JPMORGAN CHASE & CO
Form 424B2
January 16, 2019

The information in this preliminary pricing supplement is not complete and may be changed. This preliminary pricing supplement is not an offer to sell nor does it seek an offer to buy these notes in any jurisdiction where the offer or sale is not permitted.

Subject to completion dated January 16, 2019
PRICING SUPPLEMENT

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Registration Statement Nos. 333-222672 and
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Dated January , 2019
JPMorgan Chase Financial Company LLC Trigger Autocallable Contingent Yield Notes

Linked to the Financial Select Sector SPDR® Fund due on or about January 21, 2022

Fully and Unconditionally Guaranteed by JPMorgan Chase & Co.

Investment Description
Trigger Autocallable Contingent Yield Notes are unsecured and unsubordinated debt securities issued by JPMorgan Chase Financial Company LLC ("JPMorgan Financial"), the payment on which is fully and unconditionally guaranteed by JPMorgan Chase & Co. (each, a "Note" and collectively, the "Notes"), linked to the performance of a specific underlying (the "Underlying"). If the closing price of one share of the Underlying on a quarterly Observation Date is equal to or greater than the Coupon Barrier, JPMorgan Financial will make a Contingent Coupon payment with respect to that Observation Date. Otherwise, no coupon will be payable with respect to that Observation Date. JPMorgan Financial will automatically call the Notes early if the closing price of one share of the Underlying on any quarterly Observation Date (after an initial six-month non-call period) is equal to or greater than the Initial Value. If the Notes are called, JPMorgan Financial will pay the principal amount *plus* the Contingent Coupon for that Observation Date and no further amounts will be owed to you. If the Notes are not called prior to maturity and the Final Value is equal to or greater than the Downside Threshold (which is the same price as the Coupon Barrier), JPMorgan Financial will make a cash payment at maturity equal to the principal amount of your Notes, in addition to the Contingent Coupon. If the Notes are not called prior to maturity and the Final Value is less than the Downside Threshold, JPMorgan Financial will pay you less than the full principal amount, if anything, at maturity, resulting in a loss on your principal amount that is proportionate to the decline in the price of one share of the Underlying from the Initial Value to the Final Value. The closing price of one share of the Underlying is subject to adjustments in the case of certain events described in the accompanying product supplement under "The Underlyings — Funds — Anti-Dilution Adjustments." **Investing in the Notes involves significant risks. You may lose some or all of your principal amount. Generally, a higher Contingent Coupon Rate is associated with a greater risk of loss. The contingent repayment of principal applies only if you hold the Notes to maturity. Any payment on the Notes, including any repayment of principal, is subject to the creditworthiness of JPMorgan Financial, as issuer of the Notes, and the creditworthiness of JPMorgan Chase & Co., as guarantor of the Notes. If JPMorgan Financial and JPMorgan Chase & Co. were to default on their payment obligations, you may not receive any amounts owed to you under the Notes and you could lose your entire investment.**

Features Key Dates

- **Automatically Callable:** JPMorgan Financial will automatically call the Notes and pay you the principal amount *plus* the Contingent Coupon otherwise due for a quarterly Observation Date (after an initial six-month non-call period) if the closing price of one share of the Underlying on that quarterly Observation Date is equal to or greater than the Initial Value. No further payments will be made on the Notes.

- **Contingent Coupon:** If the closing price of one share of the Underlying on a quarterly Observation Date (including the Final Valuation Date) is equal to or greater than the Coupon Barrier, JPMorgan Financial will make a Contingent Coupon payment with respect to that Observation Date. Otherwise, no coupon will be payable with respect to that Observation Date.

- **Downside Exposure with Contingent Repayment of Principal Amount at Maturity:** If by maturity the Notes have not been called and the Underlying closes at or above the Downside Threshold on the Final Valuation Date, JPMorgan Financial will pay you the principal amount per Note at maturity, in addition to the Contingent Coupon. If by maturity the Notes have not been called and the Underlying closes below the Downside Threshold on the Final Valuation Date, JPMorgan Financial will repay less than the principal amount, if anything, at maturity, resulting in a loss on your principal amount that is proportionate to the decline in the price of one share of the Underlying from the Initial Value to the Final Value. The contingent repayment of principal applies only if you hold the Notes until maturity. Any payment on the Notes, including any repayment of principal, is subject to the creditworthiness of JPMorgan Financial and JPMorgan Chase & Co.

Trade Date	January 18, 2019
Original Issue Date (Settlement Date)[1]	January 24, 2019
Observation Dates[2]	Quarterly (callable beginning July 18, 2019) (see page 5)
Final Valuation Date[2]	January 18, 2022
Maturity Date[2]	January 21, 2022

[1] Expected. In the event that we make any change to the expected Trade Date and Settlement Date, the Observation Dates, the Final Valuation Date and/or the Maturity Date will be changed so that the stated term of the Notes remains the same. See “Supplemental Plan of Distribution” for more details on the expected Settlement Date.

