Ironwood 4Q and Full Year 2016 Investor Update

February 21, 2017

Introduction

Meredith Kaya

Director, Investor Relations

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Safe Harbor Statement

This presentation contains forward-looking statements. Investors are cautioned not to place undue reliance on these forward-looking statements, including statements about the development, launch, introduction and commercial potential of linaclotide, lesinurad, our product candidates (including expectations related to the introduction of LINZESS 72 mcg dose and launch of DUZALLO) and the other products that we promote and the drivers, timing, impact and results thereof; expectations concerning the timing of when we will become cash flow positive; market size, growth and opportunity, including peak sales and the potential demand for linaclotide, lesinurad and our product candidates, as well as their potential impact on applicable markets; the potential indications for, and benefits of, linaclotide, lesinurad and our product candidates; the anticipated timing of preclinical, clinical and regulatory developments and the design, timing and results of clinical and preclinical studies; the potential for, and timing of, regulatory submissions and approvals for linaclotide, lesinurad and our product candidates; expected periods of patent exclusivity; the strength of the intellectual property protection for linaclotide, lesinurad and our product candidates and our intentions and efforts to protect such intellectual property; our potential for sustainable, high-margin growth and shareholder returns; and our financial performance and results, and guidance and expectations related thereto, including expectations related to Ironwood revenue CAGR, margin expansion, cash used for operations, LINZESS U.S. net sales, R&D expenses, SG&A expenses, total LINZESS marketing and sales expenses, net interest expenses, rapidly increasing LINZESS profitability and Ironwood revenues. Each forward-looking statement is subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in such statement. Applicable risks and uncertainties include the risk that we are unable to successfully integrate lesinurad into our existing business, commercialize lesinurad or realize the anticipated benefits of the lesinurad transaction; those related to the effectiveness of commercialization efforts by us and our partners; preclinical and clinical development, manufacturing and formulation development; our reliance on AstraZeneca to provide critical support services related to lesinurad; the risk that findings from our completed nonclinical and clinical studies may not be replicated in later studies; efficacy, safety and tolerability of linaclotide, lesinurad and our product candidates; decisions by regulatory authorities; the risk that we may never get sufficient patent protection for linaclotide and our product candidates or that we are not able to successfully protect such patents; the outcomes in legal proceedings to protect or enforce the patents relating to our products and product candidates, including ANDA litigation; developments in the intellectual property landscape; challenges from and rights of competitors or potential competitors; the risk that our planned investments do not have the anticipated effect on our company revenues, linaclotide, lesinurad or our product candidates; the risk that we are unable to manage our operating expenses or cash use for operations, or are unable to commercialize our products, within the guided ranges or otherwise as expected; and the risks listed under the heading "Risk Factors" and elsewhere in Ironwood's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016, and in our subsequent SEC filings. These forward-looking statements (except as otherwise noted) speak only as of the date of this presentation, and Ironwood undertakes no obligation to update these forward-looking statements. Further, Ironwood considers the net profit for the U.S. LINZESS brand collaboration with Allergan in assessing the product's performance and calculates it based on inputs from both Ironwood and Allergan. This figure should not be considered a substitute for Ironwood's GAAP financial results. An explanation of our calculation of this figure is provided on page 13 of this presentation.

4Q and Full Year 2016 Overview

Peter Hecht
Chief Executive Officer

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Ironwood: A Successful Commercial Biotech

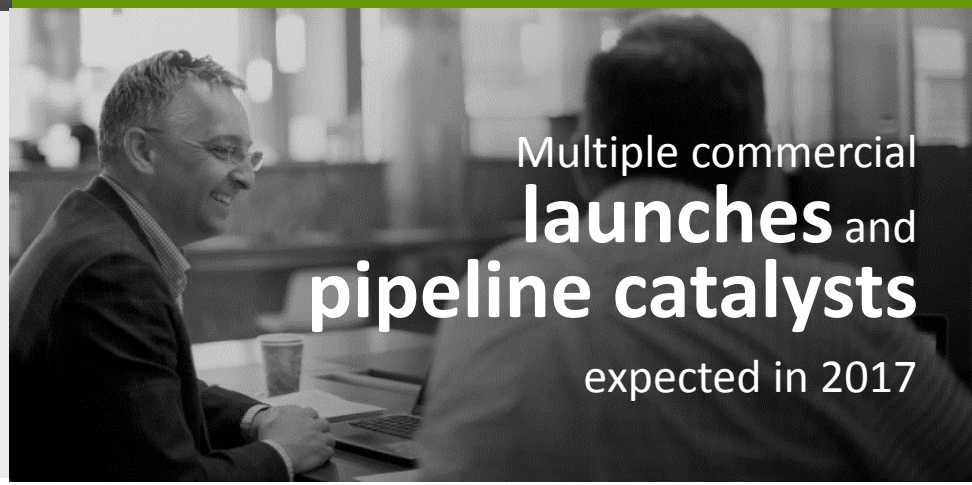
Creating outstanding value for patients and our fellow shareholders

Rapid growth

Expect >25% Ironwood revenue CAGR (2016-2020)[1]

Two innovative,
marketed products

Linzess® ZURAMPIC®



1) The >25% Ironwood revenue CAGR calculation excludes any current or future revenue recognized in the period related to milestone payments to Ironwood, including approximately $39 million recognized in 2016.

