



P&L Presentation of
LINZESS™

November 6, 2012

Safe Harbor Statement

This presentation contains forward looking statements. Investors are cautioned not to place undue reliance on these forward-looking statements, including, but not limited to, the anticipated accounting structure for LINZESS™ (linaclotide) and the potential for Ironwood to achieve profitability in the future based on LINZESS sales in the U.S. 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 that we and our U.S. partner, Forest Laboratories, Inc. do not effectively and successfully coordinate and execute on our sales, managed markets and marketing efforts; physicians do not adopt LINZESS as quickly or as broadly as we anticipate; physicians do not view LINZESS as a safe and effective treatment for adult patients with IBS-C and CIC; we and Forest are not successful in educating and activating IBS-C and CIC patients to enable them to more effectively communicate their symptoms and treatment history to their physicians; we and Forest are not able to secure adequate reimbursement for LINZESS; side effects, adverse reactions or misuse, or any unfavorable publicity in these areas, arise from the commercial use of LINZESS; and competing products or therapies are developed or commercialized for the treatment of IBS-C or CIC, or their symptoms. Applicable risks also include those that are listed under the heading “Risk Factors” in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2012, in addition to the risk factors that are listed from time to time in our Quarterly Reports on Form 10-Q, Annual Reports on Form 10-K, and any subsequent SEC filings. We undertake no obligation to update these forward-looking statements to reflect events or circumstances occurring after this presentation. These forward-looking statements speak only as of the date of this presentation. All forward-looking statements are qualified in their entirety by this cautionary statement.



P&L Presentation of LINZESS

Michael Higgins

Chief Operating Officer

Jim DeTore

Vice President, Finance and Administration



Ironwood/Forest U.S. Collaboration

- **50/50 collaboration in the U.S.**
- **Forest to record all LINZESS revenues and COGS**
- **Forest and Ironwood to record LINZESS-related operating expenses on respective financial statements**
- **Each quarter, LINZESS-related revenues and expenses combined in LINZESS P&L**
 - Resulting pre-tax profit or loss split 50/50 by way of true-up payment

US Partnership Accounting for LINZESS (Loss)*

Commercial Pool

	Total LINZESS Commercial Pool	Ironwood	Forest
Product Revenue	100	-	100
COGS	20	-	20
Gross Margin	80	-	80
SG&A	130	10	120
Net Profit/(Loss)	(50)	(10)	(40)
50% Split		(25)	(25)
<i>True Up</i>		(15)	15

R&D Pool

	Total LINZESS R&D Pool	Ironwood	Forest
R&D	50	30	20
50% Split		25	25
<i>True Up</i>		5	(5)

Total Net Loss = \$100

-\$50 (Commercial Pool) + -\$50 (R&D Pool)

Impact of Transfer Payments

	Ironwood P&L	Forest
Product Revenue	-	-
Collaboration Revenue	-	-
Total Revenue	-	-
COGS	-	-
Gross Margin	-	-
R&D	(5)	5
SG&A		(15)
Collaboration Expense	15	
Total Net Transfer Payments	10	(10)

Financial P&L Reporting

	Ironwood P&L	Forest
Product Revenue	-	100
Collaboration Revenue	-	-
Total Revenue	-	100
COGS	-	20
Gross Margin	-	80
R&D	25	25
SG&A	10	105
Collaboration Expense	15	
Net Profit/(Loss)	(50)	(50)



*FOR DISCUSSION PURPOSES ONLY



US Partnership Accounting for LINZESS (Loss)*

Commercial Pool

	Total LINZESS Commercial Pool	Ironwood	Forest
Product Revenue	100	-	100
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Gross Margin	80	-	80
SG&A	130	10	120
Net Profit/(Loss)	(50)	(10)	(40)
50% Split		(25)	(25)
True Up		(15)	15

R&D Pool

	Total LINZESS R&D Pool	Ironwood	Forest
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50% Split		25	25
True Up		5	(5)

Impact of Transfer Payments

	Ironwood	Forest
Product Revenue	-	-
Collaboration Revenue	-	-
Total Revenue	-	-
COGS	-	-
Gross Margin	-	-
R&D	(5)	5
SG&A		(15)
Collaboration Expense	15	
Total Net Transfer Payments	10	(10)

Financial P&L Reporting

	Ironwood	Forest
Product Revenue	-	100
Collaboration Revenue	-	-
Total Revenue	-	100
COGS	-	20
Gross Margin	-	80
R&D	25	25
SG&A	10	105
Collaboration Expense	15	
Net Profit/(Loss)	(50)	(50)

