

BROCADE



**ACCELERATING THE EVOLUTION
OF NETWORKING.**

Brocade Announces Acquisition of
Foundry Networks

July 21, 2008

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**ACCELERATING THE EVOLUTION
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Brocade Announces Acquisition of Foundry Networks

Michael Klayko
Brocade CEO

Today's Agenda

- Acquisition announcement and strategy
- Benefits to customers and shareholders
- Financial assumptions and expectations
- Summary, Q and A

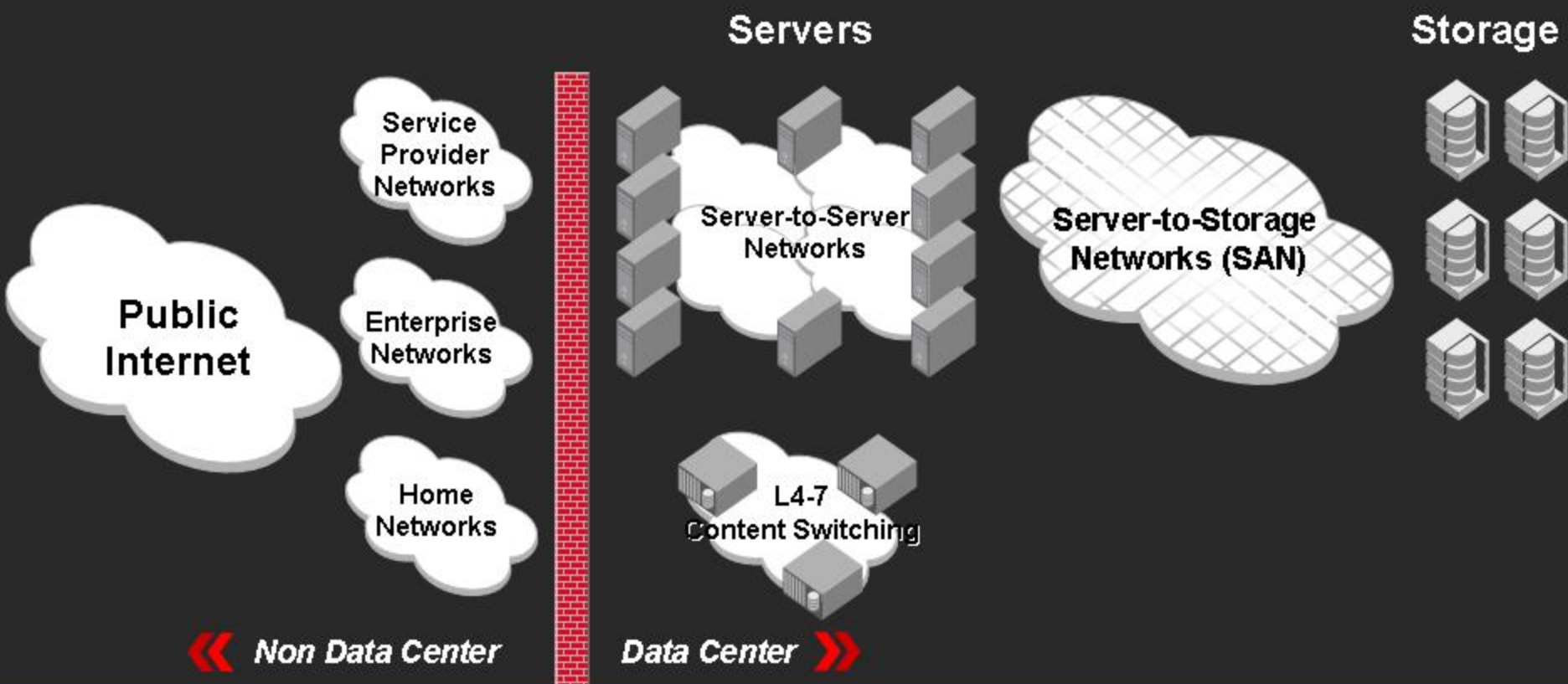


Today's Announcement

- **Brocade to acquire Foundry**
- **Approximately \$3.0B purchase price**
- **Accretive to Brocade in FY 2009**
- **Compelling strategic position in networking industry**
- **Establishes a leading presence in networking markets that are large, growing, and undergoing dynamic changes**
- **Significant benefits to customers, shareholders, and the employees of both companies**
- **Expected to close in the fourth quarter of calendar year 2008**



Networking and Data Center Landscape



Networking and Data Center Landscape

Trends

Dynamic Change & Architectural Reconsideration

- Unprecedented traffic and data growth
- Increased customer expectations - performance, reliability, choice
- Convergence and virtualization driving new network requirements
- New technologies and standards evolving and emerging