4Q and Full Year 2016 Financial Summary

Tom Graney
Chief Financial Officer and SVP, Finance and Corporate Strategy

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4Q and Full Year 2016 Financial Summary

Condensed Consolidated Statement of Operations (unaudited)

	Three Months Ended December 31, 2016	Year Ended December 31, 2016
	(000s, except per share amounts)	
Revenue	$ 87,459	$ 273,957
Cost and expenses:		
Cost of revenue	1,868	1,868
Write down of inventory and loss on purchase commitments	374	374
Research and development	38,442	139,492
Selling, general and administrative	55,208	173,281
Amortization of acquired intangible asset	(3,297)	981
Loss on fair value remeasurement of contingent consideration	1,164	9,831
Total cost and expenses	93,759	325,827
Loss from operations	(6,300)	(51,870)
Other expense, net	(7,205)	(29,838)
GAAP net loss	$ (13,505)	$ (81,708)
GAAP net loss per share – basic and diluted	$ (0.09)	$ (0.56)
Non-GAAP net loss	$ (17,741)	$ (79,042)
Non-GAAP net loss per share	$ (0.12)	$ (0.55)

*Refer to the Reconciliation of GAAP Results to Non-GAAP Financial Measures appearing on page 7 of this presentation.

4Q and Full Year 2016 2016 Ironwood Financial Summary

Reconciliation of GAAP Results to Non-GAAP Financial Measures

	Three Months Ended December 31, 2016	Year Ended December 31, 2016
	(000s, except per share amounts)	
GAAP net loss	$ (13,505)	$ (81,708)
Adjustments:		
Mark-to-market adjustments on the derivatives related to convertible notes, net	(2,103)	(8,146)
Amortization of acquired intangible asset	(3,297)	981
Fair value remeasurement of contingent consideration	1,164	9,831
Non-GAAP net loss	$ (17,741)	$ (79,042)
GAAP net loss per share (basic and diluted)	$ (0.09)	$ (0.56)
Adjustments to GAAP net loss (detailed above)	(0.03)	0.02
Non-GAAP net loss per share (basic and diluted)	$ (0.12)	$ (0.55)

The company presents non-GAAP net loss and non-GAAP net loss per share to exclude the impact of net gains and losses on the derivatives related to our convertible notes that are required to be marked-to-market, the amortization of acquired intangible assets, and the fair value remeasurement of contingent consideration. Investors should consider these non-GAAP measures only as a supplement to, not as a substitute for or as superior to, measures of financial performance prepared in accordance with GAAP. In addition, these non-GAAP financial measures are unlikely to be comparable with non-GAAP information provided by other companies. For a reconciliation of the company's non-GAAP financial measures to the most comparable GAAP measures, please refer to the table above. Additional information regarding the non-GAAP financial measures is included in the company's press release dated February 21, 2017.

