

INCYTE CORPORATION
COMPENSATION COMMITTEE CHARTER
(As adopted by the Board of Directors on March 24, 2004)

Purpose

The purpose of the Compensation Committee is to assist the Board in meeting its responsibilities with regard to oversight and determination of executive compensation and to review and make recommendations to the Board with respect to major compensation plans, policies and programs of the Corporation.

Membership and Procedures

Membership and Appointment. The Committee shall consist of at least three members of the Board, with the exact number being determined by the Board. Members of the Committee shall be appointed and replaced from time to time by the Board.

Independence and Qualifications. The members of the Committee shall each meet the independence and outside director requirements of the applicable provisions of the federal tax and securities laws and the rules and regulations promulgated thereunder and the applicable rules of The Nasdaq Stock Market.

Authority to Retain Advisors. In the course of its duties, the Committee shall have the sole authority, at the Corporation's expense, to retain and terminate any independent compensation consultant or other advisor as the Committee may deem appropriate, including the sole authority to approve any such advisor's fees and other retention terms.

Evaluation. The Committee shall periodically review and reassess the adequacy of this Charter and recommend any proposed changes to the Board.

Duties and Responsibilities

The Committee shall:

1. review and recommend for approval by the independent members of the Board the individual compensation of the Chief Executive Officer, and review and approve the individual compensation of each other executive officer;
2. develop and monitor compensation arrangements for the executive officers of the Corporation, including administration of performance-based compensation plans such as the Corporation's Incentive Compensation Plan;
3. administer the stock option plans of the Corporation (other than the Corporation's 1993 Directors' Stock Option Plan) in accordance with the

terms of such plans and to grant and issue, or recommend the grant and issuance of, awards thereunder, including stock options, stock units, restricted stock and stock appreciation rights, to executive officers of the Corporation and to other individuals not within the authority of the Non-Management Stock Option Committee;

4. review and make recommendations to the Board for changes in the Corporation's compensation and benefit plans and practices that are to be submitted to the Board;
5. administer other compensation plans that may be adopted from time to time as authorized by the Board, including the Corporation's Employee Stock Purchase Plan and 401(k) Plan(s);
6. establish and periodically review the Corporation's policies with respect to management perquisites;
7. finally determine, within parameters that may be established by the disinterested members of the full Board, the provisions of contracts for the executive officers of the Corporation that will govern the situation in which severance payments will be due upon change in control situations;
8. evaluate the Chief Executive Officer and other executive officers of the Corporation annually, with results communicated to the Chief Executive Officer and discussed with the full Board in an executive session;
9. make recommendations to the full Board regarding the fees to be paid to members of the Board;
10. perform such other activities and functions related to executive compensation as may be assigned from time to time by the Board, including, but not limited to preparing or causing to be prepared any reports or other disclosure required with respect to the Compensation Committee by any applicable proxy or other rules of the Securities and Exchange Commission; and
11. make regular reports on activities of the Committee to the full Board.