JPMORGAN CHASE & CO
Form 424B2
December 31, 2018
December 27, 2018 Registration Statement Nos. 333-222672 and 333-222672-01; Rule 424(b)(2)

JPMorgan Chase Financial Company LLC
Structured Investments

$254,000

Uncapped Dual Directional Contingent Buffered Equity Notes Linked to the Lesser Performing of the S&P 500® Index and the Russell 2000® Index due December 29, 2023

Fully and Unconditionally Guaranteed by JPMorgan Chase & Co.

- The notes are designed for investors who seek uncapped, unleveraged exposure to any appreciation of the lesser performing of the S&P 500® Index and the Russell 2000® Index, which we refer to as the Indices, at maturity, subject to a contingent minimum return of 42.00%.
- The notes are also designed for investors who seek a capped, unleveraged return equal to the absolute value of any depreciation (up to the Contingent Buffer Amount of 35.00%) of the lesser performing Index at maturity.
- Investors should be willing to forgo interest and dividend payments and be willing to lose some or all of their principal amount at maturity.
- The notes are unsecured and unsubordinated obligations of JPMorgan Chase Financial Company LLC, which we refer to as JPMorgan Financial, the payment on which is fully and unconditionally guaranteed by JPMorgan Chase & Co. **Any payment on the notes is subject to the credit risk of JPMorgan Financial, as issuer of the notes, and the credit risk of JPMorgan Chase & Co., as guarantor of the notes.**
- Payments on the notes are not linked to a basket composed of the Indices. Payments on the notes are linked to the performance of each of the Indices individually, as described below.
- Minimum denominations of $1,000 and integral multiples thereof
- The notes priced on December 27, 2018 and are expected to settle on or about January 2, 2019.
- CUSIP: 48130WFX4

Investing in the notes involves a number of risks. See "Risk Factors" beginning on page PS-10 of the accompanying product supplement, "Risk Factors" beginning on page US-1 of the accompanying underlying supplement and "Selected Risk Considerations" beginning on page PS-4 of this pricing supplement.

Neither the Securities and Exchange Commission (the "SEC") nor any state securities commission has approved or disapproved of the notes or passed upon the accuracy or the adequacy of this pricing supplement or the accompanying product supplement, underlying supplement, prospectus supplement and prospectus. Any representation to the contrary is a criminal offense.

	Price to Public (1)	Fees and Commissions (2)	Proceeds to Issuer
Per note	$1,000	$5.2854	$994.7146
Total	$254,000	$1,342.50	$252,657.50

(1) See "Supplemental Use of Proceeds" in this pricing supplement for information about the components of the price to public of the notes.

(2) J.P. Morgan Securities LLC, which we refer to as JPMS, acting as agent for JPMorgan Financial, will pay all of the selling commissions it receives from us to other affiliated or unaffiliated dealers. These selling commissions will vary and will be up to $7.50 per $1,000 principal amount note. See "Plan of Distribution (Conflicts of Interest)" in the accompanying product supplement.

The estimated value of the notes, when the terms of the notes were set, was $992.10 per $1,000 principal amount note. See "The Estimated Value of the Notes" in this pricing supplement for additional information.

The notes are not bank deposits, are not insured by the Federal Deposit Insurance Corporation or any other governmental agency and are not obligations of, or guaranteed by, a bank.

Pricing supplement to product supplement no. 4-I dated April 5, 2018, underlying supplement no. 1-I dated April 5, 2018
and the prospectus and prospectus supplement, each dated April 5, 2018

Key Terms

Issuer: JPMorgan Chase Financial Company LLC, an indirect, wholly owned finance subsidiary of JPMorgan Chase & Co.

Guarantor: JPMorgan Chase & Co.

Indices: The S&P 500® Index (Bloomberg ticker: SPX) and the Russell 2000® Index (Bloomberg ticker: RTY)

Contingent Minimum Return: 42.00%

Contingent Buffer Amount: 35.00%

Pricing Date: December 27, 2018

Original Issue Date (Settlement Date): On or about January 2, 2019

Observation Date*: December 26, 2023

Maturity Date*: December 29, 2023

* Subject to postponement in the event of a market disruption event and as described under "General Terms of Notes — Postponement of a Determination Date — Notes Linked to Multiple Underlyings" and "General Terms of Notes — Postponement of a Payment Date" in the accompanying product supplement

Payment at Maturity:

If the Final Value of each Index is greater than or equal to its Initial Value, your payment at maturity per $1,000 principal amount note will be calculated as follows:

$1,000 + ($1,000 × greater of (a) Contingent Minimum Return and (b) Lesser Performing Index Return)

If (i) the Final Value of one Index is greater than or equal to its Initial Value and the Final Value of the other Index is less than its Initial Value by up to the Contingent Buffer Amount or (ii) the Final Value of each Index is less than its Initial Value by up to the Contingent Buffer Amount, your payment at maturity per $1,000 principal amount note will be calculated as follows:

$1,000 + ($1,000 × Absolute Index Return of the Lesser Performing Index)

If the Final Value of either Index is less than its Initial Value by more than the Contingent Buffer Amount, your payment at maturity per $1,000 principal amount note will be calculated as follows:

$1,000 + ($1,000 × Lesser Performing Index Return)

If the Final Value of either Index is less than its Initial Value by more than the Contingent Buffer Amount, you will lose more than 35.00% of your principal amount at maturity and could lose all of your principal amount at maturity.

Absolute Index Return: With respect to each Index, the absolute value of the Index Return. For example, if the Index Return of an Index is -5%, its Absolute Index Return will equal 5%.

Lesser Performing Index: The Index with the Lesser Performing Index Return

Lesser Performing Index Return: The lower of the Index Returns of the Indices

Index Return:

With respect to each Index,

$$\frac{(\text{Final Value} - \text{Initial Value})}{\text{Initial Value}}$$

Initial Value: With respect to each Index, the closing level of that Index on the Pricing Date, which was 2,488.83 for the S&P 500® Index and 1,331.817 for the Russell 2000® Index

Final Value: With respect to each Index, the closing level of that Index on the Observation Date

Hypothetical Payout Profile

The following table illustrates the hypothetical total return and payment at maturity on the notes linked to two hypothetical Indices. The "total return" as used in this pricing supplement is the number, expressed as a percentage, that results from comparing the payment at maturity per $1,000 principal amount note to $1,000. The hypothetical total returns and payments set forth below assume the following:

- an Initial Value for the Lesser Performing Index of 100.00;
- a Contingent Minimum Return of 42.00%; and
- a Contingent Buffer Amount of 35.00%.

The hypothetical Initial Value of the Lesser Performing Index of 100.00 has been chosen for illustrative purposes only and does not represent the actual Initial Value of either Index. The actual Initial Value of each Index is the closing level of that Index on the Pricing Date and is specified under "Key Terms — Initial Value" in this pricing supplement. For historical data regarding the actual closing levels of each Index, please see the historical information set forth under "The Indices" in this pricing supplement.

Each hypothetical total return or hypothetical payment at maturity set forth below is for illustrative purposes only and may not be the actual total return or payment at maturity applicable to a purchaser of the notes. The numbers appearing in the following table have been rounded for ease of analysis.

Final Value of the Lesser Performing Index	Lesser Performing Index Return	Absolute Index Return of the Lesser Performing Index	Total Return on the Notes	Payment at Maturity
165.00	65.00%	N/A	65.00%	$1,650.00
150.00	50.00%	N/A	50.00%	$1,500.00
142.00	42.00%	N/A	42.00%	$1,420.00
140.00	40.00%	N/A	42.00%	$1,420.00
130.00	30.00%	N/A	42.00%	$1,420.00
120.00	20.00%	N/A	42.00%	$1,420.00
110.00	10.00%	N/A	42.00%	$1,420.00
105.00	5.00%	N/A	42.00%	$1,420.00
101.00	1.00%	N/A	42.00%	$1,420.00
100.00	0.00%	N/A	42.00%	$1,420.00
95.00	-5.00%	5.00%	5.00%	$1,050.00
90.00	-10.00%	10.00%	10.00%	$1,100.00
80.00	-20.00%	20.00%	20.00%	$1,200.00
65.00	-35.00%	35.00%	35.00%	$1,350.00
64.99	-35.01%	N/A	-35.01%	$649.90
60.00	-40.00%	N/A	-40.00%	$600.00
50.00	-50.00%	N/A	-50.00%	$500.00
40.00	-60.00%	N/A	-60.00%	$400.00
30.00	-70.00%	N/A	-70.00%	$300.00
20.00	-80.00%	N/A	-80.00%	$200.00
10.00	-90.00%	N/A	-90.00%	$100.00
0.00	-100.00%	N/A	-100.00%	$0.00

The following graph demonstrates the hypothetical payments at maturity on the notes for a sub-set of Lesser Performing Index Returns detailed in the table above (-50% to 50%). We cannot give you assurance that the performance of the Lesser Performing Index will result in the return of any of your principal amount.

How the Notes Work

Lesser Performing Index Par or Lesser Performing Index Appreciation Upside Scenario:

If the Final Value of each Index is greater than or equal to its Initial Value, investors will receive at maturity the $1,000 principal amount *plus* a return equal to the greater of (a) the Contingent Minimum Return of 42.00% and (b) the Lesser Performing Index Return.

- If the closing level of the Lesser Performing Index increases 10.00%, investors will receive at maturity a 42.00% return, or $1,420.00 per $1,000 principal amount note.
- If the closing level of the Lesser Performing Index increases 50.00%, investors will receive at maturity a 50.00% return, or $1,500.00 per $1,000 principal amount note.

Lesser Performing Index Depreciation Upside Scenario:

If (i) the Final Value of one Index is greater than or equal to its Initial Value and the Final Value of the other Index is less than its Initial Value by up to the Contingent Buffer Amount of 35.00% or (ii) the Final Value of each Index is less than its Initial Value by up to the Contingent Buffer Amount of 35.00%, investors will receive at maturity the $1,000 principal amount *plus* a return equal to the Absolute Index Return of the Lesser Performing Index.

- For example, if the closing level of the Lesser Performing Index declines 10.00%, investors will receive at maturity a 10.00% return, or $1,100.00 per $1,000 principal amount note.

Downside Scenario:

If the Final Value of either Index is less than its Initial Value by more than the Contingent Buffer Amount of 35.00%, investors will lose 1% of the principal amount of their notes for every 1% that the Final Value of the Lesser Performing Index is less than its Initial Value.

- For example, if the closing level of the Lesser Performing Index declines 50.00%, investors will lose 50.00% of their principal amount and receive only $500.00 per $1,000 principal amount note at maturity.

The hypothetical returns and hypothetical payments on the notes shown above apply only if you hold the notes for their entire term. These hypotheticals do not reflect the fees or expenses that would be associated with any sale in the secondary market. If these fees and expenses were included, the hypothetical returns and hypothetical payments shown above would likely be lower.

Selected Risk Considerations

An investment in the notes involves significant risks. These risks are explained in more detail in the "Risk Factors" sections of the accompanying product supplement and underlying supplement.

