



Spansion Inc.
915 DeGuigne Drive
Sunnyvale, California 94088

October 31, 2008

TO THE FORMER SHAREHOLDERS OF SAIFUN SEMICONDUCTORS LTD.

NOTE: THIS COMMUNICATION IS INTENDED FOR FORMER SHAREHOLDERS WHOSE CONSIDERATION FROM THE ACQUISITION OF SAIFUN BY SPANSION WAS SUBJECTED TO ISRAELI TAX WITHHOLDING AT SOURCE ON THE RETURN OF CAPITAL PORTION PER SHARE, AND WHO MAY BE ENTITLED TO A REFUND OF A PORTION OF SUCH WITHHELD FUNDS.

IF FUNDS WERE NOT WITHHELD FROM YOUR MERGER'S RETURN OF CAPITAL PORTION CONSIDERATION FOR ISRAELI WITHHOLDING PURPOSES, THE FOLLOWING COMMUNICATION DOES NOT APPLY TO YOU.

As has been communicated in the past, on March 18, 2008 (the "**Closing**"), in accordance with the terms of the Agreement and Plan of Merger and Reorganization, dated as of October 7, 2007 and amended as of December 12, 2007 (the "**Merger Agreement**"), by and among Spansion Inc. ("**Spansion**"), Atlantic Star Merger Sub Ltd. ("**Merger Sub**"), and Saifun Semiconductors Ltd. ("**Saifun**"), Merger Sub was merged with and into Saifun, and Saifun became a wholly-owned subsidiary of Spansion (the "**Merger**"). As a result of the Merger, each ordinary share of Saifun (the "**Saifun Shares**") that was issued and outstanding immediately prior to the Closing was converted into the right to receive, without interest and less any applicable withholding taxes, (i) approximately 0.7238 of a share of Spansion Class A common stock, par value \$0.001 per share (the "**Spansion Stock**"), together with the right to receive cash in-lieu of a fractional share of Spansion Stock (the "**Share Consideration**") and (ii) approximately \$6.20 per share in cash, representing a distribution of a portion of Saifun's existing cash and cash equivalents, short term investment and marketable securities, without interest and less any applicable withholding taxes (the "**Cash Distribution**", and, together with the Share Consideration, the "**Merger Consideration**").

In March 2008, Saifun and Spansion obtained from the Israeli Tax Authorities (the "**ITA**") certain tax rulings relating to withholding and tax requirements in connection with the receipt of the Merger Consideration by the holders of Saifun Shares (the "**Tax Rulings**"). Detailed explanations regarding the Israeli tax treatment of the Merger Consideration and withholding arrangements under the Tax Rulings were made available on March 25, 2008, and continue to be available, on Saifun's website. See http://www.saifun.com/objects/investor_relations/tax_ruling_declaration.pdf ("**Israeli Tax Information Form**").

As detailed in the Israeli Tax Information Form, a portion of the Cash Distribution, equal to approximately \$5.34 per share was treated as a return of capital ("**Return of Capital**") to the Saifun shareholders for Israeli tax purposes. The amount of Israeli tax withheld on the Return of Capital portion of the Cash Distribution was calculated as of the original date of acquisition of the Saifun Shares, as further detailed in the Israeli Tax Information Form.

Withheld Amounts Paid to the ITA

If you failed to duly complete and deliver the applicable documents as detailed in the Israeli Tax Information Form by May 28, 2008 (the “**Tax Documentation**”), the amounts withheld with respect to the Return of Capital portion of the Cash Distribution (less the Excess Amount, as defined below) were transferred to the ITA. **You may be entitled to the amounts transferred to the ITA if you were able to deliver such Tax Documentation but failed to do so, by complying with the applicable procedures described below in “Tax Refund Procedure For Non-Israeli Shareholders.”** Notwithstanding the requirements of the Tax Rulings, as detailed in the Israel Tax Information Form, the ITA has recently approved a simplified refund procedure by way of an extension of the Tax Ruling (and based on the instructions set forth therein), which applies for non-Israeli shareholders who are residents of a country (a “**Treaty Country**”) that has a tax treaty with Israel (“**Tax Treaty**”)¹ (who were unable to deliver the required documentation prior to the deadlines set forth in the Israel Tax Information Form) entitled to a tax refund with respect to the Return of Capital portion of the Cash Distribution. Such Saifun Shareholders who provide the certification as detailed below will be subject to Israeli capital gains tax in accordance of the terms of the relevant Tax Treaty, which in many instances, including, generally, with respect to the United States of America (the “U.S.”), Canada, and the United Kingdom (the “U.K.”), would mean a full exemption from Israeli capital gains tax. The requirements for such a refund differ between shareholders who acquired their shares prior to Saifun’s initial public offering on November 8, 2005 (the “**IPO**”), and those who acquired their shares after Saifun’s IPO. Former Saifun Shareholders are urged to consult with their tax advisors to determine the availability of a tax refund with respect to withholding that may have been performed with respect to components of the Merger Consideration other than the Return of Capital portion of the Cash Distribution.