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50% Split		(25)	(25)
True Up		(15)	15

R&D Pool

	Total LINZESS R&D Pool	Ironwood	Forest
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Impact of Transfer Payments

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Total Revenue	-	-
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Financial P&L Reporting

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Collaboration Revenue	-	-
Total Revenue	-	100
COGS	-	20
Gross Margin	-	80
R&D	25	25
SG&A	10	105
Collaboration Expense	15	
Net Profit/(Loss)	(50)	(50)

Total Net Loss = \$100

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SG&A	130	10	120
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50% Split		(25)	(25)
True Up		(15)	15

R&D Pool

	Total LINZESS R&D Pool	Ironwood	Forest
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Impact of Transfer Payments

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Gross Margin	-	-
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Financial P&L Reporting

	Ironwood	Forest
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Total Revenue	-	100
COGS	-	20
Gross Margin	-	80
R&D	25	25
SG&A	10	105
Collaboration Expense	15	
Net Profit/(Loss)	(50)	(50)



*FOR DISCUSSION PURPOSES ONLY



US Partnership Accounting for LINZESS (Profit)*

Commercial Pool

	Total LINZESS Commercial Pool	Ironwood	Forest
Product Revenue	400	-	400
COGS	50	-	50
Gross Margin	350	-	350
SG&A	200	40	160
Net Profit/(Loss)	150	(40)	190
50% Split		75	75
<i>True Up</i>		115	(115)

R&D Pool

	Total LINZESS R&D Pool	Ironwood	Forest
R&D	50	30	20
50% Split		25	25
<i>True Up</i>		5	(5)

Total Net Profit = \$100

\$150 (Commercial Pool) + -\$50 (R&D Pool)

Impact of Transfer Payments

	Ironwood	Forest
Product Revenue	-	-
Collaboration Revenue	115	-
Total Revenue	115	-
COGS	-	-
Gross Margin	115	-
R&D	(5)	5
SG&A		115
Collaboration Expense	-	
Total Net Transfer Payments	120	120

Financial P&L Reporting

	Ironwood	Forest
Product Revenue	-	400
Collaboration Revenue	115	-
Total Revenue	115	400
COGS	-	50
Gross Margin	115	350
R&D	25	25
SG&A	40	275
Net Profit/(Loss)	50	50



*FOR DISCUSSION PURPOSES ONLY



US Partnership Accounting for LINZESS (Profit)*

Commercial Pool

	Total LINZESS Commercial Pool	Ironwood	Forest
Product Revenue	400	-	400
COGS	50	-	50
Gross Margin	350	-	350
SG&A	200	40	160
Net Profit/(Loss)	150	(40)	190
50% Split		75	75
True Up		115	(115)

R&D Pool

	Total LINZESS R&D Pool	Ironwood	Forest
R&D	50	30	20
50% Split		25	25
True Up		5	(5)

Total Net Profit = \$100

\$150 (Commercial Pool) + -\$50 (R&D Pool)

Impact of Transfer Payments

	Ironwood	Forest
Product Revenue	-	-
Collaboration Revenue	115	-
Total Revenue	115	-
COGS	-	-
Gross Margin	115	-
R&D	(5)	5
SG&A		115
Collaboration Expense	-	-
Total Net Transfer Payments	120	120

Financial P&L Reporting

	Ironwood	Forest
Product Revenue	-	400
Collaboration Revenue	115	-
Total Revenue	115	400
COGS	-	50
Gross Margin	115	350
R&D	25	25
SG&A	40	275
Net Profit/(Loss)	50	50

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Commercial Pool

	Total LINZESS Commercial Pool	Ironwood	Forest
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COGS	50	-	50
Gross Margin	350	-	350
SG&A	200	40	160
Net Profit/(Loss)	150	(40)	190
50% Split		75	75
True Up		115	(115)

R&D Pool

	Total LINZESS R&D Pool	Ironwood	Forest
R&D	50	30	20
50% Split		25	25
True Up		5	(5)

Impact of Transfer Payments

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Total Revenue	115	-
COGS	-	-
Gross Margin	115	-
R&D	(5)	5
SG&A		115
Collaboration Expense	-	-
Total Net Transfer Payments	120	120

Financial P&L Reporting

	Ironwood	Forest
Product Revenue	-	400
Collaboration Revenue	115	-
Total Revenue	115	400
COGS	-	50
Gross Margin	115	350
R&D	25	25
SG&A	40	275
Net Profit/(Loss)	50	50

Total Net Profit = \$100

\$150 (Commercial Pool) + -\$50 (R&D Pool)

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Ironwood