SUPPLEMENT DATED 12 MARCH 2014 TO THE BASE PROSPECTUS DATED 25 JULY 2013 AS SUPPLEMENTED BY A SUPPLEMENT DATED 29 AUGUST 2013 AND A SUPPLEMENT DATED 16 JANUARY 2014

PALLADIUM SECURITIES 1 S.A.

(a public limited liability company (société anonyme) incorporated under the laws of the Grand Duchy of Luxembourg) with its registered office at 2, boulevard Konrad Adenauer, L-1115 Luxembourg, registered with the Luxembourg trade and companies register under number B.103.036 and subject to the Luxembourg Act dated 22 March 2004, as amended)

Programme for the issuance of Secured Notes

This prospectus supplement (the "**Supplement**") dated 12 March 2014 to the base prospectus dated 25 July 2013 for the issuance of secured notes as supplemented by a prospectus supplement dated 29 August 2013 and a prospectus supplement dated 16 January 2014 (together, the "**Base Prospectus**") (which together comprise 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.

The Supplement and the Base Prospectus are available for viewing on the website of the Luxembourg Stock Exchange (www.bourse.lu).

This Supplement is supplemental to, and should be read in conjunction with, the Base Prospectus. Terms defined in the Base Prospectus have the same meaning when used in this Supplement.

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 or any statement incorporated by reference into the Base Prospectus by this Supplement and (b) any other statement in or incorporated by reference 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 since the publication of the Base Prospectus.

Those amendments to the Base Prospectus set out in this Supplement shall only apply to an admission to trading of Instruments and/or an offer to the public of Instruments commencing after the approval of this Supplement. No withdrawal right pursuant to article 13 paragraph 2 Luxembourg act dated 10 July 2005 on prospectuses for securities will apply to those investors who have agreed to purchase or subscribe for Instruments in accordance with Final Terms issued under the Base Prospectus before the publication of this Supplement.

The Base Prospectus is revised with effect from and including the date of this Supplement.

Table of Contents

Purpose of this Supplement

The purpose of this Supplement is to amend the Taxation section to incorporate revised German, Italian, Portuguese and Spanish sub-sections following changes of law in those jurisdictions and to expand the list of Collateral Obligors disclosed in the Collateral Annex of the Base Prospectus.

Amendment to Taxation Section

Amendment to German Taxation

The sub-section headed "German Taxation" contained in the Taxation section on page 134 shall be deleted in its entirety and replaced with the following:

German Taxation

The following general summary does not consider all aspects of income taxation in the Federal Republic of Germany ("Germany") that may be relevant to a holder of the Instruments in the light of the holder's particular circumstances and income tax situation. This summary applies to holders of the Instruments, who are solely tax resident in Germany, and it is not intended to be, nor should it be construed to be, legal or tax advice. It is based on German tax laws and regulations, all as currently in effect and all subject to change at any time, possibly with retroactive effect.

Prospective holders are urged to consult their own tax advisers as to the particular tax consequences to them of subscribing, purchasing, holding and disposing of the Instruments, including the application and effect of state, local, foreign and other tax laws and the possible effects of changes in the tax laws of Germany.

Income Taxation

Interest income

If the Instruments are held as private assets (*Privatvermögen*) by an individual investor whose residence or habitual abode is in Germany, payments of interest under the Instruments are generally taxed as investment income (*Einkünfte aus Kapitalvermögen*) at a 25 per cent. flat tax (*Abgeltungsteuer*) (plus a 5.5 per cent. solidarity surcharge (*Solidaritätszuschlag*) thereon and, if applicable to the individual investor, church tax (*Kirchensteuer*)).

The flat tax is generally collected by way of withholding (see subsequent paragraph – *Withholding tax*) and the tax withheld shall generally satisfy the individual investor's tax liability with respect to the Instruments. If, however, no or not sufficient tax was withheld (e.g., in case there is no Domestic Disbursing Agent, as defined below), the investor will have to include the income received with respect to the Instruments in its annual income tax return. The flat tax will then be collected by way of tax assessment. The investor may also opt for inclusion of investment income in its income tax return if the aggregated amount of tax withheld on investment income during the year exceeded the investor's aggregated flat tax liability on investment income (e.g., because of available losses carried forward or foreign tax credits). If the investor's individual income tax rate which is applicable on all

taxable income including the investment income is lower than 25 per cent., the investor may opt to be taxed at individual progressive tax rates with respect to its investment income.

Individual investors are entitled to a saver's lump sum tax allowance (*Sparer-Pauschbetrag*) for investment income of 801 Euro per year (1,602 Euro for jointly assessed husband and wife). The saver's lump sum tax allowance is also considered for purposes of withholding tax (see subsequent paragraph – *Withholding tax*) if the investor has filed a withholding tax exemption request (*Freistellungsauftrag*) with the respective Domestic Disbursing Agent (as defined below). The deduction of related expenses for tax purposes is not permitted.

If the Instruments are held as business assets (*Betriebsvermögen*) by an individual or corporate investor which is tax resident in Germany (i.e., a corporation with its statutory seat or place of management in Germany), interest income from the Instruments is subject to personal income tax at individual progressive tax rates or corporate income tax (each plus 5.5 per cent. solidarity surcharge thereon and church tax, if applicable) and, in general, trade tax. The effective trade tax rate depends on the applicable trade tax factor (*Gewerbesteuer-Hebesatz*) of the relevant municipality where the business is located. In case of individual investors the trade tax may, however, be partially or fully creditable against the investor's personal income tax liability depending on the applicable trade tax factor and the investor's particular circumstances. The interest income will have to be included in the investor's personal or corporate income tax return. Any German withholding tax (including surcharges) is generally fully creditable against the investor's personal or corporate income tax liability or refundable, as the case may be.