- **YOUR INVESTMENT IN THE NOTES MAY RESULT IN A LOSS —**
The notes do not guarantee any return of principal. If the Final Value of either Index is less than its Initial Value by more than 35.00%, you will lose 1% of the principal amount of your notes for every 1% that the Final Value of the Lesser Performing Index is less than its Initial Value. Accordingly, under these circumstances, you will lose more than 35.00% of your principal amount at maturity and could lose all of your principal amount at maturity.

- **YOUR ABILITY TO RECEIVE THE CONTINGENT MINIMUM RETURN MAY TERMINATE ON THE OBSERVATION DATE —**
If the Final Value of either Index is less than its Initial Value, you will not be entitled to receive the Contingent Minimum Return at maturity.

- **YOUR MAXIMUM GAIN ON THE NOTES IS LIMITED BY THE CONTINGENT BUFFER AMOUNT IF THE LESSER PERFORMING INDEX RETURN IS NEGATIVE —**
Because the payment at maturity will not reflect the Absolute Index Return of the Lesser Performing Index if its Final Value is less than its Initial Value by more than the Contingent Buffer Amount, the Contingent Buffer Amount is effectively a cap on your return at maturity if the Lesser Performing Index Return is negative. The maximum payment at maturity if the Lesser Performing Index Return is negative is $1,350.00 per $1,000 principal amount note.

- **CREDIT RISKS OF JPMORGAN FINANCIAL AND JPMORGAN CHASE & CO. —**
Investors are dependent on our and JPMorgan Chase & Co.'s ability to pay all amounts due on the notes. Any actual or potential change in our or JPMorgan Chase & Co.'s creditworthiness or credit spreads, as determined by the market for taking that credit risk, is likely to adversely affect the value of the notes. If we and JPMorgan Chase & Co. were to default on our payment obligations, you may not receive any amounts owed to you under the notes and you could lose your entire investment.

- **AS A FINANCE SUBSIDIARY, JPMORGAN FINANCIAL HAS NO INDEPENDENT OPERATIONS AND HAS LIMITED ASSETS —**
As a finance subsidiary of JPMorgan Chase & Co., we have no independent operations beyond the issuance and administration of our securities. Aside from the initial capital contribution from JPMorgan Chase & Co., substantially all of our assets relate to obligations of our affiliates to make payments under loans made by us or other intercompany agreements. As a result, we are dependent upon payments from our affiliates to meet our obligations under the notes. If these affiliates do not make payments to us and we fail to make payments on the notes, you may have to seek payment under the related guarantee by JPMorgan Chase & Co., and that guarantee will rank *pari passu* with all other unsecured and unsubordinated obligations of JPMorgan Chase & Co.

- **POTENTIAL CONFLICTS —**
We and our affiliates play a variety of roles in connection with the notes. In performing these duties, our and JPMorgan Chase & Co.'s economic interests are potentially adverse to your interests as an investor in the notes. It is possible that hedging or trading activities of ours or our affiliates in connection with the notes could result in substantial returns for us or our affiliates while the value of the notes declines. Please refer to "Risk Factors — Risks Relating to Conflicts of Interest" in the accompanying product supplement.

- **JPMORGAN CHASE & CO. IS CURRENTLY ONE OF THE COMPANIES THAT MAKE UP THE S&P 500® INDEX,** but JPMorgan Chase & Co. will not have any obligation to consider your interests in taking any corporate action that might affect the level of the S&P 500® Index.

- **YOU ARE EXPOSED TO THE RISK OF DECLINE IN THE LEVEL OF EACH INDEX —** Payments on the notes are not linked to a basket composed of the Indices and are contingent upon the performance of each individual Index. Poor performance by either of the Indices over the term of the notes may negatively affect your payment at maturity and will not be offset or mitigated by positive performance by the other Index.

- **YOUR PAYMENT AT MATURITY WILL BE DETERMINED BY THE LESSER PERFORMING INDEX.**
- **THE BENEFIT PROVIDED BY THE CONTINGENT BUFFER AMOUNT MAY TERMINATE ON THE OBSERVATION DATE —**

If the Final Value of either Index is less than its Initial Value by more than the Contingent Buffer Amount, the benefit provided by the Contingent Buffer Amount will terminate and you will be fully exposed to any depreciation of the Lesser Performing Index.

- **THE NOTES DO NOT PAY INTEREST.**
- **YOU WILL NOT RECEIVE DIVIDENDS ON THE SECURITIES INCLUDED IN EITHER INDEX OR HAVE ANY RIGHTS WITH RESPECT TO THOSE SECURITIES.**
- **AN INVESTMENT IN THE NOTES IS SUBJECT TO RISKS ASSOCIATED WITH SMALL CAPITALIZATION STOCKS WITH RESPECT TO THE RUSSELL 2000® INDEX —**

Small capitalization companies may be less able to withstand adverse economic, market, trade and competitive conditions relative to larger companies. Small capitalization companies are less likely to pay dividends on their stocks, and the presence of a dividend payment could be a factor that limits downward stock price pressure under adverse market conditions.

- **THE RISK OF THE CLOSING LEVEL OF AN INDEX FALLING BELOW ITS INITIAL VALUE BY MORE THAN THE CONTINGENT BUFFER AMOUNT IS GREATER IF THE LEVEL OF THAT INDEX IS VOLATILE.**
- **LACK OF LIQUIDITY —**

The notes will not be listed on any securities exchange. Accordingly, the price at which you may be able to trade your notes is likely to depend on the price, if any, at which JPMS is willing to buy the notes. You may not be able to sell your notes. The notes are not designed to be short-term trading instruments. Accordingly, you should be able and willing to hold your notes to maturity.

- **THE ESTIMATED VALUE OF THE NOTES IS LOWER THAN THE ORIGINAL ISSUE PRICE (PRICE TO PUBLIC) OF THE NOTES —**

The estimated value of the notes is only an estimate determined by reference to several factors. The original issue price of the notes exceeds the estimated value of the notes because costs associated with selling, structuring and hedging the notes are included in the original issue price of the notes. These costs include the selling commissions, the projected profits, if any, that our affiliates expect to realize for assuming risks inherent in hedging our obligations under the notes and the estimated cost of hedging our obligations under the notes. See "The Estimated Value of the Notes" in this pricing supplement.

- **THE ESTIMATED VALUE OF THE NOTES DOES NOT REPRESENT FUTURE VALUES OF THE NOTES AND MAY DIFFER FROM OTHERS' ESTIMATES —**

See "The Estimated Value of the Notes" in this pricing supplement.

- **THE ESTIMATED VALUE OF THE NOTES IS DERIVED BY REFERENCE TO AN INTERNAL FUNDING RATE —**

The internal funding rate used in the determination of the estimated value of the notes is based on, among other things, our and our affiliates' view of the funding value of the notes as well as the higher issuance, operational and ongoing liability management costs of the notes in comparison to those costs for the conventional fixed-rate debt of JPMorgan Chase & Co. The use of an internal funding rate and any potential changes to that rate may have an adverse effect on the terms of the notes and any secondary market prices of the notes. See "The Estimated Value of the Notes" in this pricing supplement.

THE VALUE OF THE NOTES AS PUBLISHED BY JPMS (AND WHICH MAY BE REFLECTED ON CUSTOMER ACCOUNT STATEMENTS) MAY BE HIGHER THAN THE THEN-CURRENT ESTIMATED VALUE OF THE NOTES FOR A LIMITED TIME PERIOD —

We generally expect that some of the costs included in the original issue price of the notes will be partially paid back to you in connection with any repurchases of your notes by JPMS in an amount that will decline to zero over an initial predetermined period. See "Secondary Market Prices of the Notes" in this pricing supplement for additional information relating to this initial period. Accordingly, the estimated value of your notes during this initial period may be lower than the value of the notes as published by JPMS (and which may be shown on your customer account statements).

· **SECONDARY MARKET PRICES OF THE NOTES WILL LIKELY BE LOWER THAN THE ORIGINAL ISSUE PRICE OF THE NOTES —**
Any secondary market prices of the notes will likely be lower than the original issue price of the notes because, among other things, secondary market prices take into account our internal secondary market funding rates for structured debt issuances and, also, because secondary market prices (a) exclude selling commissions and (b) may exclude projected hedging profits, if any, and estimated hedging costs that are included in the original issue price of the notes. As a result, the price, if any, at which JPMS will be willing to buy the notes from you in secondary market transactions, if at all, is likely to be lower than the original issue price. Any sale by you prior to the Maturity Date could result in a substantial loss to you.

· **SECONDARY MARKET PRICES OF THE NOTES WILL BE IMPACTED BY MANY ECONOMIC AND MARKET FACTORS —**
The secondary market price of the notes during their term will be impacted by a number of economic and market factors, which may either offset or magnify each other, aside from the selling commissions, projected hedging profits, if any, estimated hedging costs and the levels of the Indices. Additionally, independent pricing vendors and/or third party broker-dealers may publish a price for the notes, which may also be reflected on customer account statements. This price may be different (higher or lower) than the price of the notes, if any, at which JPMS may be willing to purchase your notes in the secondary market. See "Risk Factors — Risks Relating to the Estimated Value and Secondary Market Prices of the Notes — Secondary market prices of the notes will be impacted by many economic and market factors" in the accompanying product supplement.

The Indices

The S&P 500® Index consists of stocks of 500 companies selected to provide a performance benchmark for the U.S. equity markets. For additional information about the S&P 500® Index, see “Equity Index Descriptions — The S&P U.S. Indices” in the accompanying underlying supplement.

The Russell 2000® Index consists of the middle 2,000 companies included in the Russell 3000E™ Index and, as a result of the index calculation methodology, consists of the smallest 2,000 companies included in the Russell 3000® Index. The Russell 2000® Index is designed to track the performance of the small capitalization segment of the U.S. equity market. For additional information about the Russell 2000® Index, see “Equity Index Descriptions — The Russell Indices” in the accompanying underlying supplement.

Historical Information

The following graphs set forth the historical performance of each Index based on the weekly historical closing levels from January 4, 2013 through December 21, 2018. The closing level of the S&P 500® Index on December 27, 2018 was 2,488.83. The closing level of the Russell 2000® Index on December 27, 2018 was 1,331.817. We obtained the closing levels above and below from the Bloomberg Professional® service (“Bloomberg”), without independent verification.

The historical closing levels of each Index should not be taken as an indication of future performance, and no assurance can be given as to the closing level of either Index on the Observation Date. There can be no assurance that the performance of the Indices will result in the return of any of your principal amount.

Tax Treatment

You should review carefully the section entitled “Material U.S. Federal Income Tax Consequences” in the accompanying product supplement no. 4-I. The following discussion, when read in combination with that section, constitutes the full opinion of our special tax counsel, Davis Polk & Wardwell LLP, regarding the material U.S. federal income tax consequences of owning and disposing of notes.

