

SUPPLEMENT DATED 15 JANUARY 2013 TO THE BASE PROSPECTUS DATED 21  
SEPTEMBER 2012

## PALLADIUM SECURITIES 1 S.A.

*(a public limited liability company (société anonyme) incorporated under the laws of the Grand Duchy of  
Luxembourg*

**Up to EUR 300,000,000 Series 85 Zero Coupon Notes due 2017**

**(ISIN: XS0856333413)**

**(the “Series 85 Instruments”)**

**Up to EUR 150,000,000 Series 86 Zero Coupon Notes due 2016**

**(ISIN: XS0856333504)**

**(the “Series 86 Instruments”)**

**Up to EUR 150,000,000 Series 87 Zero Coupon Notes due 2017**

**(ISIN: XS0856333686)**

**(the “Series 87 Instruments” and together with the Series 85 Instruments and the Series 86  
Instruments, the “Instruments”)**

**to be issued under the**

### **Programme for the issuance of Secured Notes**

This prospectus supplement (the “**Supplement**”) dated 15 January 2013 to the base prospectus dated 21 September 2012 as supplemented by the prospectus supplement (the “**First Supplement**”) dated 13 November 2012 (the “**Base Prospectus**”) for the issuance of secured notes (which comprises a base prospectus for the purposes of Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU) (the “**Prospectus Directive**”)) constitutes a prospectus supplement for the purposes of article 13 of Chapter 1 of Part II of the Luxembourg act dated 10 July 2005 on prospectuses for securities.

This Supplement and the Base Prospectus are available for viewing on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

This Supplement is supplemental to, and should be read in conjunction with, the Base Prospectus and the Final Terms dated 30 November 2012 relating to the Series 85 Instruments, the Final Terms dated 19 November 2012 relating to the Series 86 Instruments and the Final Terms dated 19 November 2012 relating to the Series 87 Instruments each issued under the Base Prospectus relating to the Instruments (together, the “**Final Terms**”). Terms defined in the Base Prospectus and the Final Terms have the same meaning when used in this Supplement.

**Those amendments to the Base Prospectus and the Final Terms mentioned under items (i), (ii), (iii) and (iv) of the section entitled “Purpose of this Supplement” below shall only apply to the Series 85 Instruments, the Series 86 Instruments and the Series 87 Instruments and the Final Terms with respect thereto.**

The Issuer accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Issuer (which has taken all reasonable care to ensure that such is the case) the information

contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

To the extent that there is any inconsistency between (a) any statement in this Supplement and (b) any other statement in the Base Prospectus, the statements in (a) above will prevail.

Save as disclosed in this Supplement, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus relating to the Instruments since the publication of the Base Prospectus.

In accordance with article 13 paragraph 2 Luxembourg act dated 10 July 2005 on prospectuses for securities, as amended, investors who have already agreed to purchase or subscribe for Instruments offered by way of a public offer before this Supplement is published shall have the right, exercisable within a time limit of two working days after the publication of this Supplement, i.e. until 17 January 2013, to withdraw their acceptances. This withdrawal right will only apply to those investors who have agreed to purchase or subscribe for the Instruments in accordance with the relevant Final Terms issued under the Base Prospectus before the publication of this Supplement.

The Base Prospectus and the Final Terms are revised with effect from and including the date of this Supplement.

## **Purpose of this Supplement**

The purpose of this Supplement is to:

- (i) amend the General Conditions as set out in the Base Prospectus to provide that if specified as being applicable in the relevant Final Terms for a Series of Instrument, the grace period which must elapse after a default is made by the Issuer in the payment of any sum due in respect of the relevant Series of Instruments or any of them before an Event of Default occurs may be matched to the grace period applicable to the payment of any sum due in respect of the Collateral before a default may be declared in respect of the Collateral;
- (ii) amend the Summary as set out in the Base Prospectus to reflect the change to the General Conditions described in paragraph (i) above;
- (iii) amend the section entitled “Interest Income” of the Italian taxation section as set out in the Base Prospectus; and
- (iv) amend the Final Terms relating to the Instruments to reflect the changes described in paragraphs (i), (ii) and (iii) above.