If Luxembourg tax was withheld by the Issuer on interest paid to German investors according to the Luxembourg laws of 21 June 2005 implementing the Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income, the German investor will generally be entitled to a credit or a refund of the tax withheld against its German income tax liability.

Withholding tax on interest

If the Instruments are kept or administered in a domestic securities deposit account with a German credit or financial services institution (*Kredit- oder Finanzdienstleistungsinstitut*) (or with a German branch of a foreign credit or financial services institution), or with a German securities trading business (*Wertpapierhandelsunternehmen*) or a German securities trading bank (*Wertpapierhandelsbank*) (altogether a "**Domestic Disbursing Agent**") which pays or credits the interest, a 25 per cent. withholding tax, plus a 5.5 per cent. solidarity surcharge thereon, resulting in a total withholding tax charge of 26.375 per cent., is levied on the interest payments. The applicable withholding tax rate is in excess of the aforementioned rate if church tax is collected for the individual investor.

Capital gains from sale or redemption

Subject to the saver's lump sum tax-allowance for investment income described under the paragraph *Interest income* above, capital gains from the sale or redemption of the Instruments held as private assets are taxed at the 25 per cent. flat tax (plus a 5.5 per cent. solidarity surcharge thereon and, if applicable to the individual investor, church tax). The capital gain is determined as the difference between the proceeds from the sale or redemption of the Instruments and the acquisition costs. Expenses directly and factually related (*unmittelbarer sachlicher Zusammenhang*) to the sale or redemption are taken into account. Otherwise, the deduction of related expenses for tax purposes is not permitted.

Where the Instruments are acquired and/or sold in a currency other than Euro, the acquisition costs will be converted into Euro at the time of acquisition, the sales proceeds will be converted in Euro at the time of sale, and only the difference will then be computed in Euro.

Capital losses from the sales or redemption of the Instruments held as private assets should generally be tax-recognised irrespective of the holding period of the Instruments. However, in case where no (or only *de* minimis) payments are made to the investors on the maturity or redemption date of the Instruments (e.g., due to the limited recourse), any capital losses might not be recognised by the German tax authorities. Any tax-recognised capital losses may not be used to offset other income like employment or business income but may only be offset against investment income. Capital losses not utilised in one annual assessment period may be carried forward into subsequent assessment periods but may not be carried back into preceding assessment periods.

The flat tax is generally collected by way of withholding (see subsequent paragraph – *Withholding tax*) and the tax withheld shall generally satisfy the individual investor's tax liability with respect to the Instruments. With respect to the return filing, investors shall refer to the description under paragraph *Interest income* above.

If the Instruments are held as business assets (*Betriebsvermögen*) by an individual or corporate investor which is tax resident in Germany, capital gains from the Instruments are subject to personal income tax at individual progressive tax rates or corporate income tax (plus 5.5 per cent. solidarity surcharge thereon and church tax, if applicable) and, in general, trade tax. The effective trade tax rate depends on the applicable trade tax factor of the relevant municipality where the business is located. In case of an individual investor the trade tax may, however, be partially or fully creditable against the investor's personal income tax liability depending on the applicable trade tax factor and the investor's particular circumstances. The capital gains will have to be included in the investor's personal or corporate income tax return. Capital losses from the sale or redemption of the Securities should generally be tax-recognised and may generally be offset against other income. It cannot be ruled out that certain Instruments may be classified as derivative transaction (*Termingeschäft*) for tax purposes. In this case, any losses from the Instruments would be subject to a special ring-fencing provision and could only be offset against gains from other derivative transactions. Any German withholding tax (including surcharges) is generally fully creditable against the investor's personal or corporate income tax liability or refundable, as the case may be.

Withholding tax on capital gains

If the Instruments are kept or administered by a Domestic Disbursing Agent from the time of their acquisition, a 25 per cent. withholding tax, plus a 5.5 per cent. solidarity surcharge thereon, is generally levied on the capital gains, resulting in a total withholding tax charge of 26.375 per cent. If the Instruments were sold or redeemed after being transferred to a securities deposit account with another Domestic Disbursing Agent, the 25 per cent. withholding tax (plus solidarity surcharge thereon) would be levied on 30 per cent. of the proceeds from the sale or the redemption, as the case may be, unless the investor or the previous depositary bank was able and allowed to provide evidence for the investor's actual acquisition costs to the current Domestic Disbursing Agent. The applicable withholding tax rate is in excess of the aforementioned rate if church tax applies to the individual investor.

No withholding is generally required on capital gains from the disposal or redemption of the Instruments which is derived by German resident corporate investors and upon application by individual investors holding the Instruments as business assets, subject to certain requirements.

Inheritance and gift tax

The transfer of Instruments to another person by way of gift or inheritance may be subject to German gift or inheritance tax, respectively, if *inter alia*

(i) the testator, the donor, the heir, the donee or any other acquirer had his residence, habitual abode or, in case of a corporation, association of persons (*Personenvereinigung*) or asset pool (*Vermögensmasse*), has its seat or place of management in Germany at the time of the transfer of property,

(ii) except as provided under (i), the testator's or donor's Instruments belong to business assets attributable to a permanent establishment or a permanent representative in Germany.

Prospective investors are urged to consult with their tax advisor to determine the particular inheritance or gift tax consequences in light of their particular circumstances.