Based on current market conditions, in the opinion of our special tax counsel it is reasonable to treat the notes as “open transactions” that are not debt instruments for U.S. federal income tax purposes, as more fully described in “Material U.S. Federal Income Tax Consequences — Tax Consequences to U.S. Holders — Notes Treated as Open Transactions That Are Not Debt Instruments” in the accompanying product supplement. Assuming this treatment is respected, the gain or loss on your notes should be treated as long-term capital gain or loss if you hold your notes for more than a year, whether or not you are an initial purchaser of notes at the issue price. However, the IRS or a court may not respect this treatment, in which case the timing and character of any income or loss on the notes could be materially and adversely affected. In addition, in 2007 Treasury and the IRS released a notice requesting comments on the U.S. federal income tax treatment of “prepaid forward contracts” and similar instruments. The notice focuses in particular on whether to require investors in these instruments to accrue income over the term of their investment. It also asks for comments on a number of related topics, including the character of income or loss with respect to these instruments; the relevance of factors such as the nature of the underlying property to which the instruments are linked; the degree, if any, to which income (including any mandated accruals) realized by non-U.S. investors should be subject to withholding tax; and whether these instruments are or should be subject to the “constructive ownership” regime, which very generally can operate to recharacterize certain long-term capital gain as ordinary income and impose a notional interest charge. While the notice requests comments on appropriate transition rules and effective dates, any Treasury regulations or other guidance promulgated after consideration of these issues could materially and adversely affect the tax consequences of an investment in the notes, possibly with retroactive effect. You should consult your tax adviser regarding the U.S. federal income tax consequences of an investment in the notes, including possible alternative treatments and the issues presented by this notice.

Section 871(m) of the Code and Treasury regulations promulgated thereunder (“Section 871(m)”) generally impose a 30% withholding tax (unless an income tax treaty applies) on dividend equivalents paid or deemed paid to Non-U.S. Holders with respect to certain financial instruments linked to U.S. equities or indices that include U.S. equities. Section 871(m) provides certain exceptions to this withholding regime, including for instruments linked to certain broad-based indices that meet requirements set forth in the applicable Treasury regulations (such an index, a “Qualified Index”). Additionally, a recent IRS notice excludes from the scope of Section 871(m) instruments issued prior to January 1, 2021 that do not have a delta of one with respect to underlying securities that could pay U.S.-source dividends for U.S. federal income tax purposes (each an “Underlying Security”). Based on certain determinations made by us, our special tax counsel is of the opinion that Section 871(m) should not apply to the notes with regard to Non-U.S. Holders. Our determination is not binding on the IRS, and the IRS may disagree with this determination. Section 871(m) is complex and its application may depend on your particular circumstances, including whether you enter into other transactions with respect to an Underlying Security. You should consult your tax adviser regarding the potential application of Section 871(m) to the notes.

Withholding under legislation commonly referred to as “FATCA” may (if the notes are recharacterized as debt instruments) apply to amounts treated as interest paid with respect to the notes, as well as to payments of gross proceeds of a taxable disposition, including redemption at maturity, of a note, although under recently proposed regulations (the preamble to which specifies that taxpayers are permitted to rely on them pending finalization), no withholding will apply to payments of gross proceeds (other than any amount treated as interest). You should consult your tax adviser regarding the potential application of FATCA to the notes.

The Estimated Value of the Notes

The estimated value of the notes set forth on the cover of this pricing supplement is equal to the sum of the values of the following hypothetical components: (1) a fixed-income debt component with the same maturity as the notes, valued using the internal funding rate described below, and (2) the derivative or derivatives underlying the economic terms of the notes. The estimated value of the notes does not represent a minimum price at which JPMS would be willing to buy your notes in any secondary market (if any exists) at any time. The internal funding rate used in the determination of the estimated value of the notes is based on, among other things, our and our affiliates' view of the funding value of the notes as well as the higher issuance, operational and ongoing liability management costs of the notes in comparison to those costs for the conventional fixed-rate debt of JPMorgan Chase & Co. For additional information, see "Selected Risk Considerations — The Estimated Value of the Notes Is Derived by Reference to an Internal Funding Rate" in this pricing supplement.

The value of the derivative or derivatives underlying the economic terms of the notes is derived from internal pricing models of our affiliates. These models are dependent on inputs such as the traded market prices of comparable derivative instruments and on various other inputs, some of which are market-observable, and which can include volatility, dividend rates, interest rates and other factors, as well as assumptions about future market events and/or environments. Accordingly, the estimated value of the notes is determined when the terms of the notes are set based on market conditions and other relevant factors and assumptions existing at that time.

The estimated value of the notes does not represent future values of the notes and may differ from others' estimates. Different pricing models and assumptions could provide valuations for the notes that are greater than or less than the estimated value of the notes. In addition, market conditions and other relevant factors in the future may change, and any assumptions may prove to be incorrect. On future dates, the value of the notes could change significantly based on, among other things, changes in market conditions, our or JPMorgan Chase & Co.'s creditworthiness, interest rate movements and other relevant factors, which may impact the price, if any, at which JPMS would be willing to buy notes from you in secondary market transactions.

The estimated value of the notes is lower than the original issue price of the notes because costs associated with selling, structuring and hedging the notes are included in the original issue price of the notes. These costs include the selling commissions paid to JPMS and other affiliated or unaffiliated dealers, the projected profits, if any, that our affiliates expect to realize for assuming risks inherent in hedging our obligations under the notes and the estimated cost of hedging our obligations under the notes. Because hedging our obligations entails risk and may be influenced by market forces beyond our control, this hedging may result in a profit that is more or less than expected, or it may result in a loss. A portion of the profits, if any, realized in hedging our obligations under the notes may be allowed to other affiliated or unaffiliated dealers, and we or one or more of our affiliates will retain any remaining hedging profits. See "Selected Risk Considerations — The Estimated Value of the Notes Is Lower Than the Original Issue Price (Price to Public) of the Notes" in this pricing supplement.

Secondary Market Prices of the Notes

For information about factors that will impact any secondary market prices of the notes, see "Risk Factors — Risks Relating to the Estimated Value and Secondary Market Prices of the Notes — Secondary market prices of the notes will be impacted by many economic and market factors" in the accompanying product supplement. In addition, we generally expect that some of the costs included in the original issue price of the notes will be partially paid back to you in connection with any repurchases of your notes by JPMS in an amount that will decline to zero over an initial predetermined period. These costs can include projected hedging profits, if any, and, in some circumstances, estimated hedging costs and our internal secondary market funding rates for structured debt issuances. This initial predetermined time period is intended to be the shorter of six months and one-half of the stated term of the notes. The length of any such initial period reflects the structure of the notes, whether our affiliates expect to earn a profit in connection with our hedging activities, the estimated costs of hedging the notes and when these costs are incurred, as determined by our affiliates. See "Selected Risk Considerations — The Value of the Notes as Published by JPMS (and Which May Be Reflected on Customer Account Statements) May Be Higher Than the Then-Current Estimated Value of the Notes for a Limited Time Period" in this pricing supplement.

Supplemental Use of Proceeds

The notes are offered to meet investor demand for products that reflect the risk-return profile and market exposure provided by the notes. See "Hypothetical Payout Profile" and "How the Notes Work" in this pricing supplement for an illustration of the risk-return profile of the notes and "The Indices" in this pricing supplement for a description of the market exposure provided by the notes.

The original issue price of the notes is equal to the estimated value of the notes plus the selling commissions paid to JPMS and other affiliated or unaffiliated dealers, plus (minus) the projected profits (losses) that our affiliates expect to realize for assuming risks inherent in hedging our obligations under the notes, plus the estimated cost of hedging our obligations under the notes.

Supplemental Plan of Distribution

We expect that delivery of the notes will be made against payment for the notes on or about the Original Issue Date set forth on the front cover of this pricing supplement, which will be the third business day following the Pricing Date of the notes (this settlement cycle being referred to as "T+3"). Under Rule 15c6-1 of the Securities Exchange Act of 1934, as amended, trades in the secondary market generally are required to settle in two business days, unless the parties to that trade expressly agree otherwise. Accordingly, purchasers who wish to trade notes on any date prior to two business days before delivery will be required to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement and should consult their own advisors.

Validity of the Notes and the Guarantee

In the opinion of Davis Polk & Wardwell LLP, as special products counsel to JPMorgan Financial and JPMorgan Chase & Co., when the notes offered by this pricing supplement have been executed and issued by JPMorgan Financial and authenticated by the trustee pursuant to the indenture, and delivered against payment as contemplated herein, such notes will be valid and binding obligations of JPMorgan Financial and the related guarantee will constitute a valid and binding obligation of JPMorgan Chase & Co., enforceable in accordance with their terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, concepts of reasonableness and equitable principles of general applicability (including, without limitation, concepts of good faith, fair dealing and the lack of bad faith), *provided* that such counsel expresses no opinion as to (i) the effect of fraudulent conveyance, fraudulent transfer or similar provision of applicable law on the conclusions expressed above or (ii) any provision of the indenture that purports to avoid the effect of fraudulent conveyance, fraudulent transfer or similar provision of applicable law by limiting the amount of JPMorgan Chase & Co.'s obligation under the related guarantee. This opinion is given as of the date hereof and is limited to the laws of the State of New York, the General Corporation Law of the State of Delaware and the Delaware Limited Liability Company Act. In addition, this opinion is subject to customary assumptions about the trustee's authorization, execution and delivery of the indenture and its authentication of the notes and the validity, binding nature and enforceability of the indenture with respect to the trustee, all as stated in the letter of such counsel dated March 8, 2018, which was filed as an exhibit to the Registration Statement on Form S-3 by JPMorgan Financial and JPMorgan Chase & Co. on March 8, 2018.

Additional Terms Specific to the Notes

You should read this pricing supplement together with the accompanying prospectus, as supplemented by the accompanying prospectus supplement relating to our Series A medium-term notes of which these notes are a part, and the more detailed information contained in the accompanying product supplement and the accompanying underlying supplement. This pricing supplement, together with the documents listed below, contains the terms of the notes and supersedes all other prior or contemporaneous oral statements as well as any other written materials including preliminary or indicative pricing terms, correspondence, trade ideas, structures for implementation, sample structures, fact sheets, brochures or other educational materials of ours. You should carefully consider, among other things, the matters set forth in the "Risk Factors" sections of the accompanying product supplement and the accompanying underlying supplement, as the notes involve risks not associated with conventional debt securities. We urge you to consult your investment, legal, tax, accounting and other advisers before you invest in the notes.

You may access these documents on the SEC website at www.sec.gov as follows (or if such address has changed, by reviewing our filings for the relevant date on the SEC website):

- Product supplement no. 4-I dated April 5, 2018:
  http://www.sec.gov/Archives/edgar/data/19617/000095010318004519/dp87528_424b2-ps4i.pdf
- Underlying supplement no. 1-I dated April 5, 2018:
  http://www.sec.gov/Archives/edgar/data/19617/000095010318004514/crt_dp87766-424b2.pdf
- Prospectus supplement and prospectus, each dated April 5, 2018:
  http://www.sec.gov/Archives/edgar/data/19617/000095010318004508/dp87767_424b2-ps.pdf

Our Central Index Key, or CIK, on the SEC website is 1665650, and JPMorgan Chase & Co.'s CIK is 19617. As used in this pricing supplement, "we," "us" and "our" refer to JPMorgan Financial.