## **Amendment of Summary**

Paragraph C8 of the Summary of the Base Prospectus on page 14 of the Base Prospectus is amended by the replacement of the paragraph headed “Events of Default” with the following:

### **“Events of Default**

The Instruments contain the following Events of Default:

- (a) default in the payment of any sum due in respect of the Instruments or any of them is made for a period exceeding the Grace Period; or
- (b) failure by the Issuer to perform or observe any of its other obligations under the Instruments, the Series Instrument, in certain cases continuing for a specified period of time; or
- (c) events relating to the winding-up or dissolution of the Issuer or the Company or the appointment of an administrator.

“**Grace Period**” means a period of 14 days, or if “Collateral Matched Grace Period” is specified as “Applicable” in the relevant Final Terms, the period specified in the relevant Final Terms which shall be equal to the grace period applicable to the payment of any sum due in respect of the Collateral before a default may be declared.”.

## **Amendment of General Description of the Programme**

Paragraph 6 (*Hedging Agreement*) of the General Description of the Programme on pages 44 and 45 of the Base Prospectus is amended by the replacement of sub-paragraph (i) on page 45 of the Base Prospectus with the following:

- “(i) if default is made in the payment of any sum due in respect of the Instruments or any of them is made for a period exceeding the Grace Period; or”.

## Amendment of General Conditions

The General Conditions will be amended as follows:

- (1) A new definition of “**Grace Period**” shall be inserted after the definition of “Global Instrument” on page 58 of the Base Prospectus:

““**Grace Period**” means a period of 14 days, or if “Collateral Matched Grace Period” is specified as “Applicable” in the relevant Final Terms, the period specified in the relevant Final Terms which shall be equal to the grace period applicable to the payment of any sum due in respect of the Collateral before a default may be declared.”

- (2) General Condition 12.1 on page 88 of the Base Prospectus shall be deleted in its entirety and replaced with:

“**12.1** if default is made in the payment of any sum due in respect of the Instruments or any of them is made for a period exceeding the Grace Period; or”

## Amendment of Taxation

The section entitled “Interest Income” of the Italian taxation section on pages 120 and 121 of the Base Prospectus shall be deleted in its entirety and replaced with the following:

### “*Interest Income*”

#### **Tax treatment of Instruments qualifying as Typical Securities**

##### *Introduction*

The Italian tax regime applying to payments of interest in respect of a Series of Instruments is governed by legislative Decree No. 239 (as defined below) on the basis that such Instruments qualify as Typical Securities (as defined below) for the purposes of Decree 239. Decree No. 239 provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) from notes falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) issued, amongst others, by non-Italian resident issuers.

As a consequence, under the provisions of Decree No. 239, payments of interest in respect of the Instruments will be subject to a substitute tax (*imposta sostitutiva*) at the rate of 20 per cent. in the Republic of Italy depending on the circumstances of the relevant Instrumentholder. In the case of a foreign investor, payments of interest and other proceeds will not be subject to the “*imposta sostitutiva*” at the rate of 20 per cent. if such payments are made to beneficial owners who are non-Italian resident entities or individuals with no permanent establishment in the Republic of Italy to which the Instruments are effectively connected, provided that, if the Instruments are held in Italy, the non-Italian resident Instrumentholder declares itself to be a non-Italian resident according to Italian tax regulations.

However, in the event that the Italian fiscal authorities in the future decide that such Instruments no longer qualify as Typical Securities for the purposes of Decree 239 (which may occur in certain circumstances, including if the Italian fiscal authorities otherwise decide that the Instruments have not been issued in accordance with the procedures delineated by Law 130, the Instruments will instead qualify as Atypical Securities (as defined below) for Italian tax purposes and may be subject to a withholding tax levied at the rate of 20 per cent. as further described below.