Storage





BROCADE

Leader in Data Center and
Storage Networking Solutions

- Storage networking (SAN) leader
- Fibre Channel innovator and performance leader
- Products utilized in 90+% of Global 2000
- Direct touch sales, OEM partnerships
- >50% of demand from international



FOUNDRY
NETWORKS

Leader in High-Performance
Enterprise Data Networks

- LAN, WAN, MAN, and wireless solutions
- Ethernet innovator and performance leader
- Strong Federal, Enterprise, and Service Provider
- Direct touch sales, VAR partnerships
- > 60% of demand from US



Foundry Corporate Overview



World Headquarters, Santa Clara, California



Manufacturing Operations, San Jose, California

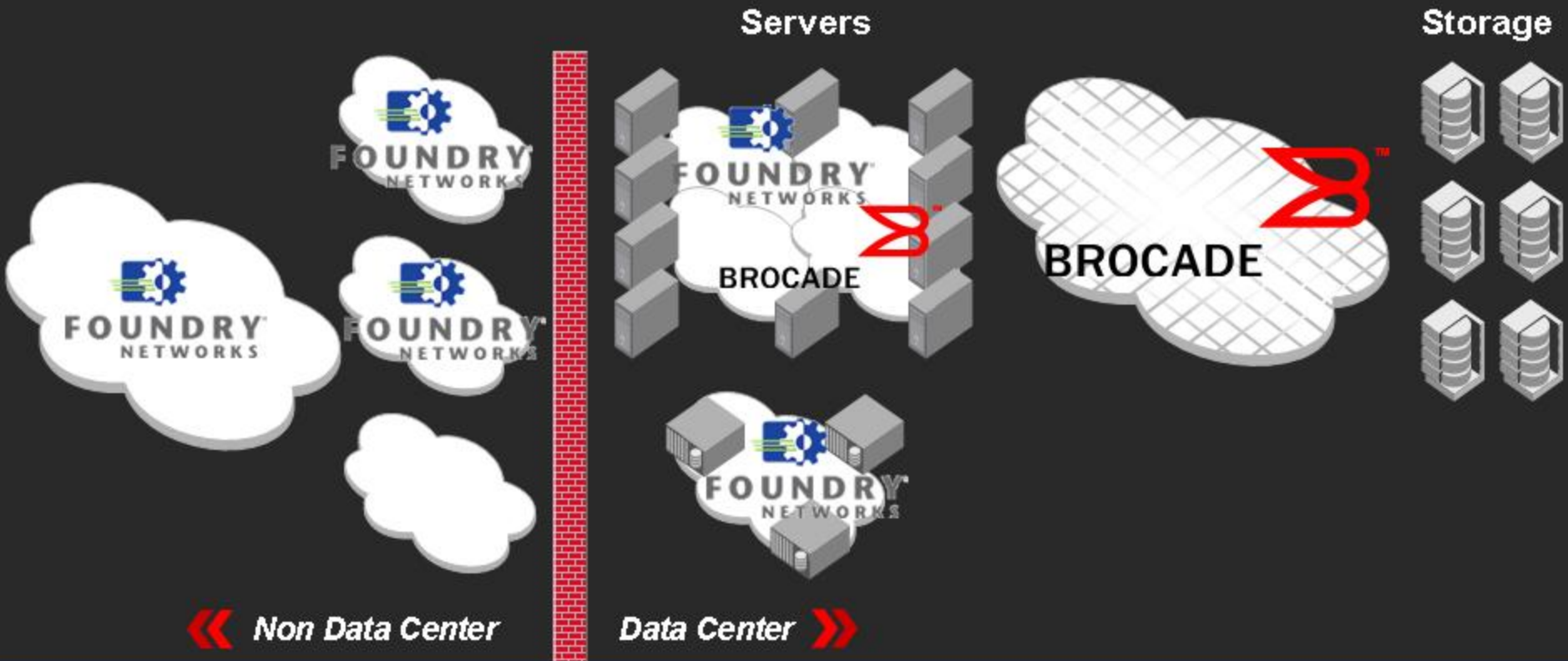
- 12+ years of Networking Innovation
- Over 15,000 Customers Worldwide
- 65+ Product and Corporate Awards
- \$607 Million Annual Revenues (2007)
- Healthy margins and balance sheet
- ~1000 employees WW in 20+ countries



The New Brocade

Unique and Compelling Market Position

Highest Performance and Reliability
Pragmatic Convergence Strategy
Investment Protection for Customers



Strategic Rationale



Brocade leads in data storage networking in data centers with significant technology, product, distribution, and installed base advantages



Foundry - leading innovator in data networking for enterprises and service providers, including performance leadership in emerging 10GigE market



Combined company will be well-positioned and differentiated across the \$20+B networking market



Combined strengths specifically play to where the market is heading – highest performance and reliability, new and converged technologies