Uncapped Dual Directional Contingent Buffered Equity Notes Linked to the Lesser Performing of the S&P 500® Index and the Russell 2000® Index

/td> **1,764 1,790 1,767** 1 **Total Oil Products 1,753 1,706** 3 91 97 61 59 Alcohol, Nitrogens, Biodiesel and others 88 57 54 315 328 258 27 Natural Gas 315 239 32 **2,170 2,215 2,086** 6 **Total domestic market 2,156 2,002** 8 **677 660 678** (3) **Exports 637 633** 1 **631 580 560** 4 **International Sales 589 622** (5) **1,308 1,240 1,238** - **Total international**

market **1,226** **1,255** (2) **3,478** **3,455** **3,324** 4 **Total** **3,382** **3,257** 4

PETROBRAS SYSTEM Operating Performance

Price and Cost Indicators (*)

3rd Quarter 2Q-2008	2008	2007	∆ %		Jan-Sep 2008	2007	∆ %
Average Oil Products Realization Prices							
178.03	187.02	155.97	20	**Domestic Market (R$/bbl)**	176.38	154.21	14
Average sales price - US$ per bbl							
				Brazil			
105.46	100.58	64.42	56	**Crude Oil (US$/bbl)(5)**	97.51	56.52	73
39.01	51.01	36.98	38	**Natural Gas (US$/bbl) (6)**	42.63	35.25	21
				International			
75.41	68.74	54.12	27	**Crude Oil (US$/bbl)**	69.19	47.59	45
17.88	15.67	16.06	(2)	**Natural Gas (US$/bbl)**	16.82	15.76	7

(5) Average of the exports and the internal transfer prices from E&P to Supply.
(6) Internal transfer prices from E&P to Gas & Energy.

2Q-2008	2008	2007	∆ %		2008	2007	∆ %
Costs - US$/barrel							
				Lifting cost:			
				Brazil			
9.88	10.21	7.65	33	**without government participation**	9.60	7.40	30
31.08	30.27	20.13	50	**with government participation**	28.77	18.12	59
4.37	5.16	4.20	23	**International**	4.52	4.10	10
				Refining cost			
3.53	3.46	2.55	36	**Brazil**	3.53	2.59	36
5.43 (7)	6.32	3.34	89	**International**	5.94	2.83	110
702	853	647	32	**Corporate Overhead (US$ million) Parent Company**	2.203	1.722	28
Costs - R$/barrel							
				Lifting cost			
				Brazil			
16.34	17.61	14.66	20	**without government participation**	16.40	14.77	11
51.14	54.40	37.92	43	**with government participation**	49.68	35.71	39
				Refining cost			
5.84	5.94	4.91	21	**Brazil**	6.02	5.19	16

(7) Adjustment/elimination of 1 month delay from Japan Refinery information retroactive to April/2008.

PETROBRAS SYSTEM Operating Performance

Exploration and Production - thousand barrels/day

Increased output from FPSO-Cidade do Rio de Janeiro (Espadarte) and the start-up of the Cidade de Vitória (Golfinho), P-52 (Roncador) and P-54 platforms (Roncador) in the 4Q-2007 more than offset the natural decline in mature fields.

Increased output from new systems, especially P-52 and P-54 platforms (Roncador), more than offset the natural decline in the mature fields.

International oil production by consolidated companies fell due to the reduction in reservoir pressure in the USA, associated with lower output from mature fields in Argentina, Angola and Colombia, offset by the startup of production in Nigeria on July 29, 2008.

Gas production by consolidated companies decreased by 9%, also due to reduced reservoir pressure in the USA.

International oil production by the consolidated companies increased due to the start-up of production in the Agbami field in Nigeria on July 29, 2008, the return to normal operations in Argentina after a 25-day strike, which affected production in May/08, offset by the Ike and Gustav hurricanes that jeopardized production in the USA.

Gas production by the consolidated companies climbed by 4% due to the growth in Argentina, offset by the reduction in the USA, as mentioned above.

Refining, Transportation and Supply thousand barrels/day

The year-on-year increase in the first nine months was due to the lower number of scheduled stoppages in refineries and their increased reliability.

Domestic processed crude in the 3Q-2008 remained flat over the 2Q-2008, as expected.

Processed crude in the overseas refineries fell 13% due to the sale of the Bolivian refineries in 2007, the stoppages in the Argentinean and U.S. refineries and the passage of hurricane Ike in September 2008, partially offset by output from the Japanese refinery acquired in April/08.

In the 3Q-2008, processed crude in the overseas refineries fell 9% due to the passage of hurricane Ike, in addition to repairs to the catalytic cracking plant in the USA.

Costs

Lifting Cost (US$/barrel)

Excluding the impact of the appreciation of the Real, the lifting cost in Brazil climbed by 18% year-on-year in the 9M-2008 due to the higher number of interventions and scheduled stoppages in the production units, the pay rises related to the 2007/08 and 2008/09 labor agreements, the expansion of the workforce and the higher initial unit cost of the new production systems, which will gradually come down as production moves up.

Excluding the impact of the depreciation of the Real, the unitary lifting cost in Brazil increased by 4% quarter-over-quarter due to the pay rise established by the 2008/2009 labor agreement and higher expenses from intervention and maintenance in the Marlim, Roncador, Marlim Sul and Jubarte fields.

The year-on-year increase in the 9M-2008 lifting cost was due primarily to the higher taxes caused by 70% increase in the average Brazilian oil price used to calculate the government take, based on the international price, and the higher tax rate on the Roncador and Espadarte fields, due to the increase in production triggered by the new production systems, FPSO-Cidade do Rio de Janeiro, P-52 and P-54.

Excluding the effects of the depreciation of the Real, the unitary lifting cost rose 4% due to the increase in extraction costs, associated with the higher tax rate, especially in the Roncador Field, due to higher output from the platforms installed in the 4Q-2007.

The year-on-year increase in the international lifting cost was caused by higher costs from outsourced services and the pay rise in Argentina, as well as the increase in the price of maintenance and surveillance services in Colombia, partially offset by the reduction in transport services in the USA.

The quarter-over-quarter increase in the international lifting costs was due to price adjustments by Argentine material suppliers and service providers in August/08 and increased workover activities in Colombia.

Refining Cost (US$/barrel)

Excluding the impact of the appreciation of the Real, the domestic refining cost moved up 18% year-on-year due to higher personnel expenses, related to the 2007/08 and 2008/09 labor agreements, increased electricity costs, repair and conservation services, structural additions due to the more vigorous performance of the oil industry and more programmed stoppages in quality and conversion units.

Excluding the impact of the depreciation of the Real, the domestic refining cost fell 3% due to reduced expenses for maintenance and fewer programmed stoppages in quality and conversion units.

The international refining cost moved up due to higher costs in the USA caused by a programmed stoppage in the Pasadena refinery and technical problems in the FCC catalytic cracking unit associated with the slide in processed crude volume in 2008.

The quarter-over-quarter increase in the international refining cost was also due to higher costs in the USA, caused by repairs in the Pasadena refinery due to damages caused by hurricane Ike, technical problems in the FCC catalytic cracking unit and a reduction in processed crude volume in the 3Q-2008.

Corporate Overhead Parent Company (US$ million)

The increase was due to the growth in the Company s operations and their greater complexity. Discounting the impact of the appreciation of the Real, corporate overhead moved up 12% year-on-year, due to higher expenses from data processing, specialized technical and administrative support services, advertising, the 2007/08 and 2008/09 labor agreement and the increase in workforce.

Discounting the depreciation of the Real against the dollar, corporate overhead moved up by 22% quarter-over-quarter, chiefly due to higher expenses from technical support associated with solutions management and systemic processes and the increase in personnel expenses due to the pay rise established by the 2008/09 labor agreement.

Sales Volume thousand barrels/day

Domestic sales volume moved up 8% over the first nine months of 2007, led by diesel, aviation fuel and natural gas. The diesel increase was due to the improved performance of the economy, especially agribusiness, and the increased use of emergency diesel-driven thermal plants, while aviation fuel sales were pushed by the expansion of tourism, leveraged by economic growth and the appreciation of the Real for most of the year. Gas sales increased by 32% due to higher sales to thermal plants and the increased supply of imported and domestic gas (Manati field and Espírito Santo Basin).

International sales volume fell 5% year-on-year due to the programmed stoppage in the Pasadena refinery, the sale of the Bolivian refineries in 2007 and the reduction in Bolivian gas and oil sales volume due to the new operational agreements, offset by output from the Japanese refinery as of the 2Q-2008.

Domestic sales volume moved up 2% over the 2Q-2008, led by diesel, gasoline and fuel oil. The diesel increase was due to the normal seasonal upturn in consumption caused by the planting of the grain harvest and strong industrial activity. The higher gasoline volume was triggered by the increase in ethanol prices in certain states and cut-backs by other players. The increase in fuel oil was due to the startup of Alunorte units, growth in industrial activity as a whole and the manufacturing industry in particular, and higher consumption by Ultrafértil.

International sales fell 8% over the 2Q-2008 due to the decline in offshore operations, aimed at capturing commercial opportunities abroad.

PETROBRAS SYSTEM Operating Performance

Result by Business Area R$ million [1]							
	3rd Quarter				Jan-Sep		
2Q-2008	2008	2007	Δ %		2008	2007	Δ %
11,557	**10,691**	**7,257**	47	**EXPLORATION & PRODUCTION**	**31,678**	**18,756**	69
(49)	**(1,969)**	**1,274**	(255)	**SUPPLY**	**(2,586)**	**5,683**	(146)
237	**(98)**	**(364)**	(73)	**GAS AND ENERGY**	**(257)**	**(895)**	(71)
311	**308**	**269**	14	**DISTRIBUTION**	**932**	**673**	38
293	**79**	**(57)**	(239)	**INTERNATIONAL [2]**	**422**	**(83)**	(608)
(2,621)	**1,524**	**(2,473)**	(162)	**CORPORATE**	**(2,538)**	**(6,850)**	(63)
(945)	**317**	**(378)**	(184)	**ELIMINATIONS**	**(1,091)**	**(825)**	32
8,783	**10,852**	**5,528**	96	**CONSOLIDATED NET INCOME**	**26,560**	**16,459**	61

[1] Comments on the results by business area begin on page 18 and their respective financial statements on page 28.

[2] In the international business segment, given that all operations are executed abroad, comparisons between the periods are influenced by foreign exchange variations in dollars or in the currency of those countries in which the companies in question are headquartered. As a result, there may be substantial variations in Reais, primarily arising from and reflecting changes in the exchange rate.

RESULTS BY BUSINESS AREA

Petrobras is a company that operates in an integrated manner, with the greater part of oil and gas production in the Exploration and Production area being sold or transferred to other Company areas.

The main criteria used to report results per business area are as follows:

a) Net operating revenues: revenues from sales to external clients, plus intra-Company sales and transfers, using internal transfer prices established between the various areas as a benchmark, with assessment methodologies based on market parameters;

b) Operating income: net operating revenues, plus the cost of goods and services sold, which are reported per business area considering the internal transfer price and other operating costs for each area, plus the operating expenses effectively incurred by each area;

c) The entire financial result is allocated to the corporate group;

d) Assets: refers to the assets as identified by each area. Equity accounts of a financial nature are allocated to the corporate group.

The higher year-on-year result was due to the increase in average domestic oil prices and the 3% increase in daily oil and NGL production

Part of these effects were offset by the higher government take and the increase in exploration costs, the latter due to the write-off of dry and non-commercial wells.