Other taxes

The purchase, sale or other disposal of Instruments does not give rise to capital transfer tax, value added tax, stamp duties or similar taxes or charges in Germany. However, under certain circumstances entrepreneurs may choose liability to value added tax with regard to the sales of Instruments to other entrepreneurs which would otherwise be tax exempt. Net wealth tax (*Vermögensteuer*) is, at present, not levied in Germany.

Amendment to Italian Taxation

The sub-section headed "Italian Taxation" contained in the Taxation section on page 137 shall be deleted in its entirety and replaced with the following:

Italian Taxation

The following is a summary of current Italian law and practice relating to the taxation of the Instruments. The statements herein regarding taxation are based on the laws in force in Italy as at the date of this Base Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The Issuer will not update this summary to reflect changes in laws and if such a change occurs the information in this summary could become invalid.

The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Instruments and does not purport to deal with the tax consequences applicable to all categories of investors, some of which may be subject to special rules.

With regard to certain innovative or structured financial instruments there is currently neither case law nor comments of the Italian tax authorities as to the tax treatment of such financial instruments. Accordingly, it cannot be excluded that the Italian tax authorities and courts or Italian intermediaries may adopt a view different from that outlined below.

This summary assumes that the Issuer (and, in case of Substitution, the Substitute Company) is not a tax resident nor deemed to be a tax resident of Italy and that it has no permanent establishment within the Italian territory.

Prospective purchasers are advised to consult their own tax advisers concerning the overall tax consequences of their interest in the Instruments.

Tax Treatment of the Instruments

(i) Instruments qualified as bonds or debentures similar to bonds

Legislative Decree No. 239 of 1 April 1996 ("**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 "**Interest**") from Instruments falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) issued, *inter alia*, by non-Italian resident issuers. For this purpose, securities similar to bonds are debt instruments implying a "use of capital" 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 in the management of the issuer.

In addition, according to the guidelines provided by the Italian tax authorities in Circular letter of 3 May 2011, no. 53/E, the same regime applies on securities issued by foreign securitisation vehicles in relation to securitisation transactions that – though governed by a foreign law – are fully compliant with Italian law provisions governing securitisation transactions laid down in law of 30 April 1999, No. 130.

Italian resident Instrumentholders

Where the Italian resident Instrumentholder who is the beneficial owner of the Instruments is (i) an individual not engaged in an entrepreneurial activity to which the Instruments are connected (unless he has opted for the application of the *risparmio gestito regime*, see paragraph "Capital gains" below), (ii) a non-commercial partnership, (iii) a non-commercial private or public institution, or (iv) an investor exempt from Italian corporate income taxation, Interest payments relating to the Instruments are subject to a withholding tax, referred to as "*imposta sostitutiva*", levied at the rate of 20 per cent. (either when the interest is paid by the Issuer, or when payment thereof is obtained by the Instrumentholder on a sale of the relevant Instruments). The *imposta sostitutiva* may not be recovered as a deduction from the income tax due.

In case the Instruments are held by an individual or a non-commercial private or public institution engaged in a business activity and are effectively connected with same business activity, the Interest will be subject to the *imposta sostitutiva* and will be included in the relevant income tax return. As a consequence, the interest will be subject to the ordinary income tax and the *imposta sostitutiva* may be recovered as a deduction from the income tax due.

Where an Italian resident Instrumentholder is a company or similar commercial entity or a permanent establishment in Italy of a foreign company to which the Instruments are effectively connected and the Instruments are deposited with an authorised intermediary, Interest from the Instruments will not be subject to *imposta sostitutiva*, but must be included in

the relevant Instrumentholder's income tax return and are therefore subject to general Italian corporate tax (*imposta sul reddito delle società*, "**IRES**") or to personal income taxation (as business income), as the case may be, according to the ordinary rules, (and, in certain circumstances, depending on the "status" of the Instrumentholder, also to the regional tax on productive activities (*imposta regionale sulle attività produttive*, "**IRAP**").

Where the Instrumentholder is an Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998 (the "**Real Estate Investment Funds**"), Interest is subject neither to substitute tax nor to any other income tax in the hands of the Fund. A withholding tax may apply in certain circumstances at the rate of up to 20 per cent. on distributions made by Italian Real Estate Funds.

Where the Instrumentholder is an Italian investment funds (which includes *Fondi Comuni d'Investimento*, or SICAV), as well as Luxembourg investment funds regulated by article 11-*bis* of Law Decree No. 512 of 30 September 1983 (collectively, the "**Funds**"), Interest is subject neither to substitute tax nor to any other income tax in the hands of the Fund. A withholding tax may apply in certain circumstances at the rate of up to 20 per cent. on distributions made by the Fund or SICAV.

Where the Instrumentholder is a pension fund (subject to the tax regime set forth by Article 17 of Legislative Decree No. 252 of 05/12/2005, the "**Pension Funds**") Interest but must be included in the Pension Fund's annual net accrued result that is subject to an 11 per cent. substitutive tax.

Pursuant to Decree No. 239, *imposta sostitutiva* is applied by banks, SIMs, fiduciary companies, SGRs, stockbrokers and other entities identified by a decree of the Ministry of Economy and Finance (each an **Intermediary**). An Intermediary must (i) be resident in Italy or be a permanent establishment in Italy of a non-Italian resident financial intermediary and (ii) intervene, in any way, in the collection of interest or in the transfer of the Instruments. For the purpose of the application of the *imposta sostitutiva*, a transfer of Instruments includes any assignment or other act, 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.

Where the Instruments are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any entity paying interest to a Instrumentholder.