Excess Amounts Withheld That Were Not Paid to the ITA

In addition, you may be entitled to a refund of certain amounts that accrued to your benefit mainly due to a lower than expected increase in the Israeli consumer price index. As described in the Tax Information Form, in order to comply with the terms of the Tax Rulings, amounts retained by Eitan, Mehulal Trustees Ltd. (the “**Trustee**”) from the Return of Capital portion of your Merger Consideration were converted into New Israeli Shekels (NIS) following the Closing. If a withholding exemption was established by the applicable dates by timely returning the Tax Documentation, such retained amounts were repaid in full by the Trustee to the applicable Saifun Shareholder (subject to any exchange rate gain or loss due to the conversion of such amounts back into U.S. Dollars all as detailed in the Tax Information Form). If no withholding exemption was established by the applicable dates (because you did not complete and/or timely deliver the Tax Documentation), such retained amounts (less the Excess Amount, as defined below) were paid by the Trustee to the ITA in NIS on June 12, 2008. Since the amount actually withheld was calculated in advance on the basis of projected changes in the Israeli consumer price indexes, the amounts retained were in excess of the amount of the Israeli tax withholding actually due by approx. US\$0.017 per Saifun Share (the “**Excess Amount**”). **If Israeli tax was withheld at the source from the Return of Capital portion of your Cash Distribution, you are entitled to receive a refund of the Excess Amount, even if you are not entitled to any tax refund from the ITA and must comply with the applicable procedures discussed below in “Refund of the Excess Amount” to obtain a refund of the Excess Amount applicable to your Saifun Shares exchanged in the Merger.** Please note that this section only applies to Post-IPO Shareholders (as defined below).

¹ The following countries have a Tax Treaty with the State of Israel: Austria, Belarus, Belgium, Brazil, Bulgaria, Canada, China, Croatia, Czech Republic, Denmark, Ethiopia, Finland, France, Germany, Greece, Hungary, India, Ireland, Italy, Jamaica, Japan, Latvia, Lithuania, Luxembourg, Mexico, Moldova, Netherlands, Norway, Philippines, Poland, Portugal, Romania, Russia, Singapore, Slovakia, Slovenia, South Africa, South Korea, Spain, Sweden, Switzerland, Thailand, Turkey, United Kingdom, Ukraine, United States of America, and Uzbekistan.

Tax Refund Procedure For Non-Israeli Shareholders residents of a Treaty Country

FOR SAIFUN SHAREHOLDERS WHO ARE RESIDENTS OF A TREATY COUNTRY WHO PURCHASED THEIR SAIFUN SHARES AFTER NOVEMBER 8, 2005 (THE DATE SAIFUN SHARES WERE LISTED FOR TRADING) (“POST-IPO SHAREHOLDERS”):

If you believe that, as a non-Israeli shareholder resident of a Treaty Country, you are entitled to a refund of the tax amount withheld and paid to the ITA on your Saifun Shares, **you must return to your broker a duly completed and executed copy of the enclosed “Tax Ruling Declaration”** certifying that you are a non Israeli shareholder, resident of a Treaty Country (“**Declaration Form**”), and your broker must return the Declaration Form to the Trustee, by **Monday, December 1st, 2008**. In addition, your broker should provide the Trustee with a letter, to be completed by your broker and affixed with your broker’s Medallion signature stamp guarantee, which will include the number of Saifun Shares held by you on Closing and the broker’s applicable bank account details for the purpose of repayment of refunded tax amount.

