

INCYTE CORP

Form 424B7

January 22, 2007

Prospectus Supplement No. 3

To Prospectus dated December 8, 2006

\$151,800,000

Filed Pursuant to Rule 424(b)(7)

Registration No. 333-138866

**3½% Convertible Senior Notes due 2011
and Shares of Common Stock Issuable upon Conversion of the Notes**

This prospectus supplement no. 3 updates and amends certain information contained in the prospectus dated December 8, 2006, supplemented by prospectus supplement no. 1 dated December 22, 2006 and prospectus supplement no. 2 dated January 9, 2007, relating to the offer and sale from time to time by certain selling securityholders of up to \$151,800,000 aggregate principal amount of our 3½% convertible senior notes due 2011 and shares of our common stock issuable upon conversion of the notes. The terms of the notes are set forth in the prospectus. This prospectus supplement no. 3 is not complete without, and may not be utilized except in connection with, the accompanying prospectus, including any amendments or supplements thereto. This prospectus supplement no. 3 is qualified by reference to the prospectus, prospectus supplement no. 1 dated December 22, 2006 and prospectus supplement no. 2 dated January 9, 2007, except to the extent that the information in this prospectus supplement no. 3 supersedes the information contained in the prospectus, prospectus supplement no. 1, or prospectus supplement no. 2.

Investing in the notes or our common stock involves a high degree of risk. You should carefully read and consider the risks that are described in the Risk Factors section of the accompanying prospectus beginning on page 9.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement no. 3, the prospectus supplement no. 2 dated January 9, 2007, the prospectus supplement no. 1 dated December 22, 2006 or the prospectus dated December 8, 2006. Any representation to the contrary is a criminal offense.

The date of this prospectus supplement no. 3 is January 22, 2007

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The information in the table under the caption "Selling Security Holders" in the prospectus dated December 8, 2006 as supplemented by the prospectus supplement no. 1 dated December 22, 2006 and the prospectus supplement no. 2 dated January 9, 2007 is modified by adding the information below with respect to persons not previously listed in the prospectus, and by superseding the information with respect to persons listed below who were previously listed in the prospectus or a prospectus supplement with the information that is set forth below.

SELLING SECURITYHOLDERS

Name	Principal Amount of Notes Beneficially Owned that may be Offered (\$)	Percentage of Notes Outstanding (%)	Number of Shares of Common Stock Beneficially Owned	Number of Shares of Common Stock that may be Offered(1)	Percentage of Common Stock Outstanding (%) (2)
Empyrean Capital Fund, LP(3)	1,292,000	*	115,166	115,166	*
Empyrean Capital Overseas Benefit Plan Fund, Ltd.(3)	261,000	*	23,265	23,265	*
Empyrean Capital Overseas Fund, Ltd.(3)	2,447,000	1.6	% 218,121	218,121	*
GPC LX, LLC(4)(5)	1,500,000	*	133,707	133,707	*
Linden Capital, LP(6)	8,000,000	5.3	% 713,108	713,108	*
Radcliffe SPC, Ltd. for and on behalf of the Class A Segregated Portfolio(7)	12,500,000	8.2	% 1,114,231	1,114,231	1.3 %
Sandelman Partners Multi Strategy, Master Fund Ltd. (8)	17,000,000	11.2	% 1,515,354	1,515,354	1.8 %

* Less than 1%.

(1) Assumes conversion of all of the holder's notes at a conversion rate of 89.1385 shares of common stock per \$1,000 principal amount of notes. However, this conversion rate will be subject to adjustment as described under "Description of Notes - Conversion of Notes." As a result, the number of shares of common stock issuable upon conversion of the notes may increase or decrease in the future.

(2) Calculated based on Rule 13d-3(i), using 83,855,064 shares of common stock outstanding as of October 27, 2006. In calculating the amount for each holder, we treated as outstanding the number of shares of common stock issuable upon conversion of all of that holder's notes, but we did not assume conversion of any other notes.

(3) Tian Xue has sole voting control and sole investment control over these securities.

(4) Wolverine Asset Management, LLC ("WAM") has sole voting control and sole investment control over these securities. Christopher Gust is the portfolio manager that oversees the investment of the assets of GPC LX, LLC on behalf of WAM.

(5) The selling securityholder is an affiliate of a registered broker-dealer.

(6) Siu Min Wong has sole voting control and sole investment control over these securities.

(7) Pursuant to an investment management agreement, RG Capital Management, L.P. ("RG Capital") serves as the investment manager of Radcliffe SPC, Ltd.'s Class A Segregated Portfolio. RGC Management Company, LLC ("Management") is the general partner of RG Capital. Steve Katznelson and Gerald Stahlecker serve as the managing members of Management. Each of RG Capital, Management, Katznelson and Stahlecker disclaims beneficial ownership of the securities owned by Radcliffe SPC, Ltd. for and on behalf of the Class A Segregated Portfolio.

(8) Sandelman Partners, LP has sole voting control and sole investment control over these securities. The general partner of Sandelman Partners, LP is Sandelman Partners, GP LLC. Jonathan Sandelman is the managing member of Sandelman Partners, GP LLC.

Assumes that any other holder of notes or any future transferee from any such holder does not beneficially own any shares of our common stock other than the shares issuable upon conversion of the notes at the initial conversion rate.

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