Non-Italian resident Instrumentholders

Interest payments relating to Instruments received by non-Italian resident beneficial owners are generally, provided that certain conditions and formalities are met, not subject to tax in Italy.

(ii) Instruments qualified as Atypical securities

Instruments that (i) are not deemed to be bonds (*obbligazioni*), debentures similar to bonds (*titoli similari alle obbligazioni*), shares (*azioni*), or securities similar to shares (*titoli similari alle azioni*) pursuant to Presidential Decree 22 December 1986 n. 917 ("**TUIR**") and (ii) generate income from the investment of capital (*reddito di capitale*) pursuant article 44 of TUIR would be considered as "atypical" securities pursuant to Article 8 of Law Decree No. 512 of 30 September 1983 converted by Law No. 649 of 25 November 1983. In this event,

payments relating to Instruments may be subject to withholding tax, levied at the rate of 20 per cent., if made to the following Italian resident Instrumentholders: (i) individuals, (ii) non-commercial partnerships; (iii) Real Estate Investment Funds, (iv) Funds, (v) Pension Fund and (vi) entities exempt from Italian corporate income tax. Payments made to Italian resident Instrumentholders which are companies or similar commercial entities (including a permanent establishment in Italy of a foreign entity to which the Instruments are effectively connected) are not subject to the 20 per cent. withholding tax, but will form part of their aggregate income subject to IRES according to ordinary rules. In certain cases, such amounts may also be included in the taxable base for IRAP purposes.

Payments relating to Instruments received by non-Italian resident beneficial owners are generally, provided that certain conditions and formalities are met, not subject to tax in Italy.

This withholding is levied by any entities, resident in Italy, which intervene, in any way, in the collection of payment of the Instruments or in the transfer of the Instruments.

(iii) Instruments representing financial instruments non entailing a static "use of capital"

Based on the principles stated by the Italian tax authorities in resolution No. 72/E of 12 July 2010, income deriving from Instruments representing a securitized derivative financial instrument or a bundle of derivative financial instruments not entailing a static "use of capital" ("*impiego di capitale*"), but rather an indirect investment in underlying financial instruments for the purpose of obtaining a profit deriving from the negotiation of such financial instruments as well as capital gains realised through the sale of the same Instruments should be subject to Italian taxation according to the principles provided under paragraph "Capital gains" below.

Capital gains

Where the Italian resident holder of Instruments who is the beneficial owner of the Instruments is (i) an individual not engaged in an entrepreneurial activity to which the Instruments are connected, (ii) a non-commercial partnership, pursuant to article 5 TUIR (with the exception of general partnership, limited partnership and similar entities) (iii) a non-commercial private or public institution, or (iv) an investor exempt from Italian corporate income taxation, and the Instruments generate capital gains pursuant to article 67 TUIR, capital gains accrued on the sale of the Instruments are subject to a 20 per cent. substitute tax (*imposta sostitutiva*). The recipient who is an Italian resident individual not engaged in an entrepreneurial activity to which the Instruments are connected may opt for three different taxation criteria provided for by article 67 TUIR and Legislative Decree No. 461 of 21 November 1997 ("**Decree No. 461**"), as subsequently amended:

- under the tax declaration regime (*regime della dichiarazione*), which is the standard regime for taxation of capital gains realised by Italian resident individuals not engaged in an entrepreneurial activity to which the Instruments are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a yearly cumulative basis, on all capital gains, net of any offsettable capital loss, realised by the Italian resident individual holding the Instruments not in connection with an entrepreneurial activity pursuant to all sales or redemptions of the Instruments carried out during any given tax year. Italian resident individuals holding the Instruments not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay *imposta sostitutiva* on such gains together with any balance income tax due for such

year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years;

- as an alternative to the tax declaration regime, Italian resident individuals holding the Instruments not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Instruments (the "*risparmio amministrato*" regime provided for by Article 6 of the Decree No. 461). Such separate taxation of capital gains is allowed subject to (i) the Instruments being deposited with Italian banks, SIMs or certain authorised financial intermediaries and (ii) an express election for the *risparmio amministrato* regime being timely made in writing by the relevant holder of the Instruments. The depository is responsible for accounting the *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Instruments (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the holder of Instruments or using funds provided by the holder of Instruments for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of the Instruments results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same relationship of deposit, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the holder of Instruments is not required to declare the capital gains in the annual tax return;

- any capital gains realised or accrued by Italian resident individuals holding the Instruments not in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including the Instruments, to an authorised intermediary and have opted for the so-called "*risparmio gestito*" regime (provided for by Article 7 of the Decree No. 461) will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 20 per cent. substitute tax, to be paid by the managing authorised intermediary. Under the *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *risparmio gestito* regime, the holder of Instruments is not required to declare the capital gains realised in the annual tax return.

Where an Italian resident holder of the Instruments who is the beneficial owner of the Instruments is a company or similar commercial entity, or the Italian permanent establishment of a foreign commercial entity to which the Instruments are effectively connected, capital gains arising from the Instruments will not be subject to *imposta sostitutiva*, but must be included in the relevant holder of Instruments' income tax return and are therefore subject to IRES and, in certain circumstances, depending on the "status" of the Instrumentholder, also as a part of the net value of production for IRAP purposes.

Any capital gains realised on the transfer of or redemption of the Instruments by beneficial owners which are Italian Real Estate Funds are not subject to any substitute tax at the fund level nor to any other income tax in the hands of the fund. Italian Real Estate Funds are not subject to any substitute tax at the fund level nor to any other income tax in the hands of the fund, whereas a withholding tax at a rate of up to 20 per cent. will be applied under certain circumstances on income realised by the participants to the fund on distributions or redemption of the fund’s units (where the item of income realised by the participants may include the capital gains on the Instruments).