Many complementary aspects that can accelerate innovation, growth, and market presence, in a prudent and profitable manner



Customer Benefits from this Transaction



Broadened choice – first true, high-performance alternative for “end-to-end” networking, from Internet to Data Center, on both sides of the server



Full range offering of industry-leading performance for the enterprise and service provider markets



Most straightforward and advanced technology with roadmap to convergence and next-generation capabilities



Investment protection and extension – lowest TCO, lowest power and cooling requirements, lowest disruption



Accelerated pace of innovation and integrated networking solutions



Shareholder Benefits from this Transaction



Shareholders gain ownership of larger, more strategically positioned company with substantially stronger growth opportunities



Expected to be accretive in FY '09*. Company expected to be more profitable, with efficient capital structure, stronger operating model and cash flows



Compelling opportunities to drive increased shareholder value via leverage of technologies, customers, and distribution channels, as well as cost synergies



Combined entity addresses broader TAM today and emerging opportunities such as convergence. Opportunity for faster revenue and EPS growth



Strong management team with proven ability to execute on integration and operations



Employee Benefits from this Transaction



Bigger, Better, Stronger Company



More opportunities for personal and professional growth - new technologies, products, channels, markets



More resources, increased R&D, economies of scale



Continued entrepreneurial spirit, commitment to growth, and technological leadership



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FINANCIAL ASSUMPTIONS AND EXPECTATIONS

Richard Deranleau
Brocade CFO

Financial Summary

Anticipated Benefits of Transaction



Strategically positioned company, with improved growth opportunities, and differentiated value in large and dynamic networking markets



Expected to be accretive to Brocade's Non-GAAP EPS in FY 2009; accretion accelerates in FY 2010 and beyond



Very profitable and scalable operational model



Prudent and efficient capital structure enhances potential returns



Strong combined cash flow



Ongoing synergies have potential to increase revenues and reduce costs



Transaction Structure

- \$19.25 total consideration per Foundry share, consisting of
 - \$18.50 in cash and
 - 0.09 Brocade shares per share of Foundry
- Equity purchase price ~\$3.0B, based on Foundry fully diluted shares outstanding
- Transaction funding
 - Brocade to utilize \$1.4B of combined companies' cash
 - Brocade to raise \$1.5B of debt (fully-funded offer with financing commitments from Bank of America and Morgan Stanley Senior Funding Inc.)
 - Brocade to issue approximately 12 million shares of common stock
- Share repurchase programs of both companies suspended



Preliminary Financial Planning Assumptions

- **Expected to be accretive to Brocade by 5% in FY 09 and 20% in FY 10***
 - More accretive in FY 2010 with completion of product cost reduction plans
 - More accretive with the ongoing reduction of the financing debt
 - The primary goal of this acquisition is about enabling growth - not cost reduction
- **Foundry Revenue**
 - Assume no loss of customers or market share due to the transaction
 - Assume no revenue leakage outside of normal Purchase Price Accounting (PPA) adjustment
 - Assume no upside revenue synergies, but we anticipate opportunities as we look at Brocade's international presence and OEM partnerships
- **Foundry Product Cost**
 - Investments to be made in FY09 expected to reduce product cost longer term
 - Optimize supply chain and logistics
- **Foundry Spending**
 - Elimination of redundant spending – primarily G&A activities including outside vendors, NASDAQ fees, and minimal headcount

* On non-GAAP basis.

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Preliminary Financial Planning Assumptions

(Continued)

- **Key Assumptions - Operating Model:**

	FY09	FY10
Revenue Impact Purchase Price Adj.	-\$20 to -\$22M	-\$5M to -\$6M
COGS Annualized Synergies (end of year)	\$12-16M	\$30-33M
OPEX Annualized Synergies (end of year)	\$8-12M	\$10-12M
Total Annualized Synergies (end of year)	\$20-28M	\$40-45M

- **Key Assumptions – Synergy Timing:**

- Synergies will be back end loaded in FY09
- FY10 synergies to be achieved in Q1 2010



Preliminary Financial Planning Assumptions (Continued)

- **Key Assumptions – Other :**

	FY09	FY10
Reduction of Brocade Interest Income due to \$160M class action settlement	-\$7M	-\$7M
Pre-tax Interest Expense from debt and Amortization of Financing fees (Annual)	-\$84M to -\$89M	-\$70M to -\$80M
Pro forma Non-GAAP Tax Rate (Foundry is 38%)	32-33%	32-33%
Increased share count (Purchase and Foundry assumed options)	+35M*	+35M
One Time Integration Charges (GAAP only)	\$5-10M	N/A

** Includes 12m shares issued as a part of consideration and 23m shares from assumption of employee option plan*



The New Brocade is more diversified, with greater opportunity for positive synergies

