On the date of completion, Incyte shall issue a share certificate for the relevant number of Exchange Shares and deliver it to the Option Holder in exchange for the delivery by the Option Holder to Incyte of a share transfer, duly executed, in favour of the Company in respect of the relevant Hexagen Shares together with the certificate in respect of the Hexagen Shares.

9. Transfer Formalities

The Option Holder hereby irrevocably appoints such one of the Directors of Hexagen as Incyte shall nominate in writing as the Option Holder's attorney to execute, upon any completion as aforesaid, on his behalf any transfer of Hexagen Shares in favour of Incyte (or as Incyte may direct) and such other documents as may be necessary to transfer title thereto.

10. Governing Law

The construction, validity and performance of this Agreement shall be governed in all respects by English Law.

IN WITNESS whereof this Agreement has been executed as a Deed the day and year first above written.

EXECUTED as a Deed by )  
[ ] )  
in the presence of: )

..... Signature of Witness  
..... Name  
..... Address  
.....  
..... Occupation

EXECUTED as a Deed by )  
INCYTE PHARMACEUTICALS, INC. )  
acting by )

Authorized Officer

Secretary

EXECUTED as a Deed by )  
HEXAGEN LIMITED acting by )

Director

Director/Secretary

EXHIBIT 23.1

CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-8) pertaining to options issued by Incyte Pharmaceuticals, Inc. to former optionholders of Hexagen Limited of our report dated January 12, 1998, except for "Principles of Consolidation" in Note 1 and paragraph 3 of Note 7 as to which the date is January 22, 1998, with respect to the consolidated financial statements of Incyte Pharmaceuticals, Inc. included in its Current Report on Form 8-K dated June 12, 1998, filed with the Securities and Exchange Commission.

/s/ ERNST & YOUNG LLP

Palo Alto, California  
November 19, 1998