Any capital gains realised through the transfer for consideration or redemption of the Instruments by beneficial owners which are Funds or SICAV will not be subject to any withholding or substitute tax applied at source. A withholding tax may apply in certain circumstances at the rate of up to 20 per cent. on distributions or redemptions made by the Fund or SICAV to certain categories of investors.

Any capital gains realised through the transfer for consideration or redemption of the Instruments by beneficial owners which are Pension Funds subject to the regime provided for by Article 17 of Decree 252/2005 are included in the calculation of the management result of the fund, accrued in each year, subject to substitute tax at the rate of 11 per cent..

Any capital gains realised on the transfer for consideration or redemption of the Instruments by non-Italian resident beneficial owners without a permanent establishment in Italy to which the Instruments are effectively connected:

- are not subject to taxation in Italy pursuant to Article 23 TUIR, in case the Instruments are traded in a regulated market. Non-Italian resident beneficial owners may be required to timely produce an appropriate self-declaration stating that they are not resident in Italy for tax purposes, in order to benefit from the exemption from taxation in Italy of capital gains realised on the transfer or the redemption of the Instruments;
- are in principle subject to a 20 per cent. substitute tax on capital gains pursuant to Article 5 of Decree No. 461 in case the Instruments are held in Italy and are not traded in a regulated markets. However, in such case, pursuant to Article 5, paragraph 5 of Decree No. 461, capital gains are exempt from the 20 per cent. substitute tax if realised by (a) non-Italian resident persons, which are resident for tax purposes in a State or territory with which Italy has an adequate exchange of information (b) international bodies and organisations established in accordance with international agreements ratified in Italy; (c) foreign institutional investors, even if they are not taxable persons, set up in a State or territory with which Italy has an adequate exchange of information; and (d) Central Banks and entities also managing official State reserves. In relation to non-Italian resident investors holding the Instruments with an Italian authorized financial intermediary, the exclusion of Italian taxation may be subject to certain procedural formalities.

In case the above exemption does not apply, the provisions of Decree No. 461 do not preclude the application of more favourable provisions laid down in any applicable double tax treaty entered into by Italy.

Inheritance and gift taxes

Pursuant to Law Decree No. 262 of 3 October 2006 ("**Decree No. 262**"), converted into Law No. 286 of 24 November 2006, as subsequently amended, the transfers of any valuable asset (including shares, bonds or other securities) as a result of death or donation are taxed as follows:

(i) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the total value of the inheritance or the gift exceeding € 1,000,000 per beneficiary;

(ii) transfers in favour of relatives to the fourth degree or relatives-in-law to the third degree are subject to an inheritance and gift tax at a rate of 6 per cent. on the entire value of the inheritance or the gift. Transfers in favour of brothers/sisters are subject to the 6 per cent.

inheritance and gift tax on the total value of the inheritance or the gift exceeding € 100,000 per beneficiary; and

(iii) any other transfer is, in principle, subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or the gift.

If the beneficiary of any such transfer is a disabled individual, whose handicap is recognised pursuant to Law No. 104 of 5 February 1992, the tax is applied only on the value of the assets (including the Instruments) received in excess of € 1,500,000.00 at the rates illustrated above, depending on the type of relationship existing between the deceased or donor and the beneficiary.

Moreover, an anti-avoidance rule is provided for in case of gift of assets, such as the Instruments, whose sale for consideration would give rise to capital gains to be subject to the *imposta sostitutiva* provided for by Decree No. 461, as subsequently amended. In particular, if the donee sells the Instruments for consideration within five years from their receipt as a gift, the donee is required to pay the relevant *imposta sostitutiva* as if the gift had never taken place.

Transfer Tax

Article 37 of Law Decree No 248 of 31 December 2007, converted into Law No. 31 of 28 February 2008, published on the Italian Official Gazette No. 51 of 29 February 2008, has abolished the Italian transfer tax, provided for by Royal Decree No. 3278 of 30 December 1923, as amended and supplemented by the Legislative Decree No. 435 of 21 November 1997.

Following the repeal of the Italian transfer tax, as from 31 December 2007 contracts relating to the transfer of securities are subject to the registration tax as follows: (i) public deeds and notarized deeds are subject to fixed registration tax at rate of € 200.00; (ii) private deeds are subject to registration tax only in case of voluntary registration or if the so called "*caso d'uso*" and "*enunciazione*" occur.

Wealth Tax

According to Article 19(18) of Decree of 6 December 2011, No. 201 ("**Decree No. 201**"), converted with Law of 22 December 2011, No. 214, Italian resident individuals holding certain financial assets – including the Instruments – outside of the Italian territory are required to pay a wealth tax at the rate of 0.2 per cent. The tax applies on the market value at the end of the relevant year or – in the lack of the market value – on the nominal value or redemption value of such financial assets held outside of the Italian territory.

Stamp duty

Pursuant to Article 19(1) of Decree No. 201, a proportional stamp duty applies on an annual basis to the periodic reporting communications sent by financial intermediaries, carrying out their business activity within the Italian territory, to their clients for the Instruments deposited therewith. The stamp duty applies at the current rate of 0.2 per cent.; this stamp duty is determined on the basis of the market value or — if no market value figure is available — the nominal value or redemption amount of the Instruments held. The stamp duty can be no lower than €34.20. If the client is not an individual, the stamp duty cannot be higher than € 14,000.00.