## Decree 239

Legislative Decree No. 239 of 1 April 1996, as subsequently amended (“**Decree 239**”), provides for the tax treatment applicable to interest, premium and other income, including the difference between the redemption amount and the issue price (such interest, premium and other income collectively referred to as the “**Instruments Income**”) arising from instruments falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*), including those issued by banks residing outside of Italy, provided that such securities are deposited with banks, qualified financial intermediaries (*SIMs*), fiduciary companies, asset management companies (*SGRs*), stockbrokers or the other entities identified with a decree of the Ministry of Finance (each an “**Intermediary**”). An Intermediary must (i) be resident in Italy, or be the Italian permanent establishment of a non-Italian resident financial intermediary, and (ii) intervene, in any way, in the collection of interest accrued on, or in the transfer of, the Instruments.

For this purposes bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) are defined as those securities representing a securitized debt claim implying a static “use of capital” (*impiego di capitale*), issued in mass that incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value and that do not allow a direct or indirect participation to the management of the issuer (“**Typical Securities**”).

For the purpose of the application of Decree 239, a transfer of the Instruments includes any assignment or transfer, made either with or without consideration, which results in a change of the ownership of the relevant Instruments or in a change of the Intermediary with which the Instruments are deposited.

### *Italian resident holders*

Pursuant to Decree 239, a withholding tax, referred to as “*imposta sostitutiva*”, currently levied at a rate of 20% on Instruments Income accrued as of 1 January 2012, applies on Instruments Income cashed or deemed to be cashed upon disposal for a consideration of the Instruments by (i) an Italian individual not engaged in an entrepreneurial activity to which the Instruments are connected (unless the individual has opted to entrust the management of his financial assets, including the Instruments, with an Italian authorised financial intermediary and has opted for the *risparmio gestito* regime – see under Capital Gains Tax, *regime del risparmio gestito*), (ii) an Italian non-commercial partnership, (iii) an Italian non-commercial private or public institution, or (iv) an Italian investor exempt from Italian corporate income tax.

In case the holders falling under (i) to (iii) above, are engaged in an entrepreneurial activity to which the Instruments are connected, the Instruments Income is currently included in their overall year-end taxable income on an accrual basis. With respect to individuals doing business either directly or through a partnership, such taxable income is subject to personal income tax (IRPEF) that applies at the ordinary progressive rates (currently the top marginal rate is equal to 43%), additional surcharges depending on the holders’ region and municipality of residence and to the so called 3% solidarity surcharge (applicable on any income exceeding Euro 300,000 for the 2011-2013 tax periods, although the government is already empowered to extend its application to future years; “solidarity tax” is deductible from taxable income). With respect to private and public institutions, such taxable income is subject to corporate income tax (IRES) currently levied at a rate of 27.5% (IRES rate may be increased from 27.5% up to 38% depending on the status of the holders).

Where an Italian resident holder is a company or similar commercial entity (or a permanent establishment in Italy of a foreign enterprise, to which the Instruments are effectively connected) and the Instruments are deposited with an Intermediary, the Instruments Income would not be subject to the *imposta sostitutiva*, but

currently included in the holder's overall year-end income as accrued and is therefore subject to IRES. In addition, in certain circumstances, depending on the "status" of the holder (i.e., generally, in the case of banks or financial institutions), the Instruments Income is subject to a regional income tax (IRAP), generally levied at a rate of 3.9% (the higher 4.65% IRAP rate applies for banks and financial institutions and the higher 5.9% IRAP rate applies for insurance companies; in addition IRAP rate may be increased on a regional basis).

If the holder is an Italian pension fund subject to the regime provided under Legislative Decree No. 252 of 5 December 2005 and the Instruments are deposited with an Intermediary, the Instruments Income would not be subject to the *imposta sostitutiva* but currently included in the annual net accrued results of such pension fund, which are subject to a substitute tax 11%.

The *imposta sostitutiva* is withheld by the Intermediary intervening in the collection of the Instruments Income.

The Instruments Income received by (i) Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 25 January 1998, or (ii) pursuant to Law Decree No. 225 of 29 December 2010, an Italian resident open-ended or closed-ended investment fund, or a SICAV, is not subject to any withholding or substitute tax at the level of the fund.