The spread between the average domestic oil sale/transfer price and the average Brent price widened from US$ 10.61/bbl in the first nine months of 2007, to US$ 13.51/bbl in the first nine months of 2008.

The quarter-over-quarter reduction was due to the decline in international oil prices, associated with the following factors:

- The higher government take;
- Higher exploration costs from the write-off of dry or non-commercial wells, as well as geological and geophysical costs;
- Expenses related to the 2008/09 labor agreement.

Part of these effects were offset by the 2% increase in total oil and NGL production and the reduction in the spread between the average domestic oil sale/transfer price and the average Brent price narrowed from US$ 15.92/bbl in the 2Q-2008 to US$ 14.20/bbl in the 3Q-2008.

The year-on-year reduction in the Supply result in the 9M-2008 was due to higher oil acquisition/transfer costs and the increase in oil product import costs, reflecting the behavior of international prices.

These effects were partially offset by the increase in oil product average realization prices in Brazil and abroad.

The quarter-on-quarter decline was due to:

- The liquidation, in the 3Q-2008, of inventories acquired at a higher cost in the previous quarter;
- Expenses related to the 2008/2009 labor agreement;
- Provisions for the reduction of inventories to market value;
- Gains from the changes in capital structure on controlled companies (R$ 409 million) booked under non-operating result in the 2Q- 2008;
- Reduction in results from equity income in companies reflecting the impact of the devaluation of the Real against the Dollar on the debt of the investees.

These effects were partially offset by higher average realization prize of oil products in domestic market and higher sales volumes.

The year-on-year reduction in the negative gas and energy result was due to the wider gas sales margin, influenced by higher realization prices, and the increase in electricity and natural gas sales volume.

These effects were partially offset by the increase in contractual fines and charges related to natural gas supply.

The quarter-on-quarter decline was due to:

- Lower electricity sales margins;
- The increase in the average acquisition cost of national and imported natural gas;
- Higher operating expenses from thermal plants and contractual fines and charges related to natural gas supply.

These effects were partially offset by the increase in the average natural gas sales.

The result was positively impacted by the 12% increase in sales volume, which helped raise the Company s share of the fuel market from 34.1% in the first nine months of 2007 to 35.0% in the same period of 2008.

The quarter-over-quarter decline was due to the margin compression as a result of sharper competition and higher SG&A expenses, partially offset by the 6% rise in sales volume.

The segment recorded a 34.8% share of the national fuel distribution market, versus 34.5% in the 2Q-2008.

The year-on-year increase was caused by higher oil and oil product prices, associated with lower exploration costs in Turkey, Argentina and the USA, as well as the incorporation of Nigerian production, the acquisition of the Okinawa refinery and the improved contractual conditions in Bolivia as of May 2007.

These effects were partially offset by i) lower sales margin and volume in the USA (R$ 516 million); ii) the constitution of provisions for royalty contingencies. (R$ 173 million); iii) provisions for the reduction of inventories to market value (R$ 96 million); iv) lower capital gains as a result of the sale of companies in Bolivia and Argentina in 2007 (R$ 88 million).

The quarter-on-quarter downturn was due to:

- Lower oil sales margins in Argentina and lower oil product sales margins in the USA;
- Higher exploration costs in Angola, Nigeria, Colombia and the USA;
- Provisions for the reduction of inventories to market value.

These effects were offset by the impact of the depreciation of the Real against the dollar on the conversion of accounting statements.

The lower negative result was due to the following factors:

- The reduction in expenses from the amendments to the Petros Plan regulations (R$ 642 million) and the commitments listed in the Reciprocal Obligation Agreement (R$ 697 million) in 2007;
- Reduction in tax expenses due to the extinction of the CPMF financial transaction tax, partially offset by the increase in the IOF financial operations tax;
- Reversal of the net financial result (R$ 3,802 million), as detailed on page 7.

The result obtained in the 3Q-2008 was due to the reversal of the net financial result (R$ 4,645 million), as detailed on page 9, associated with the effect of FX gains on foreign investments.

These effects were partially offset by higher operating expenses associated with third-party services and the 2008/09 labor agreement.

Consolidated Debt

	R$ million		
	09.30.2008	06.30.2008	Δ %
Short-term Debt (1)	12,048	8,699	38
Long-term Debt (1)	36,277	33,256	9
Total	48,325	41,955	15
Cash and cash equivalents	10,776	11,046	(2)
Net Debt (2)	37,549	30,909	21
Net Debt/(Net Debt + Shareholder's Equity) (1)	21%	19%	2
Total Net Liabilities (1) (3)	262,450	240,420	9
Capital Structure (third parties net / total liabilities net)	46%	46%	-

(1) Includes debt from leasing contracts (R$ 1,282 million on September 30, 2008 and R$ 1,202 million on June 30, 2008).
(2) Total debt less cash and cash equivalents.
(3) Total liabilities net of cash/financial investments.

The net debt of the Petrobras System rose by 21% over June 30, 2008 due to the period depreciation of the Real and increased funding for the SPEs.

The level of indebtedness, measured by the net debt/EBITDA ratio, increased from 0.48, on June 30, 2008, to 0.59 on September 30, 2008. The portion of the capital structure represented by third parties was 46%, remaining flat over to June 30, 2008.

Consolidated Investments

In compliance with the goals outlined in its strategic plan, Petrobras continues to prioritize investments in the expansion of its oil and natural gas production capacity by investing its own funds and by structuring ventures with strategic partners. On September 30, 2008, total investments amounted to R$ 34.050 million, 11% up on the total on September 30, 2007.

R$ million					
	Jan-Sep				
	2008	%	2007	%	Δ %
Own Investments	**29,502**	**86**	**26,060**	**85**	**13**
Exploration & Production	15,775	46	14,295	47	10
Supply	6,423	19	4,607	15	39
Gas and Energy	2,207	6	1,057	3	109
International	4,071	12	4,867	16	(16)
Distribution	319	1	702	2	(55)
Corporate	707	2	532	2	33
Special Purpose Companies (SPCs)	**3,685**	**11**	**4,205**	**14**	**(12)**
Projects under Negotiation	**863**	**3**	**341**	**1**	**153**
Total Investments	**34,050**	**100**	**30,606**	**100**	**11**

R$ million					
	Jan-Sep				
	2008	%	2007	%	Δ %
International					
Exploration & Production	3,379	83	4,330	89	(22)
Supply	396	10	295	6	34
Gas and Energy	178	4	85	2	109
Distribution	15	-	40	1	(63)
Others	103	3	117	2	(12)
Total Investments	**4,071**	**100**	**4,867**	**100**	**(16)**

R$ million					
	Jan-Sep				
	2008	%	2007	%	Δ %
Projects Developed by SPCs					
Gasene	786	21	969	23	(19)
CDMPI	504	14	455	11	11
PDET Off Shore	306	8	555	13	(45)

Codajás	926	26	-	-	-
Mexilhão	478	13	387	9	24
Marlim Leste	419	11	766	18	(45)
Malhas	266	7	699	17	(62)
Amazônia	-	-	374	9	(100)
Total Investments	**3,685**	**100**	**4,205**	**100**	**(12)**

In line with its strategic objectives, PETROBRAS acts in consortiums with other companies as a concessionaire of oil and natural gas exploration, development and production rights. Currently the Company is a member of 108 consortiums. These ventures will require total investments of around US$ 11,099 million by the end of the current year.

PETROBRAS SYSTEM Financial Statements

Income Statement Consolidated

			R$ million		
	3rd Quarter			**Jan-Sep**	
2Q-2008	**2008**	**2007**		**2008**	**2007**
67,014	81,482	56,572	**Gross Operating Revenues**	207,654	160,332
(12,444)	(14,022)	(12,103)	Sales Deductions	(38,733)	(35,171)
54,570	67,460	44,469	**Net Operating Revenues**	168,921	125,161
(33,332)	(46,757)	(27,264)	Cost of Goods Sold	(109,728)	(75,445)
21,238	20,703	17,205	**Gross profit**	59,193	49,716
			Operating Expenses		
(1,723)	(1,855)	(1,635)	Sales	(5,170)	(4,493)
(1,608)	(1,994)	(1,555)	General and Administratives	(5,167)	(4,598)
(594)	(891)	(453)	Exploratory Cost	(2,170)	(1,499)
(373)	(478)	(410)	Research & Development	(1,269)	(1,220)
(126)	(170)	(329)	Taxes	(446)	(951)
(356)	(356)	(1,147)	Pension and Health Plan	(1,068)	(2,052)
(956)	(2,378)	(1,390)	Other	(4,477)	(4,436)
(5,736)	(8,122)	(6,919)		(19,767)	(19,249)
			Net Financial Expenses		
381	392	529	Income	1,478	1,612
(836)	(1,000)	(721)	Expenses	(2,650)	(2,372)
(150)	(27)	(12)	Net Monetary Variation	(336)	(74)
(1,197)	3,478	(887)	Net Exchange Variation	2,149	(2,327)
(1,802)	2,843	(1,091)		641	(3,161)
(7,538)	(5,279)	(8,010)		(19,126)	(22,410)
(143)	138	(202)	Participation in Equity Income	7	(389)
13,557	15,562	8,993	**Operating Profit**	40,074	26,917
413	(30)	(139)	Non-operating Income (Expenses)	372	(88)
(4,557)	(5,641)	(2,779)	Income Tax & Social Contribution	(14,169)	(8,915)
(630)	961	(547)	Minority Interest	283	(1,455)
8,783	**10,852**	**5,528**	**Net Income**	**26,560**	**16,459**

Certain figures relating to previous periods have been reclassified to bring them into line with the current financial statements, thereby facilitating comparisons.

PETROBRAS SYSTEM Financial Statements

Balance Sheet Consolidated

Assets	**R$ million**	
	09.30.2008	**06.30.2008**
Current Assets	**64,885**	**60,005**
Cash and Cash Equivalents	10,776	11,046
Accounts Receivable	16,924	15,601
Inventories	25,977	22,999
Marketable Securities	364	176
Taxes Recoverable	7,725	7,142
	3,119	3,041
Long-term Assets	**207,060**	**190,259**
Long-term Assets	**22,310**	**22,001**
Petroleum & Alcohol Account	805	801
Advances to Suppliers	410	366
Marketable Securities	3,511	3,616
Deferred Taxes and Social Contribution	10,072	9,070
Advance for Pension Plan	1,385	1,347
Prepaid Expenses	1,416	1,414
Accounts Receivable	2,043	2,654
Deposits - Legal Matters	1,743	1,722
Other	925	1,011
Investments	**7,762**	**7,651**
Fixed Assets	**168,178**	**152,272**
Intangible	**6,438**	**5,751**
Deferred	**2,372**	**2,584**
Total Assets	**271,945**	**250,264**

Liabilities	**R$ million**	
	09.30.2008	**06.30.2008**
Current Liabilities	**52,348**	**44,539**
Short-term Debt	11,564	8,301
Suppliers	17,421	16,664
Taxes and Social Contribution	13,654	11,430
Project Finance	334	238
Pension and Health Plan	946	879
Salaries, Benefits and Charges	2,282	1,942
Other	6,147	5,085

Non Current Liabilities	**71,169**	**67,191**
Long-term Debt	35,479	32,452
Pension Fund	4,669	4,658
Health Plan	10,099	9,830
Deferred Taxes and Social Contribution	11,911	11,930
Other	9,011	8,321
Deferred Income	**1,770**	**2,246**
Minority interest	**6,209**	**6,580**
Shareholders Equity	**140,449**	**129,708**
Capital Stock	78,967	78,967
Reserves	34,922	35,033
Net Income	26,560	15,708
Total Liabilities	**271,945**	**250,264**

Certain figures relating to previous periods have been reclassified to bring them into line with the current financial statements, thereby facilitating comparisons.