Tax Monitoring

Pursuant to Italian Law Decree No. 167 of 28 June 1990, converted by Law No. 227 of 4 August 1990, as amended ("**Decree 167**"), individuals, non-commercial institutions and non-commercial partnerships resident in Italy who, at the end of the fiscal year, hold investments abroad or have foreign financial assets (including Instruments held abroad and/or Instruments issued by a non-Italian resident Issuer) must, in certain circumstances, disclose the aforesaid and related transfers to, from and occurred abroad, to the Italian tax authorities in their income tax return (or, in case the income tax return is not due, in a proper form that must be filed within the same time prescribed for the income tax return). This obligation does not exist (i) in cases where each of the overall value of the foreign investments or financial assets at the end of the fiscal year, and the overall value of the related transfers to, from and occurred abroad carried out during the relevant fiscal year, does not exceed €10,000, as well as (ii) in case the financial assets are given in administration or management to Italian banks, SIMs, fiduciary companies or other professional intermediaries, indicated in Article 1 of Decree 167, or if one of such intermediaries intervenes, also as a counterpart, in their transfer, provided that income deriving from such financial assets is collected through the intervention of such an intermediary.

Please note that Decree 167 has been amended by Law of 6 August 2013, No. 97 (*Legge Europea* 2013). As of 2014, individuals, non-commercial institutions and non-commercial partnerships resident in Italy, under certain conditions, will be required to report in their yearly income tax return, for tax monitoring purposes, only the amount of investments (including the Instruments) directly or indirectly held abroad during each tax year. Inbound and outbound transfers and other transfers occurring abroad in relation to investments should not be reported in the income tax return.

Italian Financial Transaction Tax

Law No. 228 of 24 December 2012 (the "**Stability Law**") introduced a fixed levy Italian Financial Transaction Tax ("**FTT**") that applies to all transactions involving equity derivatives which have Italian shares, Italian equity-like instruments or Italian equity-related instruments as their underlying assets. An equity derivative is subject to the FTT if the underlying or reference value consists as to more than 50 per cent., of the market value of Italian shares, Italian equity-like instruments or Italian equity-related instruments. The FTT applies even if the transfer takes place outside Italy and/or any of the parties to the transaction are not resident in Italy.

The FTT on derivative trades also applies to transactions in bonds and debt securities which allow the acquisition or the transfer of the financial instruments referred to above and which do not entail an unconditional obligation to pay, at maturity, an amount not lower than their nominal value.

The amount of tax due depends on the type of derivative instrument and on the contract's value, but is subject to a maximum of Euro 200,00. This FTT is reduced to 1/5 of the relevant amount if the transfer takes place on a regulated market or multilateral trading system.

The FTT must be paid and accounted for to the Italian tax authorities by any intermediary intervening in any way in the execution of such transactions, e.g. banks, fiduciary companies or investment firms licensed to provide investment services on a professional basis to the public in accordance with Article 18 of Italian Legislative Decree No. 58 of 24 February 1998, including non-Italian resident intermediaries. However, the Stability Law provides that such an intermediary is permitted to refrain from executing the relevant transaction until they have received from the relevant person referred to above the amount of FTT due on the transaction. In terms of compliance

with the FTT, non-Italian resident intermediaries may (i) fulfil all the relevant obligations through their Italian permanent establishment, if any; (ii) appoint an Italian withholding agent as a tax representative; or (iii) identify themselves by filing a request with the Italian Tax Administration for an Italian tax code. In the event that several financial intermediaries are involved, the obligation to make payment of the FTT to the Italian tax authorities falls on the party that directly receives the transaction order from the parties. If no intermediary is involved in a transaction, the relevant parties referred to above must pay the FTT due directly to the Italian tax authorities.

Some exemptions may apply.

Amendment to Portuguese Taxation

The sub-section headed "Portuguese Taxation" contained in the Taxation section on page 149 shall be deleted in its entirety and replaced with the following:

Portuguese Taxation

The following overview is of a general nature. It does not purport to be a comprehensive description of all of the tax considerations that may be relevant to any particular holder of Instruments, including tax considerations that arise from rules of general application or that are generally assumed to be known to holder of Instruments. It also does not contain in-depth information about all special and exceptional regimes, which may entail tax consequences at variance with those described herewith. Additionally, it does not analyse the tax implications that may indirectly arise from the decision to invest in the Instruments, such as those relating to the tax framework of financing obtained to support such investment or those pertaining to the counterparties of the potential investors, regarding any transaction involving the Instruments. The overview is based on the laws presently in force in Portugal, though it is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors in the Instruments should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Portuguese tax law, to which they may be subject.

Portuguese tax resident individuals or individuals with a permanent establishment in Portugal to which income associated with the Instruments is imputable

Income arising from the ownership of Instruments

Economic benefits derived from interest, amortisation, reimbursement premiums and other instances of remuneration arising from the Instruments (including, upon a transfer of the Instruments, the interest accrued since the last date on which interest was due), are classified as "investment income" for Portuguese tax purposes.