IF YOU FAIL TO DELIVER THE DECLARATION FORM TO YOUR BROKER IN SUCH A MANNER THAT YOUR BROKER IS UNABLE TO DELIVER THE DECLARATION FORM TO THE TRUSTEE BY MONDAY, DECEMBER 1, 2008 OR YOUR BROKER OTHERWISE FAILS TO DELIVER IT TO THE TRUSTEE BY MONDAY, DECEMBER 1, 2008, YOU WILL NOT BE INCLUDED IN THE REFUND PROCEDURE DETAILED HEREIN, AND IF YOU STILL BELIEVE THAT YOU ARE ENTITLED TO A REFUND, YOU WILL BE REQUIRED TO FILE A CLAIM DIRECTLY WITH THE ITA - FOR THAT PURPOSE, YOU ARE URGED TO CONSULT YOUR OWN TAX ADVISORS. PLEASE ALLOW ENOUGH TIME FOR ANY DOCUMENTS SUBMITTED TO YOUR BROKER TO BE RECEIVED BY YOUR BROKER AND DELIVERED BY YOUR BROKER TO THE TRUSTEE AND RECEIVED BY THE TRUSTEE BY MONDAY, DECEMBER 1, 2008.

IMPORTANT NOTICE! PLEASE RETURN ALL APPLICABLE TAX DOCUMENTATION TO YOUR BROKER DIRECTLY, AND DO NOT SUBMIT ANY DOCUMENTATION DIRECTLY TO THE TRUSTEE, SPANSION OR SAIFUN. IF YOU SUBMIT ANY DOCUMENTATION DIRECTLY TO THE TRUSTEE, IT WILL BE RETURNED TO YOU AND YOU FACE THE RISK THAT YOU WILL NOT BE ABLE TO RESUBMIT THE DOCUMENTS TO YOUR BROKER IN SUFFICIENT TIME FOR YOU AND YOUR BROKER TO MEET THE ABOVE DEADLINE.

FOR SAIFUN SHAREHOLDERS WHO ARE RESIDENTS OF A TREATY COUNTRY WHO PURCHASED THEIR SAIFUN SHARES PRIOR TO NOVEMBER 8, 2005 (THE DATE SAIFUN SHARES WERE LISTED FOR TRADING) (“PRE-IPO SHAREHOLDERS”):

If you believe that, as a non-Israeli shareholder resident of a Treaty Country, you are entitled to a refund of the tax amount withheld and paid to the ITA on your Saifun Shares, you must return the Trustee by **Monday, December 1st, 2008**:

1. a completed and executed copy of the enclosed Declaration Form certifying that you are a non-Israeli shareholder resident of a Treaty Country, and
2. documentary evidence satisfactory to the ITA of your residence in an applicable Treaty Country (a “**Residency Certificate**”);²

² Please see the Israeli Tax Information Form for further information regarding what documents will be satisfactory to the ITA to prove your residence in an applicable Treaty Country. Please note that if you are a United States citizen you must order a Form 6166 from the United States Internal Revenue Service, which may take 45 days or more after filing a Form 8802 requesting the proof of residence. We urge you to contact

IF YOU FAIL TO DELIVER THE DECLARATION FORM AND RESIDENCY CERTIFICATE TO THE TRUSTEE BY MONDAY, DECEMBER 1, 2008, YOU WILL NOT BE INCLUDED IN THE REFUND PROCEDURE DETAILED HEREIN, AND IF YOU STILL BELIEVE THAT YOU ARE ENTITLED TO A REFUND, YOU WILL BE REQUIRED TO FILE A CLAIM DIRECTLY WITH THE ITA - FOR THAT PURPOSE, YOU ARE URGED TO CONSULT YOUR OWN TAX ADVISORS.

Following December 1, 2008, the Trustee will submit to the ITA an amended tax report covering all Saifun Shares of those Saifun Shareholders who returned a properly completed Declaration Form and, if applicable, the Residency Certificate, by December 1, 2008 to the Trustee. Following the review by the ITA of the amended tax report, the applicable tax withholding amount will be refunded and paid to the Trustee. Following receipt of such refunded amount by the Trustee, the Trustee will distribute to the applicable Saifun Shareholders their respective portion of the refunded amount: (i) for Post-IPO Shareholders - through their broker; and (ii) for Pre-IPO Shareholders – directly to their designated bank account.