#### *Holders resident outside of Italy*

No Italian tax is applicable to payments of Instruments Income made to a non-Italian resident holder that does not have a permanent establishment in Italy through which the Instruments are held. In case an Italian resident financial intermediary is involved in the collection of the Instrument Income, the exclusion of Italian taxation may be subject to the condition that the relevant holder of the Instrument makes a statement to that effect, if and when required according to the applicable Italian tax regulations.

### **Tax treatment of Instruments qualifying as Atypical Securities**

#### *Atypical Securities*

The Instruments Income relating to Instruments representing a securitized debt claim implying a static "use of capital" (*impiego di capitale*), issued in mass, that are not deemed to fall within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) since they do not incorporate an unconditional obligation to pay, at maturity, an amount at least equal to their nominal value ("**Atypical Securities**") is subject to a final withholding tax, levied at the rate of 20%.

The 20% withholding tax would be levied on a provisional basis in the case of individuals engaged in an entrepreneurial activity to which the Atypical Securities are connected and credited against the ordinary personal income tax due on the income relating to such securities. Such withholding tax would not apply with respect to payments made to a non-Italian resident holder that does not have a permanent establishment in Italy through which the Instruments are held, and to an Italian resident holder, which is (i) a company or similar commercial entity (including the Italian permanent establishment of foreign entities), (ii) a commercial partnership, or (iii) a commercial private or public institution. Interest payments made to taxpayers falling under (i) to (iii) above, are currently included in their overall year-end taxable income and subject to their ordinary tax regime."

## Amendment of Glossary

The Glossary of the Base Prospectus shall be amended by the insertion of a new definition of “**Grace Period**” after the definition of “Global Instrument” on page 141 of the Base Prospectus:

““**Grace Period**” means a period of 14 days, or if “Collateral Matched Grace Period” is specified as “Applicable” in the relevant Final Terms, the period specified in the relevant Final Terms which shall be equal to the grace period applicable to the payment of any sum due in respect of the Collateral before a default may be declared.”

## Amendment of the Final Terms

The Final Terms shall be amended as follows.

- (i) In Part A under the heading “Provisions Relating to Redemption” of each of the Final Terms, a new paragraph 16 shall be inserted (and the subsequent paragraphs shall be renumbered accordingly) as follows:

“16 Collateral Matched Grace Applicable – The Grace Period will be 15 days (in the case of interest) or 7 days (in the case of principal), which is equal to the grace periods applicable to the payment of interest and principal due in respect of the Collateral before a default may be declared.”.

- (ii) In Part A under the heading “Miscellaneous” of each of the Final Terms, a new paragraph 30 shall be inserted as follows:

“30 Type of Instruments: Typical Securities – As of the date of these Final Terms, the Italian tax regime applying to payments of proceeds in respect of the Instruments is governed by legislative Decree No. 239 on the basis that such Instruments qualify as Typical Securities. As a consequence, under the provisions of Decree No. 239, payments of proceeds in respect of the Instruments may be subject to a substitute tax (*imposta sostitutiva*) at the rate of 20 per cent. in the Republic of Italy depending on the circumstances of the relevant Instrumentsholder. However, in the event that the Italian fiscal authorities in the future decide that the Instruments no longer qualify as Typical Securities, the Instruments will instead qualify as Atypical Securities for Italian tax purposes as more fully described in the section of the Base Prospectus entitled “Italian Taxation”.”.

- (iii) In the Annex of each of the Final Terms which contains the Issue Specific Summary, the paragraph headed “Event of Default” in paragraph C.8 (Conditions of the securities) shall be deleted and replaced with:

### **“Events of Default**

The Instruments contain the following Events of Default:

- (a) default in the payment of any sum due in respect of the Instruments or any of them is made for a period exceeding the Grace Period; or
- (b) failure by the Issuer to perform or observe any of its other obligations under the Instruments, the Series Instrument, in certain cases continuing for a specified period of time; or
- (c) events relating to the winding-up or dissolution of the Issuer or the Company or the appointment of an administrator.

“**Grace Period**” means a period of 14 days, or if “Collateral Matched Grace Period” is specified as “Applicable” in the relevant Final Terms, the period specified in the relevant Final Terms which shall be equal to the grace period applicable to the payment of any sum due in respect of the Collateral before a default may be declared.”.

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