In case investment income arising from the Instruments is paid by a Portuguese paying agent, acting on behalf of, or contractually obliged by, either the non-resident entity (bound to pay the income) or the Portuguese resident individual (i.e. the recipient), Personal Income Tax (*Imposto sobre o Rendimento das Pessoas Singulares* ("**IRS**")) at a 28 per cent flat rate will be withheld when such income is due to its recipient. In this case, the Portuguese resident individual, unless deriving such income in the capacity of entrepreneur or self-employed professional, may choose to declare such income in his or her tax return, together with the remaining items of income derived. If such election is made, all income must be declared and subject to IRS at the rate resulting from the application of the relevant progressive tax brackets for the year in question of up to 48 per cent, plus a 3.5 per cent surtax on income exceeding €6.790 and a solidarity tax of up to 5 per cent on income exceeding €250,000 (2.5 per cent on income exceeding €80,000, up to €250,000). The domestic withholding tax suffered will constitute a payment in advance of such final IRS liability. Foreign withholding tax suffered, if any, will be considered as a tax credit against the final IRS liability. If no such election is made, the domestic

28 per cent withholding tax suffered constitutes the final Portuguese liability and the income does not need to be disclosed in the tax return (and therefore no foreign tax credit is granted). In case interest arising from the Instruments is not paid by a Portuguese paying agent, no Portuguese withholding tax is due. A Portuguese resident individual must declare the relevant income in his or her tax return and either subject it to the final flat 28 per cent rate or aggregate it with the remaining elements of income (in which case all income of the same category should be aggregated) and subject the global amount to IRS at the rate resulting from the application of the relevant progressive tax brackets for the year in question of up to 48 per cent, plus a 3.5 per cent surtax on income exceeding €6.790 and a solidarity tax of up to 5 per cent on income exceeding €250,000 (2.5 per cent on income exceeding €80,000, up to €250,000). Only in the latter alternative may any foreign withholding tax suffered be considered as a tax credit against the final IRS liability.

Capital gains and capital losses arising from the disposal of Instruments for consideration

The annual positive balance between capital gains and capital losses arising from the disposal of Instruments (and other assets indicated in the law) for consideration, deducted of the costs necessary and effectively incurred in such disposal, is taxed at a special 28 per cent IRS rate. Alternatively, the holder of Instruments may opt for the application of the relevant progressive tax brackets to this annual positive balance, together with the remaining items of income obtained during the tax year. In that event, the capital gains shall be liable for tax at the rate resulting from the application of the relevant progressive tax brackets for the year in question of up to 48 per cent, plus a 3.5 per cent surtax on income exceeding €6.790 and a solidarity tax of up to 5 per cent on income exceeding € 250,000 (2.5 per cent on income exceeding €80,000, up to €250,000). No Portuguese withholding tax is levied on capital gains.

Losses arising from disposals for consideration in favour of counterparties subject to a clearly more favourable tax regime in the country, territory or region where it is a tax resident, listed in the Ministerial Order no. 150/2004 of 13th February, as amended by Ministerial Order no.292/2011, of 8th November, are disregarded for purposes of assessing the positive or negative balance referred to in the previous paragraph.

Where the Portuguese resident individual opts for the application of the relevant progressive tax brackets, any capital losses which were not offset against capital gains in the relevant tax period may be carried forward for 2 years and offset future capital gains.

Gratuitous acquisition of Instruments

The gratuitous acquisition (per death or in life) of the Instruments by Portuguese tax resident individuals is not liable for Stamp Tax (otherwise due at a 10 per cent rate) since the Issuer is not a Portuguese tax-resident entity. Spouses, ancestors and descendants would nonetheless avail of an exemption from Stamp Tax on such acquisitions.

Corporate entities resident for tax purposes in Portugal or with a permanent establishment to which income associated with the Instruments is imputable

Income arising from the ownership of Instruments

Investment income arising from the Instruments is liable for Corporate Income Tax (*Imposto sobre o Rendimento das Pessoas Colectivas* ("**IRC**")). IRC is levied on the taxable basis (computed as the taxable profit deducted of eligible tax losses carried forward) at a rate of up to 25 per cent. A municipal surcharge, at variable rates according to the decision of the municipal bodies, up to 1.5 per cent of the taxable profit, may also apply. Moreover, if the taxable basis exceeds 1.500.000 euros a State surtax will be levied, at a rate from 3 to 7 per cent.

Taxpayers globally exempt from IRC include the State and other corporate entities subject to administrative law; corporate entities recognised as having public interest and charities; pension funds; retirement savings funds, education savings funds and retirement and education savings funds; and venture capital funds, provided that, with respect to all the above funds, they are organised and operate in accordance with Portuguese law. If organised and

operating in accordance with the domestic law of a European Union or a European Economic Area Member State some of such funds may still be entitled to a similar tax regime in case certain conditions are met.

Capital gains and capital losses arising from the disposal of Instruments for consideration

Capital gains and capital losses are taken into consideration for purposes of computing the taxable profit for IRC purposes. IRC is levied on the taxable basis (computed as the taxable profit deducted of eligible tax losses carried forward) at a rate of up to 25 per cent. A municipal surcharge, at variable rates according to the decision of the municipal bodies, up to 1.5 per cent of the taxable profit, may also apply. Moreover, if the taxable basis exceeds 1.500.000 euros a State surtax will be levied, at a rate from 3 to 7 per cent.

Gratuitous acquisition of Instruments

The positive net variation in worth, not reflected in the profit and loss account of the financial year, arising from the gratuitous transfer of Instruments to Portuguese tax resident corporate entities liable for IRC, even if exempt therefrom, or to permanent establishments to which it is imputable, is taken into consideration for purposes of computing the taxable profit for IRC purposes.

IRC is levied on the taxable basis (computed as the taxable profit deducted of eligible tax losses carried forward) at a rate of up to 25 per cent. A municipal surcharge, at variable rates according to the decision of the municipal bodies, up to 1.5 per cent of the taxable profit, may also apply. Moreover, if the taxable basis exceeds 1.500.000 euros a State surtax will be levied, at a rate from 3 to 7 per cent.