If you (or your broker, as applicable) timely submitted the required documentation as detailed above, your portion of the amounts repaid by the ITA to the Trustee, which will be in NIS, will be converted back into U.S. Dollars at the then-applicable rate and paid to you in U.S. Dollars. As a result, you are subject to the risk of fluctuations in the NIS/U.S. Dollar exchange rate between the date such retained amounts were converted into NIS following the Closing and the date such amounts are converted back into U.S. Dollars prior to the date such retained amounts are repaid to you, and you may incur an exchange rate gain or loss on any such amounts refunded. You are advised to consult with your tax advisors to determine the tax consequences applicable to you of any such exchange rate gain or loss and to determine whether there are any steps available to you to mitigate such risk.

Enclosed for your information and use are copies of the following documents:

1. A Declaration Form.
2. If you are a Pre-IPO Shareholder and have an address within the United States, a Form 8802.

You are urged to consult your own tax advisors to determine the particular tax consequences to you as a result of the Merger, including, without limitation, the effect of any U.S. federal, state, local or foreign income and any other tax laws and whether or not you should use this form.

PLEASE NOTE - SAIFUN SHAREHOLDERS WHO ARE RESIDENTS OF ISRAEL OR OF A COUNTRY THAT DOES NOT HAVE A TAX TREATY WITH ISRAEL, WHO BELIEVE THEY ARE ENTITLED TO A REFUND OF ANY AMOUNTS WITHHELD WILL HAVE TO FILE FOR A TAX REFUND DIRECTLY WITH THE ITA. FOR THAT PURPOSE, YOU ARE URGED TO CONSULT YOUR OWN TAX ADVISORS.

Return of Excess Amount for Post-IPO Shareholders

In order to receive a refund of your applicable Excess Amount, your broker should provide the Trustee, not later than December 1, 2008, with a letter (the “**Broker’s Letter**”), completed by your broker and affixed with your broker’s Medallion signature stamp guarantee, which will include the number of

your tax advisor and file a Form 8802 as soon as possible. If you have an address in the United States, this letter will be accompanied by a blank form 8802 for your potential use, if applicable.

Saifun Shares held by you on Closing and the broker's applicable bank account details for the purpose of repayment of such Excess Amount. If you are a Post-IPO Shareholder and already provided Computershare Trust Company, N.A., the payment agent for the transaction, with the documents required above for the purpose of tax refund (including the applicable broker's letter) prior to the deadline of May 28, 2008, you shall not be required to provide any further documentation entitling you with the Excess Amount.

Following the receipt of such Broker's Letter, the Trustee will repay your applicable Excess Amount to your broker to be distributed to you. Such Excess Amount will be converted back into U.S. Dollars prior to the date of refund, at the applicable exchange rate at the time of conversion, and you may incur an exchange rate gain or loss on any such amounts refunded. You are advised to consult with your tax advisors to determine the tax consequences applicable to you of any such exchange rate gain or loss and to determine whether there are any steps available to you to mitigate such risk.

Please note that all documents referenced above should be sent by (i) fax or scanned by e-mail; and (ii) the originals by registered mail or courier, to the attention of:

Guy Hadar, Adv., Noa Lev Goldstein, Adv.
Eitan Mehulal Pappo Barath & Shinar, Weissberger & Co.
Advocates-Patent Attorneys
Email: guyh@em-lg.com
10 Abba Eban Blvd
Herzlia, Israel 46120
Fax: 972-9-972-6001

If you have any questions regarding the above process, please feel free to contact the offices of Eitan, Mehulal Trustees Ltd., Tel: 972-9-9726000, Fax: 972-9-9726001, E-mail: guyh@em-lg.com , Attention: Guy Hadar, Adv. and/or Noa Lev Goldstein, Adv. (please note that the Trustee is located in Israel and available during normal business hours in Israel, Sunday through Thursday). To receive additional copies of any documents provided herewith, you may also contact your broker.

Sincerely,

Spansion Inc.