PETROBRAS SYSTEM Financial Statements

Statement of Cash Flow Consolidated

			R$ million		
	3rd Quarter			**Jan-Sep**	
2Q-2008	**2008**	**2007**		**2008**	**2007**
8,783	**10,852**	**5,528**	**Net Income**	**26,560**	**16,459**
3,105	2,161	4,134	(+) Adjustments	8,113	14,082
2,629	3,099	2,789	Depreciation & Amortization	8,260	7,854
(1,890)	5,429	(351)	Charges on Financing and Connected Companies	4,253	(1,575)
630	(961)	547	Minority interest	(283)	1,455
143	(138)	202	Result of Equity Income	(7)	389
3,243	(6,756)	1,597	Foreign Exchange on Fixed Assets	(3,029)	5,477
321	(206)	1,013	Deferred Income Tax and Social Contribution	852	502
(3,085)	(2,917)	(318)	Inventory Variation	(7,799)	(1,342)
1,926	394	(417)	Supplier Variation	3,142	(143)
366	346	1,166	Pension and Health Plan Variation	1,041	2,238
(1,178)	3,871	(2,094)	Other Adjustments	1,683	(773)
11,888	**13,013**	**9,662**	**(=) Cash Generated by Operating Activities**	**34,673**	**30,541**
(10,969)	**(14,127)**	**(12,928)**	**(-) Cash used in Investment Activities**	**(35,167)**	**(31,317)**
(5,412)	(6,533)	(5,672)	Investment in E&P	(17,286)	(15,057)
(2,255)	(3,505)	(1,715)	Investment in Refining and Transportation	(8,140)	(5,236)
(1,481)	(1,520)	(763)	Investment in Gas and Energy	(4,437)	(3,185)
(797)	(71)	(198)	Investiments in Distribution	(950)	(356)
(1,155)	(1,832)	(1,070)	Investment in International Segment	(4,185)	(3,911)
206	(84)	(3,148)	Marketable Securities	637	(2,984)
216	(166)	(67)	Dividends	87	83
(291)	(416)	(295)	Other investments	(893)	(671)
919	**(1,114)**	**(3,266)**	**(=) Free cash flow**	**(494)**	**(776)**
(1,433)	**844**	**(372)**	**(-) Cash used in Financing Activities**	**(1,801)**	**(12,837)**
678	846	(371)	Financing	4,386	(5,364)
(2,111)	(2)	(1)	Dividends	(6,187)	(7,473)
(514)	**(270)**	**(3,638)**	**(=) Cash generated in the period**	**(2,295)**	**(13,613)**
11,560	11,046	17,854	Cash at the Beginning of Period	13,071	27,829
11,046	10,776	14,216	Cash at the End of Period	10,776	14,216

Certain figures relating to previous periods have been reclassified to bring them into line with the current financial statements, thereby facilitating comparisons.

Statement of Added Value Consolidated

	R$ million	
	Jan-Sep	
Description	**2008**	**2007**
Sales of Products and Services and Non-Operating Incomes*	209,154	161,768
Raw Materials Used	(29,115)	(19,575)
Products for Resale	(48,501)	(27,050)
Materials, Energy, Services & Other	(16,350)	(18,616)
Added Value Generated	**115,188**	**96,527**
Depreciation & Amortization	(8,260)	(7,854)
Participation in Equity Income, Goodwill & Negative Goodwill	7	(390)
Financial Revenue	4,618	1,690
Rent and Royalties	474	385
Total Distributable Added Value	**112,027**	**90,358**
Distribution of Added Value		
Personnel		
Salaries, Benefits and Charges	9,418	10,020
	9,418	**10,020**
Government Entities		
Taxes, Fees and Contributions	48,091	41,148
Government Take	18,304	11,192
	66,395	**52,340**
Financial Institutions and Suppliers		
Interest, FX Rate and Monetary Changes	3,976	4,773
Rent and Freight Expenses	5,961	5,311
	9,937	**10,084**
Shareholders		
Minority Interest	(283)	1,455
Dividends/Interest on Own Capital	-	4,387
Retained Earnings	26,560	12,072
	26,277	**17,914**

Distributed Added Value	**112,027**	**90,358**

* Net of Provisions for Doubtful Debts.

27

PETROBRAS SYSTEM Financial Statements

Consolidated Result by Business Area - Jan-Sep/2008

	R$ MILLION							
	E&P	SUPPLY	GAS & ENERGY	DISTRIB.	INTERN.	CORPOR.	ELIMIN.	TOTAL
Net Operating Revenues	**84,810**	**136,552**	**11,442**	**41,140**	**18,857**	**-**	**(123,880)**	**168,921**
Intersegments	83,632	36,244	1,442	836	1,726	-	(123,880)	-
Third Parties	1,178	100,308	10,000	40,304	17,131	-	-	168,921
Cost of Goods Sold	(32,379)	(136,214)	(9,900)	(37,661)	(15,600)	-	122,026	(109,728)
Gross Profit	**52,431**	**338**	**1,542**	**3,479**	**3,257**	**-**	**(1,854)**	**59,193**
Operating Expenses	**(3,767)**	**(4,368)**	**(1,858)**	**(2,089)**	**(2,246)**	**(5,638)**	**199**	**(19,767)**
Sales, General & Administrative	(509)	(3,501)	(741)	(2,042)	(1,256)	(2,482)	194	(10,337)
Taxes	(47)	(71)	(34)	(18)	(118)	(158)	-	(446)
Exploratory Costs	(1,702)	-	-	-	(468)	-	-	(2,170)
Research & Development	(637)	(254)	(80)	(10)	(3)	(285)	-	(1,269)
Health and Pension Plans	-	-	-	-	-	(1,068)	-	(1,068)
Other	(872)	(542)	(1,003)	(19)	(401)	(1,645)	5	(4,477)
Net Operating Profit (Loss)	**48,664**	**(4,030)**	**(316)**	**1,390**	**1,011**	**(5,638)**	**(1,655)**	**39,426**
Interest Income (Expenses)	-	-	-	-	-	641	-	641
Equity Income	-	(273)	(16)	24	65	207	-	7
Non-operating Income (Expenses)	(4)	370	20	(14)	(7)	7	-	372
Income (Loss) Before Taxes and Minority Interests	**48,660**	**(3,933)**	**(312)**	**1,400**	**1,069**	**(4,783)**	**(1,655)**	**40,446**
Income Tax & Social Contribution	(16,545)	1,244	101	(468)	(483)	1,418	564	(14,169)
Minority Interests	(437)	103	(46)	-	(164)	827	-	283
Net Income (Loss)	**31,678**	**(2,586)**	**(257)**	**932**	**422**	**(2,538)**	**(1,091)**	**26,560**

Consolidated Result by Business Area - Jan-Sep/2007

R$ MILLION

	E&P	SUPPLY	GAS & ENERGY	DISTRIB.	INTERN.	CORPOR.	ELIMIN.	TOTAL
Net Operating Revenues	**57,720**	**97,370**	**7,252**	**32,758**	**14,151**	**-**	**(84,090)**	**125,161**
Intersegments	53,839	26,559	1,686	550	1,456	-	(84,090)	-
Third Parties	3,881	70,811	5,566	32,208	12,695	-	-	125,161
Cost of Goods Sold	(25,341)	(85,000)	(6,420)	(29,655)	(11,709)	-	82,680	(75,445)
Gross Profit	**32,379**	**12,370**	**832**	**3,103**	**2,442**	**-**	**(1,410)**	**49,716**
Operating Expenses	**(2,863)**	**(3,843)**	**(1,734)**	**(2,058)**	**(1,869)**	**(7,040)**	**158**	**(19,249)**
Sales, General & Administrative	(473)	(3,026)	(745)	(1,772)	(1,052)	(2,180)	157	(9,091)
Taxes	(31)	(111)	(75)	(132)	(102)	(500)	-	(951)
Exploratory Costs	(826)	-	-	-	(673)	-	-	(1,499)
Research & Development	(606)	(231)	(133)	(8)	(3)	(239)	-	(1,220)
Health and Pension Plan	-	-	-	-	-	(2,052)	-	(2,052)
Other	(927)	(475)	(781)	(146)	(39)	(2,069)	1	(4,436)
Net Operating Profit (Loss)	**29,516**	**8,527**	**(902)**	**1,045**	**573**	**(7,040)**	**(1,252)**	**30,467**
Interest Income (Expenses)	-	-	-	-	-	(3,161)	-	(3,161)
Equity Income	-	82	29	(12)	(19)	(469)	-	(389)
Non-operating Income (Expenses)	(192)	2	2	(7)	85	22	-	(88)
Income (Loss) Before Taxes and Minority Interests	**29,324**	**8,611**	**(871)**	**1,026**	**639**	**(10,648)**	**(1,252)**	**26,829**
Income Tax & Social Contribution	(9,970)	(2,900)	306	(353)	(412)	3,987	427	(8,915)
Minority Interests	(598)	(28)	(330)	-	(310)	(189)	-	(1,455)
Net Income (Loss)	**18,756**	**5,683**	**(895)**	**673**	**(83)**	**(6,850)**	**(825)**	**16,459**

Certain figures relating to previous periods have been reclassified to bring them into line with the current financial statements, thereby facilitating comparisons.

EBITDA[(1)] Consolidated Statement by Business Area - Jan - Sep/2008

	R$ MILLION							
	E&P	SUPPLY	GAS & ENERGY	DISTRIB.	INTERN.	CORPOR.	ELIMIN.	TOTAL
Operating Profit (Loss)	**48,664**	**(4,030)**	**(316)**	**1,390**	**1,011**	**(5,638)**	**(1,655)**	**39,426**
Depreciation / Amortization	**4,316**	**1,690**	**638**	**266**	**1,028**	**322**	**-**	**8,260**
EBITDA [(1)]	**52,980**	**(2,340)**	**322**	**1,656**	**2,039**	**(5,316)**	**(1,655)**	**47,686**

(1) Operating income before the financial results and equity income excluding depreciation /amortization.