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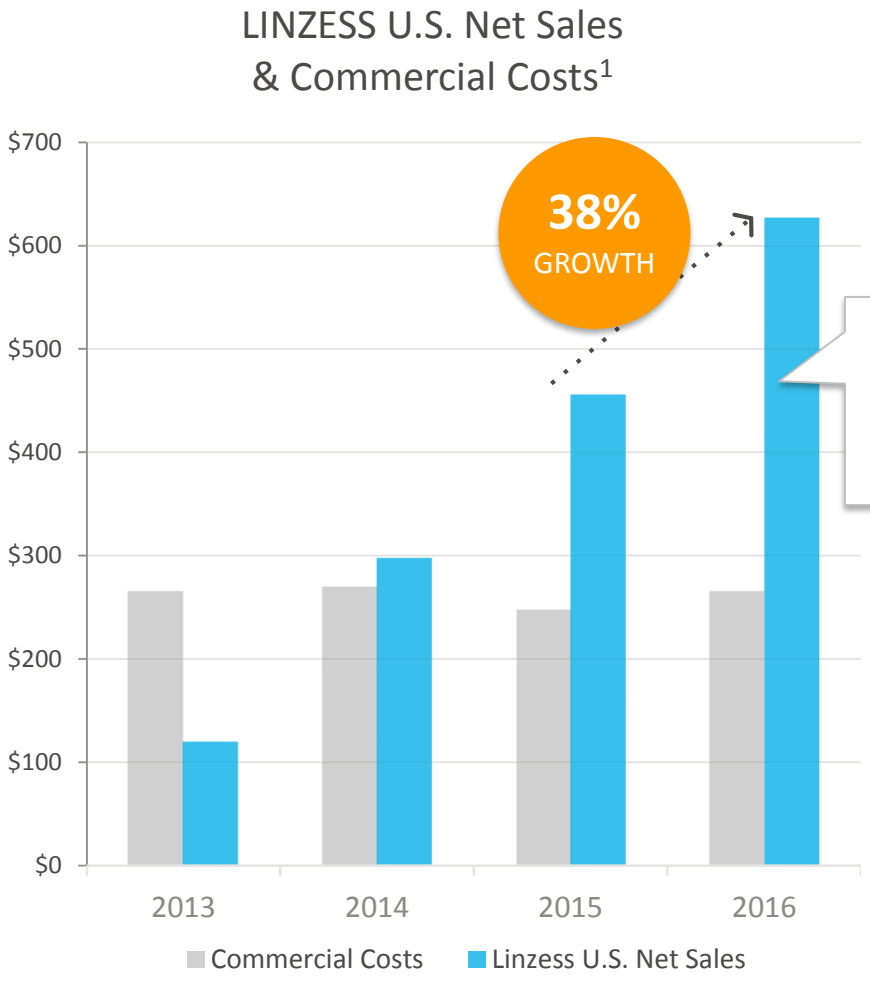
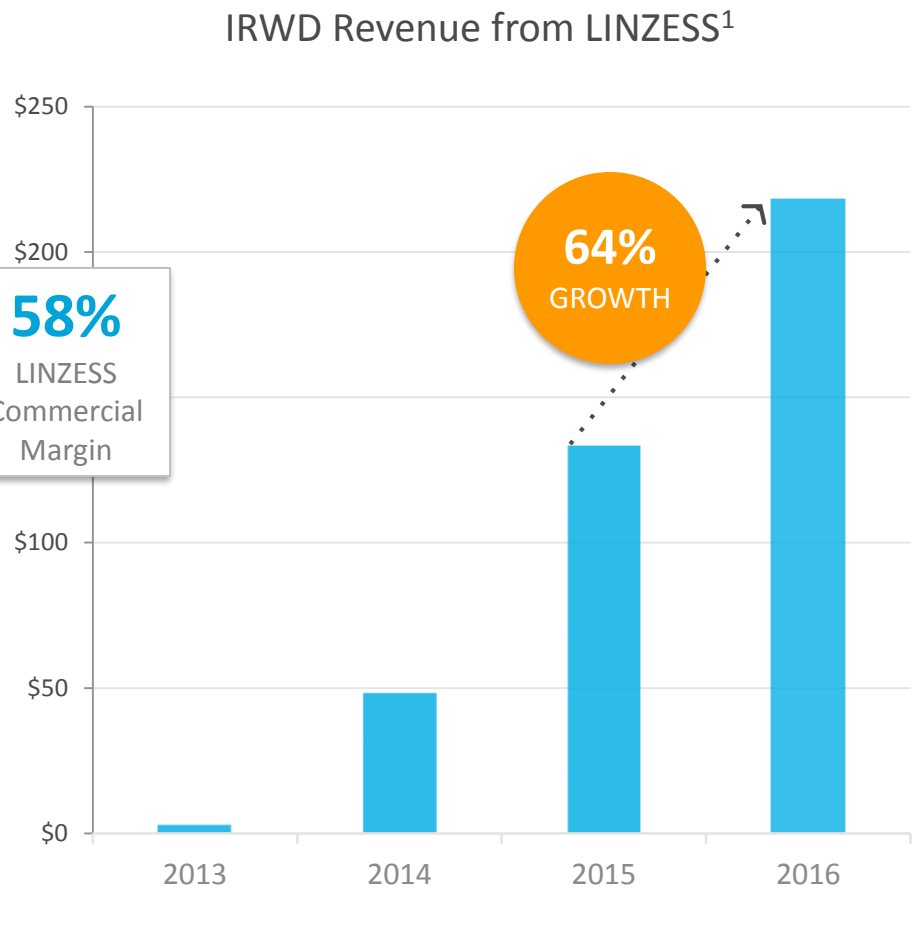
Rapidly Growing LINZESS Sales and Expanding Commercial Margin Drive Ironwood Revenue Growth





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1) LINZESS U.S. net sales are reported by Allergan and LINZESS commercial costs incurred by each of us and Allergan are reported in our respective financial statements. An explanation of the calculation of LINZESS commercial margin is included in the company's press release dated February 21, 2017.