	Brocade	Foundry	Combined
Addressable Networking TAM	\$2B, 10-15% CAGR	\$20B, 12-15% CAGR	<i>Much larger, more dynamic segments</i>
Technology Leadership	FC, FCoE, CEE	Ethernet (1, 10GigE)	<i>All, end-to-end</i>
Customer Concentration	Top 3 = 65%	Very Diversified	<i>Top 3 < 50%</i>
Customer Footprint	SAN	LAN, WAN, MAN	<i>Both sides of server</i>
Leading Verticals	Financial, Telco	Federal, Healthcare, Service providers	<i>More diversified</i>
Channels	Direct touch, OEM partners	Direct touch, VAR partners	<i>Both, with cross-sell opportunities</i>
Geo. Demand	50+% Int'l	60+% U.S.	<i>Global balance</i>



Balance Sheet Assumptions

Preliminary Expectations, based on latest company 10-Qs

	Brocade	Foundry	Combined
Cash and Cash Equivalents	\$796M	\$947M	~\$400M
Days Sales Outstanding	43	66	45-55
Inventory Turns (annual)	36	4	10-12
Total Debt	\$169M	\$0	~\$1,700M
Estimated Debt/EBITDA, exiting FY '09			2.4-2.5X
Deferred Revenue (Long Term and Short Term)	\$141M	\$91M	~\$202M <i>(Total PPA reduction of ~\$30M)</i>



Combined Company Cash Flow Assumptions

Preliminary Expectations

- Expect to generate \$100M-\$140M per quarter in cash from operations (FY09)
- Expect to generate enough cash to repay substantial portion of debt in 9-11 quarters
- EPS accretion impact increases significantly as debt is repaid
- A certain level of debt will continue as a component of Brocade's ongoing capital structure



The Integration of Foundry's strong financial model is expected to be accretive to Brocade's Non-GAAP EPS and is already consistent with Brocade's long-term model

Metric	Preliminary Foundry Expectation	Comments
Annualized Synergies	> \$40-45M by 5 th quarter of combined operations or fiscal Q110	> Foundry not about cost reduction like McDATA but we will see some opportunities based on our integration plans
Accretion vs. Brocade EPS estimates as a standalone company	> 5% accretive to Brocade EPS* expectations in FY09 > 20% accretive to Brocade's FY10 EPS* expectations	> Accretive in the first year and improves over time with the reduction of the debt (Note – McDATA was accretive after 4 quarters of combined operations)
In Financial Model (Operate in Brocade Financial Model) • Gross Margin* 57-60% • Operating Margin* 18-22%	> In Financial Model on Day one	> Foundry's current operating model is already very consistent with Brocade's long term model (Note: Brocade back in model after 2 quarters of combined operations with McDATA)

* On non-GAAP basis.

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Integration Strategy

- Brocade will lead the integration
- We will leverage the process and principles from the successful McDATA integration
- Integration priority and emphasis will be on accelerating growth, and achieving committed cost synergies
- High priority on retaining key skills and capabilities from the Foundry team
- Update on integration plan at Sept. 17 Analyst Day in SJ



Summary – A Very Compelling Combination



Strategically positioned, from LAN to SAN, on both sides of the server, to address the trends of convergence and evolving, next-generation networks



Expect to accelerate innovation and grow our joint position in a much larger, very dynamic TAM



Long list of complementary skills and assets – technology, partners, distribution, customers – that can be leveraged for greater market impact



Accretive transaction – two financially strong companies combining for an even more compelling business model



Proven track record of successful integration to drive shareholder value



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OF NETWORKING.

THANK YOU

Q and A

Additional Information

In connection with the proposed transaction, Brocade and Foundry will be filing documents with the SEC, including the filing by Foundry of a proxy statement/prospectus and by Brocade of a registration statement on Form S-4 that includes the proxy statement/prospectus. Investors and security holders are urged to read the registration statement on Form S-4 and the related proxy/prospectus when they become available because they will contain important information about the proposed transaction. Investors and security holders may obtain free copies of these documents (when they are available) and other documents filed with the SEC at the SEC's web site at www.sec.gov and by contacting Brocade Investor Relations at (408) 333-6758 or Foundry Investor Relations at (408) 207-1399. Investors and security holders may obtain free copies of the documents filed with the SEC on Brocade's website at www.brcd.com or Foundry's website at www.foundrynet.com/company/ir/ or the SEC's website at www.sec.gov.

Foundry and its directors and executive officers may be deemed participants in the solicitation of proxies from the stockholders of Foundry in connection with the proposed transaction. Information regarding the interests of these directors and executive officers in the proposed transaction will be included in the proxy statement/prospectus described above. Additional information regarding the directors and executive officers of Foundry is also included in Foundry's proxy statement for its 2008 Annual Meeting of Stockholders, which was filed with the SEC on April 18, 2008.