Statement of Other Operating Income (Expenses) - Jan - Sep/2008

	R$ MILLION							
	E&P	SUPPLY	GAS & ENERGY	DISTRIB.	INTERN.	CORPOR.	ELIMIN.	TOTAL
Institutional relations and cultural projects	(59)	(44)	(5)	(46)	-	(713)	-	**(867)**
Labor Agreement	(256)	(82)	(19)	-	(18)	(167)	-	**(542)**
Thermoelectric	-	-	(443)	-	-	-	-	**(443)**
Losses and Contingencies related to Legal Proceedings	(25)	(60)	(3)	(24)	(174)	(119)	-	**(405)**
Fines and Contractual Charges	-	-	(375)	-	-	-	-	**(375)**
HSE Expenses	(44)	(61)	(3)	-	-	(189)	-	**(297)**
Inventory adjustment	-	(197)	-	-	(96)	-	-	**(293)**
Non programmed stoppages in installations and production equipment	(58)	(60)	-	-	-	-	-	**(118)**
Contractual losses from ship-or-pay transport services	-	-	-	-	(77)	-	-	**(77)**
Other	(430)	(38)	(155)	51	(36)	(457)	5	**(1,060)**
	(872)	**(542)**	**(1.003)**	**(19)**	**(401)**	**(1,645)**	**5**	**(4,477)**

Income - Statement of Other Operating Revenues Income (Expenses) - Jan - Sep/2007

	R$ MILLION							
	E&P	SUPPLY	GAS & ENERGY	DISTRIB.	INTERN.	CORPOR.	ELIMIN.	TOTAL
Institutional relations and cultural projects	(57)	(47)	-	(39)	-	(680)	-	**(823)**
Labor Agreement	(114)	(55)	(11)	-	(8)	(99)	-	**(287)**
Thermoelectric	-	-	(394)	-	-	-	-	**(394)**
Losses and Contingencies related to Legal Proceedings	(142)	(41)	-	(57)	(11)	(11)	-	**(262)**
Fines and Contractual Charges	-	-	(263)	-	-	-	-	**(263)**
HSE Expenses	(13)	(87)	(3)	-	(11)	(216)	-	**(330)**
Non programmed stoppages in installations and production equipment	(23)	(74)	-	-	-	-	-	**(97)**
Contractual losses from ship-or-pay transport services	-	-	-	-	(68)	-	-	**(68)**
Expenses with Renegotiation of Petros Fund Plan	(220)	(129)	(12)	(40)	(8)	(642)	-	**(1,051)**
Others	(358)	(42)	(98)	(10)	67	(421)	1	**(861)**
	(927)	**(475)**	**(781)**	**(146)**	**(39)**	**(2,069)**	**1**	**(4,436)**

Consolidated Assets by Business Area - 09.30.2008

	R$ MILLION							
	E&P	SUPPLY	GAS & ENERGY	DISTRIB.	INTERN.	CORPOR.	ELIMIN.	TOTAL
ASSETS	**106,637**	**67,453**	**33,667**	**10,610**	**29,497**	**35,380**	**(11,299)**	**271,945**
CURRENT ASSETS	**7,525**	**30,768**	**5,678**	**5,785**	**6,917**	**19,235**	**(11,023)**	**64,885**
CASH AND CASH EQUIVALENTS	-	-	-	-	-	10,776	-	10,776
OTHER	7,525	30,768	5,678	5,785	6,917	8,459	(11,023)	54,109
NON-CURRENT ASSETS	**99,112**	**36,685**	**27,989**	**4,825**	**22,580**	**16,145**	**(276)**	**207,060**
LONG-TERM ASSETS	4,140	1,392	2,568	571	878	13,007	(246)	**22,310**
PROPERTY, PLANTS AND EQUIPMENT	91,580	31,347	24,389	2,842	16,172	1,878	(30)	**168,178**
OTHER	3,392	3,946	1,032	1,412	5,530	1,260	-	**16,572**

Consolidated Assets by Business Area - 06.30.2008

	R$ MILLION							
	E&P	SUPPLY	GAS & ENERGY	DISTRIB.	INTERN.	CORPOR.	ELIMIN.	TOTAL
ASSETS	**97,300**	**64,343**	**31,824**	**10,181**	**23,892**	**34,130**	**(11,406)**	**250,264**
CURRENT ASSETS	**6,675**	**30,211**	**5,603**	**5,441**	**5,579**	**17,707**	**(11,211)**	**60,005**
CASH AND CASH EQUIVALENTS	-	-	-	-	-	11,046	-	11,046
OTHER	6,675	30,211	5,603	5,441	5,579	6,661	(11,211)	48,959
NON-CURRENT ASSETS	**90,625**	**34,132**	**26,221**	**4,740**	**18,313**	**16,423**	**(195)**	**190,259**
LONG-TERM ASSETS	3,912	1,276	2,119	536	993	13,339	(174)	**22,001**
PROPERTY, PLANTS AND EQUIPMENT	83,293	28,536	22,963	2,802	12,906	1,793	(21)	**152,272**
OTHER	3,420	4,320	1,139	1,402	4,414	1,291	-	**15,986**

Certain figures relating to previous periods have been reclassified to bring them into line with the current financial statements, thereby facilitating comparisons.

Consolidated Result by International Business Area- Jan-Sep/2008

	R$ MILLION INTERNATIONAL						
	E&P	SUPPLY	GAS & ENERGY	DISTRIB.	CORPOR.	ELIMIN.	TOTAL
ASSETS (09.30.2008)	**19,688**	**7,721**	**2,816**	**881**	**3,192**	**(4,801)**	**29,497**
Income Statement							
Net Operating Revenues	**4,296**	**12,475**	**1,544**	**3,862**	**3**	**(3,323)**	**18,857**
Intersegments	2,176	2,407	367	99	-	(3,323)	1,726
Third Parties	2,120	10,068	1,177	3,763	3	-	17,131
Operating Profit (Loss)	**1,295**	**(161)**	**283**	**104**	**(527)**	**17**	**1,011**
Net Income (Loss)	**692**	**(60)**	**165**	**75**	**(467)**	**17**	**422**

Consolidated Result by International Business Area

	R$ MILLION INTERNATIONAL						
	E&P	SUPPLY	GAS & ENERGY	DISTRIB.	CORPOR.	ELIMIN.	TOTAL
ASSETS - (06.30.2008)	**15,544**	**6,279**	**2,357**	**781**	**2,591**	**(3,660)**	**23,892**
Income Statement - (Jan - Sep 2007)							
Net Operating Revenues	**3,489**	**9,355**	**1,491**	**2,661**	**25**	**(2,870)**	**14,151**
Intersegments	1,989	2,048	266	23	-	(2,870)	1,456
Third Parties	1,500	7,307	1,225	2,638	25	-	12,695
Operating Profit (Loss)	**476**	**222**	**377**	**(72)**	**(429)**	**(1)**	**573**
Net Income (Loss)	**(74)**	**156**	**261**	**(52)**	**(373)**	**(1)**	**(83)**

1. Petroleum and Alcohol Accounts National Treasury

In order to settle the accounts with the Federal Government, in accordance with Provisional Measure No. 2181 of August 24, 2001, Petrobras, after having submitted all the information required by the National Treasury (STN), is seeking to reconcile the remaining differences between the parties.

The account balance of R$ 805 million on September 30, 2008 (R$ 801 million on June 30, 2008) may be paid by the Federal Government through the issuance of National Treasury bonds, in an amount equal to the final settlement amount or with other amounts that Petrobras may owe to the Federal Government, including those related to taxes, or through a combination of these options.

2. Consolidated Taxes and Contributions

The economic contribution of Petrobras to the country, measured through the generation of current taxes, rates and social contributions, totaled R$ 44.473 millions.

				R$ million			
	3rd Quarter				Jan-Sep		
2Q-2008	2008	2007	Δ %		2008	2007	Δ %
				Economic Contribution - Country			
4,883	5,310	4,864	9	**Value Added Tax on Sales and Services (ICMS)**	14,743	13,480	9
1,422	1,230	1,976	(38)	**CIDE [1]**	4,596	5,802	(21)
3,214	3,631	3,066	18	**PASEP/COFINS**	9,891	8,789	13
4,265	5,439	2,545	114	**Income Tax & Social Contribution**	13,592	8,442	61
587	487	650	(25)	**Other**	1,651	1,964	(16)
14,371	**16,097**	**13,101**	23	**Subtotal Country**	**44,473**	**38,477**	16
1,037	1,729	959	80	**Economic Contribution - Foreign**	3,618	2,671	35
15,408	**17,826**	**14,060**	27	**Total**	**48,091**	**41,148**	17

[1] CIDE ECONOMIC DOMAIN CONTRIBUTION CHARGE

3. Government Take

				R$ million			
	3rd Quarter				Jan-Sep		
2Q-2008	2008	2007	Δ %		2008	2007	Δ %
				Country			
2,847	3,003	1,985	51	*Royalties*	8,246	5,392	53
3,313	3,664	1,955	87	Special Participation	9,406	5,111	84
26	25	28	(11)	Surface Rental Fees	83	86	(3)
6,186	**6,692**	**3,968**	69	**Subtotal Country**	**17,735**	**10,589**	67
161	262	117	124	**Foreign**	569	603	(6)
6,347	**6,954**	**4,085**	70	**Total**	**18,304**	**11,192**	64

The government take in the country increased by 67% year-on-year in the first nine months of 2008 due to the 43% increase in the reference price for local oil (R$ 155.12 versus R$ 108.42 in the first nine months of 2007), reflecting the average Brent price on the international market, and the increase in output, due to the operational start-up of the FPSO-Cidade do RJ (Espadarte), P-52 (Roncador) and P-54 (Roncador) platforms.

In the 3Q-2008, the government take in the country moved up 8% over the previous quarter, due to increased output from the recently installed platforms in the Roncador field, as well as the 1% increase in the reference price for local oil (R$ 162.30 in the 3Q-2008, versus R$ 160.59 in the 2Q-2008), reflecting the average Brent price on the international market.

4. Reconciliation of Consolidated Shareholders Equity and Net Income

	R$ million	
	Shareholders' Equity	Result
. According to PETROBRAS information as of 09.30.2008	142,463	26,469
. Profit in the sales of products in affiliated inventories	(573)	(573)
. Reversal of profits on inventory in previous years	-	666
. Capitalized interest	(405)	23
. Absorption of negative net worth in affiliated companies *	(873)	(282)
. Other eliminations	(163)	257
. According to consolidated information as of 09.30.2008	140,449	26,560

* Pursuant to CVM Instruction 247/96, losses considered temporary on investments evaluated by the equity method, where the investee shows no signs of stoppage or the need for financial support from the investor, must be limited to the amount of the controlling company s investment. Thus losses generated by unfunded liabilities (negative shareholders equity) of the controlled companies did not affect the results or shareholders equity of Petrobras on December 31, 2007, generating a conciliatory item between the Financial Statements of Petrobras and the Consolidated Financial Statements.

5. Performance of Petrobras Shares and ADRs

Nominal Change					
	3rd Quarter			Jan-Sep	
2Q-2008	2008	2007		2008	2007
25.91%	-25.21%	17.90%	**Petrobras ON**	-19.58%	27.18%
24.91%	-24.04%	14.64%	**Petrobras PN**	-20.59%	18.88%
38.73%	-37.95%	24.52%	**ADR- Level III - ON**	-23.72%	46.62%
36.85%	-35.43%	21.30%	**ADR- Level III - PN**	-22.22%	39.50%
6.64%	-23.80%	11.17%	**IBOVESPA**	-22.45%	35.96%
-7.44%	-4.40%	3.63%	**DOW JONES**	-18.20%	11.49%
0.61%	-8.77%	3.77%	**NASDAQ**	-21.13%	11.85%

Petrobras shares had a book value of R$ 16.24 on September 30, 2008.