Continuing Momentum in 2017 Provides Opportunity for Further Value Creation

Ironwood Expects:

- **Continued strong LINZESS growth and margin expansion; introduce LINZESS 72mcg dose** (1Q 2017)
- **ZURAMPIC market development; DUZALLO launch, if approved** (2H 2017)
- **Linaclotide CR1 Phase III initiation** (2H 2017)
- **IW-3718 Phase IIb data** (mid-2017)
- **sGC Phase II readouts/study starts** (2017)
- **LINZESS IBS-C launch in Japan** (1H 2017)
- **Turning cash flow positive during 2018**

Strong 2016 Performance Supports Additional Prudent Investments in 2017

2017 Financial Guidance

R&D Expenses	$145 - $160 million
SG&A Expenses	$235 - $250 million
Total LINZESS Marketing & Sales Expenses (IRWD + AGN)	$250 - $280 million
Net Interest Expense	~$40 million
Cash Used for Operations	<$100 million

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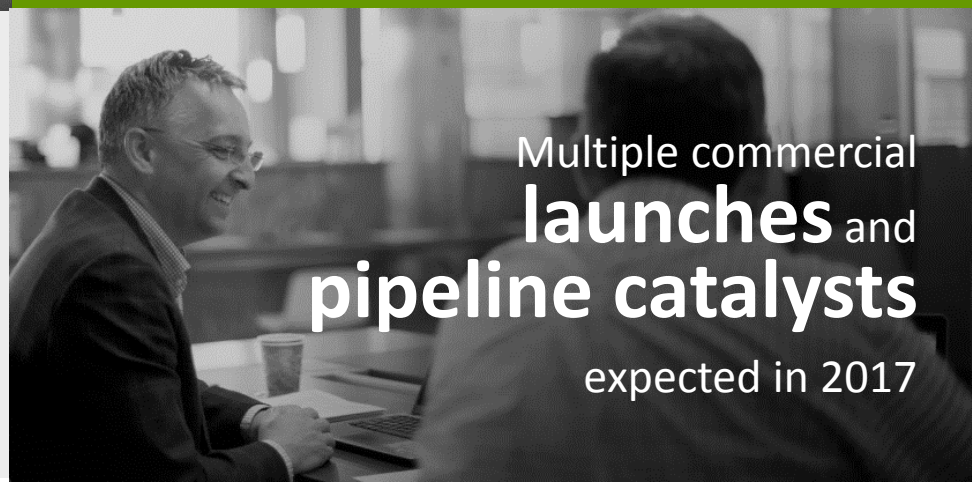

1) The >25% Ironwood revenue CAGR calculation excludes any current or future revenue recognized in the period related to milestone payments to Ironwood, including approximately $39 million recognized in 2016.

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A COMMERCIAL BIOTECHNOLOGY COMPANY

4Q and Full Year 2016 Financial Summary

LINZESS U.S. Brand Collaboration

Ironwood Revenue/Expense Calculation

Commercial Pool[1]

	Three Months Ended December 31, 2016 (000s)	Year Ended December 31, 2016 (000s)
LINZESS U.S. net product sales	$ 173,575	$ 625,555
Commercial costs and expenses	67,397	265,238
Commercial profit on sales of LINZESS	$ 106,178	$ 360,317
Commercial Margin	*61%*	*58%*
Ironwood's share of net profit	53,089	180,159
Ironwood's selling & marketing	9,674	35,197
Profit share adjustment		2,370
Ironwood's collaboration revenue	$ 62,763	$ 217,726

R&D Pool[2]

Ironwood's 50% Share	8,244	36,214

Ironwood & Allergan Combined U.S. LINZESS P&L

	Three Months Ended December 31, 2016 (000s)	Year Ended December 31, 2016 (000s)
LINZESS U.S. net product sales	$ 173,575	$625,555
Commercial costs and expenses	67,397	265,238
R&D expenses	16,487	72,428
Net profit on sales of LINZESS	$ 89,691	287,889

	4Q 2015		4Q 2016
LINZESS sales	$129.7M	+ $43.9M	$173.6M
Commercial profit	$83.8M	+ $22.4M	$106.2M

	2015		2016
LINZESS sales	$454.8M	+ $170.8M	$625.6M
Commercial profit	$207.5M	+ $152.8M	$360.3M

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1) The purpose of the Commercial Pool table is to present the calculation of Ironwood's share of net profits or losses generated from sales of LINZESS in the U.S. and Ironwood's collaboration revenue or expense; 2) the R&D Pool table presents the research and development expenses related to LINZESS in the U.S. that are shared equally between Ironwood and Allergan under the collaboration agreement.