Amendment to Spanish Taxation

The sub-section headed "Spanish Taxation" contained in the Taxation section on page 151 shall be deleted in its entirety and replaced with the following:

Spanish Taxation

The following general summary does not consider all aspects of income taxation in Spain that may be relevant to a holder of the Instruments in the light of the holder's particular circumstances and income tax situation. This summary applies to holders of the Instruments, who are solely tax resident in Spain, and it is not intended to be, nor should it be construed to be, legal or tax advice. It is based on Spanish tax laws and regulations, all as currently in effect and all subject to change at any time, possibly with retroactive effect.

Prospective holders are urged to consult their own tax advisers as to the particular tax consequences to them of subscribing, purchasing, holding and disposing of the Instruments, including the application and effect of state, local, foreign and other tax laws and the possible effects of changes in the tax laws of Spain.

Spanish resident individuals

Personal Income Tax ("Impuesto sobre la Renta de las Personas Físicas") ("PIT")

In principle, any income obtained by Spanish resident individuals under the Instruments, whether in the form of interest or as per the transfer or redemption of the Instruments, will be regarded as capital-sourced income (i.e. financial income) subject to PIT. This income will form part of the relevant Spanish holder savings taxable base and taxed at a flat rate of 21 per cent. for the first EUR 6,000, 25 per cent. between EUR 6,001 and EUR 24,000 and 27 per cent. for any amount in excess of EUR 24,000.

The withholding tax regime will be as follows:

(i) Interest paid to holders who are Spanish resident individuals will be subject to Spanish withholding tax at 21% to be deducted by the depositary entity of the Instruments or the entity in charge of collecting the income derived thereunder, provided such entities are resident for tax purposes in Spain or have a permanent establishment in the Spanish territory.

(ii) Income obtained upon transfer of the Instruments will be subject to Spanish withholding tax at 21% to be deducted by the financial entity acting on behalf of the seller, provided such entity is resident for tax purposes in Spain or has a permanent establishment in the Spanish territory.

(iii) Income obtained upon redemption of the Instruments will be subject to Spanish withholding tax at 21% to be deducted by the financial entity appointed by the Issuer (if any) for redemption of the Instruments, provided such entity is resident for tax purposes in Spain or has a permanent establishment in the Spanish territory.

Wealth Tax ("Impuesto sobre el Patrimonio")

Spanish resident individuals are subject to the Spanish Wealth Tax on all their assets (such as the Instruments) in tax year 2014. According to Wealth Tax regulations as amended by Royal Decree-Law 13/2011 (subject to any exceptions provided under relevant legislation in an autonomous region (*Comunidad Autónoma*)), the net worth of any individuals with tax residency in Spain up to the amount of EUR 700,000 is not subject to Wealth Tax in respect of tax year 2014. Therefore, they should take into account the value of the Instruments which they hold as at 31 December 2014, the applicable marginal rates ranging between 0.2 per cent. and 2.5 per cent. Wealth Tax is currently scheduled to be removed from 01 January 2015.

Inheritance and Gift Tax ("Impuesto sobre Sucesiones y Donaciones")

Individuals resident in Spain for tax purposes who acquire instruments by inheritance or gift will be subject to the Spanish Inheritance and Gift Tax ("**IGT**") in accordance with the IGT Law ("**LIGT**"), without prejudice to the specific legislation applicable in each Autonomous Region. The effective tax rate, after applying all relevant factors, ranges from 7.65 per cent. to 81.6 per cent. Some tax benefits could reduce the effective tax rate.

Spanish resident corporates

Corporate Income Tax ("Impuesto sobre Sociedades") ("CIT")

Any income derived by Spanish companies under the Instruments will be included in their CIT taxable income in accordance with applicable CIT legislation. The general CIT rate is of 30% (although other rates may be applicable to certain investors).

Where a financial institution (either resident in Spain or acting through a permanent establishment in Spain) acts as depositary of the Instruments or acts as manager on the collection of any income under the Instruments such financial institution will be responsible for making the relevant withholding on account of Spanish tax on any income deriving from the Instruments.

The current withholding tax in Spain is 21 per cent. Amounts withheld in Spain, if any, can be credited against the final CIT liability corresponding to the corporate taxpayer.

Non-residents acting in Spain through a permanent establishment in relation to the Instruments will be taxed in equivalent terms to Spanish corporates, as described above.

Wealth Tax

Companies are not subject to Wealth Tax.

Inheritance and Gift Tax

Spanish companies are not subject to Inheritance and Gift Tax. Conversely, Spanish companies receiving Instruments by inheritance, gift or legacy will be taxed under CIT on the market value of the Instruments.

Other Taxes

Whatever the nature and residence of the holder, the acquisition and transfer of Instruments will be exempt from indirect taxes in Spain, i.e., exempt from transfer tax and stamp duty and from value added tax.

New disclosure obligations in connection with assets held abroad by Spanish resident natural and legal persons (form 720)

According to Law 7/2012, of 30 October 2012, Spanish resident natural or legal persons holding certain categories of assets abroad (including inter alia all types of debt securities) may be potentially liable to report them to the Spanish tax authorities on a yearly basis in certain circumstances. Accordingly, any Spanish resident individual and corporate Noteholders using a non-Spanish resident custodian to hold the Instruments may be potentially liable to comply with such reporting obligations in respect of the Instruments, if certain conditions are met. Failure to meet this new reporting obligation may trigger significant tax penalties and other tax implications. Any Spanish resident Instrument holders are therefore encouraged to consult with their own tax advisors as to whether this reporting obligations may be applicable to them in connection with the holding of the Instruments.

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