6. Assets/Liabilities Foreign Exchange Exposure

Assets	R$ million	
	09.30.2008	06.30.2008
Current Assets	**6,884**	**6,692**
Cash and Cash Equivalents	2,153	2,312
Other Current Assets	4,731	4,380
Non-current Assets	**26,498**	**20,227**
Amounts invested abroad via partner companies, in the international segment, in E&P equipments to be used in Brazil and in commercial activities.	25,878	19,271
Long-term Assets	570	487
Investments		
Property, plant and equipament	50	469
Total Assets	**33,382**	**26,919**

Liabilities	R$ million	
	09.30.2008	06.30.2008
Current Liabilities	**(6,632)**	**(6,332)**
Short-term Debt	(3,733)	(2,476)
Suppliers	(2,276)	(3,252)
Other Current Liabilities	(623)	(604)
Long-term Liabilities	**(12,845)**	**(12,601)**
Long-term Debt	(11,696)	(11,645)
Other Long-term Liabilities	(1,149)	(956)
Total Liabilities	**(19,477)**	**(18,933)**

Net Assets (Liabilities) in Reais	**13,905**	**7,986**
(+) Investment Funds - Exchange	6	14
(-) FINAME Loans - dollar-indexed reais	(328)	(272)
Net Assets (Liabilities) in Reais	**13,583**	**7,728**

* The results of investments in Exchange Funds are booked under Financial Revenue.

Income Statement Parent Company

			R$ million		
	3rd Quarter			Jan-Sep	
2Q-2008	2008	2007		2008	2007
52,961	58,129	44,201	**Gross Operating Revenues**	155,950	123,880
(11,374)	(12,219)	(11,043)	Sales Deductions	(34,645)	(32,028)
41,587	45,910	33,158	**Net Operating Revenues**	121,305	91,852
(23,704)	(28,480)	(18,271)	Cost of Products Sold	(71,839)	(49,733)
17,883	17,430	14,887	**Gross Profit**	49,466	42,119
			Operating Expenses		
(1,480)	(1,620)	(1,483)	Sales	(4,586)	(3,977)
(1,110)	(1,361)	(1,113)	General & Administrative	(3,565)	(3,177)
(521)	(643)	(376)	Exploratory Cost	(1,702)	(826)
(370)	(475)	(407)	Research & Development	(1,258)	(1,212)
(58)	(82)	(194)	Taxes	(230)	(534)
(337)	(335)	(1,086)	Health and Pension Plans	(1,008)	(1,935)
(1,098)	(1,922)	(1,209)	Other	(4,124)	(4,172)
(4,974)	(6,438)	(5,868)		(16,473)	(15,833)
			Net Financial		
1,541	1,203	1,266	Income	4,105	3,220
(1,445)	(1,320)	(841)	Expenses	(3,698)	(2,164)
(152)	3,310	(1,390)	Net Monetary Variation	3,061	(3,512)
(2,262)	2,250	(1)	Net Exchange Variation	(198)	(70)
(2,318)	5,443	(966)		3,270	(2,526)
(7,292)	(995)	(6,834)		(13,203)	(18,359)
1,126	614	(253)	Paticipation in Equity Income	2,538	306
11,717	17,049	7,800	**Operating Income**	38,801	24,066
337	(23)	(15)	Non-operating Income (Expense)	315	(50)
(3,688)	(5,674)	(2,113)	Income Tax / Social Contribution	(12,647)	(7,156)
8,366	**11,352**	**5,672**	**Net Income**	**26,469**	**16,860**

Certain figures relating to previous periods have been reclassified to bring them into line with the current financial statements, thereby facilitating comparisons.

Balance Sheet Parent Company

Assets	R$ million	
	09.30.2008	**06.30.2008**
Current Assets	**57,577**	**59,434**
Cash and Cash Equivalents	7,770	17,358
Accounts Receivable	23,097	17,197
Inventories	19,972	17,665
Taxes Recoverable	59	542
Deferred Taxes & Social Contribution	4,687	4,596
Other	1,992	2,076
Non-current Assets	**214,978**	**189,837**
Long-term Assets	**88,616**	**70,422**
Petroleum & Alcohol Account	805	801
Subsidiaries and affiliated companies	70,331	52,767
Structured Projects	2,302	2,077
Advances to Suppliers	367	322
Marketable Securities	3,216	3,336
Advance for Pension Plan	1,385	1,347
Deferred Taxes and Social Contribution	7,118	6,520
Judicial Deposits	1,468	1,458
Anticipated Expenses	581	683
Other	1,043	1,111
Investments	**29,495**	**28,659**
Property, plant and equipment	**93,013**	**86,886**
Intangible	**3,148**	**3,156**
Deferred	**706**	**714**
Total Assets	**272,555**	**249,271**

Liabilities	R$ million	
	09.30.2008	**06.30.2008**
Current Liabilities	**92,934**	**80,938**
Short-term Debt	3,267	2,845
Suppliers	65,141	47,865
Taxes & Social Contribution Payable	11,804	9,756
Dividends / Interest on Own Capital	-	-
Structured Projects	576	522
Health and Pension Plan	890	816

Clients Anticipation	236	199
Receivable Cash Flow	5,542	14,699
Other	5,478	4,236
Long-term Liabilities	**36,481**	**36,773**
Long-term Debt	5,562	5,920
Subsidiaries and affiliated companies	829	1,372
Pension plan	4,206	4,227
Health Care Benefits	9,324	9,074
Deferred Taxes & Social Contribution	10,049	9,652
Other	6,511	6,528
Deferred Income	**677**	**451**
Shareholders' Equity	**142,463**	**131,109**
Capital	78,967	78,967
Capital Reserves	37,027	37,025
Net Income	26,469	15,117
Total liabilities	**272,555**	**249,271**

Certain figures relating to previous periods have been reclassified to bring them into line with the current financial statements, thereby facilitating comparisons.

Statement of Cash Flow Parent Company

R$ million					
	3rd Quarter			Jan-Sep	
2Q-2008	2008	2007		2008	2007
8,366	**11,352**	**5,672**	**Net Income**	**26,469**	**16,860**
4,470	2,517	2,275	(+) Adjustments	12,355	13,116
1,609	1,764	1,380	Depreciation & Amortization	4,914	4,122
(1)	(4)	(3)	Oil and Alcohol Accounts	(7)	(10)
4,273	14,861	(1,392)	Oil and Oil Products Supply - Foreign	25,293	3,225
3,986	(11,829)	1,617	Charges on Financing and Connected Companies	(8,022)	3,051
(5,397)	(2,275)	673	Other Adjustments	(9,823)	2,728
12,836	**13,869**	**7,947**	**(=) Cash Generated by Operating Activities**	**38,824**	**29,976**
(6,971)	**(8,168)**	**(9,510)**	**(-) Cash used for Cap.Expend.**	**(22,400)**	**(19,618)**
(4,179)	(4,253)	(3,957)	Investment in E&P	(12,361)	(10,541)
(1,490)	(2,905)	(1,679)	Investment in Supply	(6,680)	(4,731)
(694)	(905)	(528)	Investment in Gas and Energy	(2,302)	(1,358)
(3)	(2)	(14)	Investments in International Area	(17)	(22)
(706)	-	-	Investment in Distribution	(706)	-
(250)	(359)	(176)	Structured Projects - Net of Advance	(964)	(405)
452	554	77	Dividends	1,214	832
105	75	(3,104)	Marketable Securities	180	(2,889)
(206)	(373)	(129)	Other Investments	(764)	(504)
5,865	**5,701**	**(1,563)**	**(=) Free Cash Flow**	**16,424**	**10,358**
(3,595)	(15,289)	(2,634)	(-) Cash used in Financing Activities	(16,502)	(23,267)
2,270	**(9,588)**	**(4,197)**	**(=) Cash Generated in the Period**	**(78)**	**(12,909)**
15,088	17,358	11,387	Cash at the Beginning of Period	7,848	20,099
17,358	7,770	7,190	Cash at the End of Period	7,770	7,190

Certain figures relating to previous periods have been reclassified to bring them into line with the current financial statements, thereby facilitating comparisons.

Statement of Value Added - Parent Company

	R$ million	
	Jan-Sep	
	2008	2007
Description		
Sale of products and services and non operating income*	157,000	124,821
Raw Materials Used	(16,702)	(10,461)
Products for Resale	(19,774)	(9,151)
Materials, Energy, Services & Others	(13,084)	(15,827)
Added Value Generated	**107,440**	**89,382**
Depreciation & Amortization	(4,914)	(4,121)
Participation in Equity Income, goodwill & negative goodwill	2,538	306
Financial Income	4,463	1,738
Rent and royalties	377	301
Total Distributable Added Value	**109,904**	**87,606**
Distribution of Added Value		
Personnel		
Salaries, Benefits and Charges	7,145	8,193
	7,145	8,193
Government Entities		
Taxes, Fees and Contributions	48,888	40,974
Government Take	17,735	10,589
	66,623	51,563
Financial Institutions and Suppliers		
Interest, FX Rate and Monetary Variations	1,193	4,187
Rent and Freight Expenses	8,474	6,803
	9,667	10,990
Shareholders		
Dividends / interest on own capital	-	4,387
Net Income	26,469	12,473
	26,469	16,860
Value Added distributed	**109,904**	**87,606**

* Net of Provisions for Doubtful Debts.

PETROBRAS

http://www.petrobras.com.br/ri/english

Contacts:

Contacts: PETRÓLEO BRASILEIRO S. A. PETROBRAS
Investor Relations Department I E-mail: petroinvest@petrobras.com.br / acionistas@petrobras.com.br
Av. República do Chile, 65 22nd floor - 20031-912 - Rio de Janeiro, RJ - Tel.: 55 (21) 3224-1510 / 9947

This document may contain forecasts that merely reflect the expectations of the Company s management. Such terms as anticipate , believe , expect , forecast , intend , plan , project , seek , should , along with similar or analo are used to identify such forecasts. These predictions evidently involve risks and uncertainties, whether foreseen or not by the Company. Therefore, the future results of operations may differ from current expectations, and readers should not base their expectations exclusively on the information presented herein.

39

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.
Date: November 17, 2008

PETRÓLEO BRASILEIRO S.A--PETROBRAS

By: /s/ Almir Guilherme Barbassa

Almir Guilherme Barbassa
Chief Financial Officer and
Investor Relations Officer

FORWARD-LOOKING STATEMENTS

This press release may contain forward-looking statements. These statements are statements that are not historical facts, and are based on management's current view and estimates offuture economic circumstances, industry conditions, company performance and financial results. The words "anticipates", "believes", "estimates", "expects", "plans" and similar expressions, as they relate to the company, are intended to identify forward-looking statements. Statements regarding the declaration or payment of dividends, the implementation of principal operating and financing strategies and capital expenditure plans, the direction of future operations and the factors or trends affecting financial condition, liquidity or results of operations are examples of forward-looking statements. Such statements reflect the current views of management and are subject to a number of risks and uncertainties. There is no guarantee that the expected events, trends or results will actually occur. The statements are based on many assumptions and factors, including general economic and market conditions, industry conditions, and operating factors. Any changes in such assumptions or factors could cause actual results to differ materially from current expectations.