[2] Subject to postponement in the event of a market disruption

event and as described under "General Terms of Notes — Postponement of a Payment Date" and "General Terms of Notes — Postponement of a Determination Date — Notes Linked to a Single Underlying — Notes Linked to a Single Underlying (Other Than a Commodity Index)" in the accompanying product supplement

THE NOTES ARE SIGNIFICANTLY RISKIER THAN CONVENTIONAL DEBT INSTRUMENTS. JPMORGAN FINANCIAL IS NOT NECESSARILY OBLIGATED TO REPAY THE FULL PRINCIPAL AMOUNT OF THE NOTES AT MATURITY, AND THE NOTES CAN HAVE DOWNSIDE MARKET RISK SIMILAR TO THE UNDERLYING. THIS MARKET RISK IS IN ADDITION TO THE CREDIT RISK INHERENT IN PURCHASING A DEBT OBLIGATION OF JPMORGAN FINANCIAL FULLY AND UNCONDITIONALLY GUARANTEED BY JPMORGAN CHASE & CO. YOU SHOULD NOT PURCHASE THE NOTES IF YOU DO NOT UNDERSTAND OR ARE NOT COMFORTABLE WITH THE SIGNIFICANT RISKS INVOLVED IN INVESTING IN THE NOTES.

YOU SHOULD CAREFULLY CONSIDER THE RISKS DESCRIBED UNDER "KEY RISKS" BEGINNING ON PAGE 7 OF THIS PRICING SUPPLEMENT, UNDER "RISK FACTORS" BEGINNING ON PAGE PS-10 OF THE ACCOMPANYING PRODUCT SUPPLEMENT AND UNDER "RISK FACTORS" BEGINNING ON PAGE US-1 OF THE ACCOMPANYING UNDERLYING SUPPLEMENT BEFORE PURCHASING ANY NOTES. EVENTS RELATING TO ANY OF THOSE RISKS, OR OTHER RISKS AND UNCERTAINTIES, COULD ADVERSELY AFFECT THE MARKET VALUE OF, AND THE RETURN ON, YOUR NOTES. YOU MAY LOSE SOME OR ALL OF YOUR INITIAL INVESTMENT IN THE NOTES. THE NOTES WILL NOT BE LISTED ON ANY SECURITIES EXCHANGE.

Note Offering

We are offering Trigger Autocallable Contingent Yield Notes linked to the Financial Select Sector SPDR® Fund. The Notes are offered at a minimum investment of $1,000 in denominations of $10 and integral multiples thereof. The

Initial Value, Downside Threshold and Coupon Barrier will be finalized on the Trade Date and provided in the pricing supplement. The actual Downside Threshold and Coupon Barrier will be set to the same percentage and will not be greater than the top of the range listed below, but you should be willing to invest in the Notes if the Downside Threshold and Coupon Barrier were set equal to the top of the range.

Underlying	**Contingent Coupon Rate**	**Initial Value**	**Downside Threshold**	**Coupon Barrier**	**CUSIP / ISIN**
Financial Select Sector SPDR® Fund (Bloomberg Ticker: XLF)	8.00% per annum	$•	75% to 80% of the Initial Value	75% to 80% of the Initial Value	48130X778 / US48130X7782

See "Additional Information about JPMorgan Financial, JPMorgan Chase & Co. and the Notes" in this pricing supplement. The Notes will have the terms specified in the prospectus and the prospectus supplement, each dated April 5, 2018, product supplement no. UBS-1-I dated April 5, 2018, underlying supplement no. 1-I dated April 5, 2018 and this pricing supplement. ***The terms of the Notes as set forth in this pricing supplement, to the extent they differ or conflict with those set forth in the accompanying product supplement, will supersede the terms set forth in that product 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 prospectus, the accompanying prospectus supplement, the accompanying product supplement and the accompanying underlying supplement. Any representation to the contrary is a criminal offense.

Offering of Notes	**Price to Public(1) Total**	**Price to Public(1) Per Note**	**Fees and Commissions(2) Total**	**Fees and Commissions(2) Per Note**	**Proceeds to Issuer Total**	**Proceeds to Issuer Per Note**
Notes linked to the Financial Select Sector SPDR® Fund		$10		$0.20		$9.80

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

(2) UBS Financial Services Inc., which we refer to as UBS, will receive selling commissions from us that will not exceed $0.20 per $10 principal amount Note. See "Plan of Distribution (Conflicts of Interest)" in the accompanying product supplement, as supplemented by "Supplemental Plan of Distribution" in this pricing supplement.

If the Notes priced today and assuming a Downside Threshold and Coupon Barrier equal to the middle of the range listed above, the estimated value of the Notes would be approximately $9.746 per $10 principal amount Note. The estimated value of the Notes, when the terms of the Notes are set, will be provided in the pricing supplement and will not be less than $9.60 per $10 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.

UBS Financial Services Inc. J.P.Morgan

Additional Information about JPMorgan Financial, JPMorgan Chase & Co. and the Notes

You may revoke your offer to purchase the Notes at any time prior to the time at which we accept such offer by notifying the agent. We reserve the right to change the terms of, or reject any offer to purchase, the Notes prior to their issuance. In the event of any changes to the terms of the Notes, we will notify you and you will be asked to accept such changes in connection with your purchase. You may also choose to reject such changes in which case we may reject your offer to purchase.

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.

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. UBS-1-I dated April 5, 2018: http://www.sec.gov/Archives/edgar/data/19617/000095010318004522/dp87529_424b2-ubs1i.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, the "Issuer," "JPMorgan Financial," "we," "us" and "our" refer to JPMorgan Chase Financial Company LLC.

Supplemental Terms of the Notes

For purposes of the accompanying product supplement, the Financial Select Sector SPDR® Fund is a "Fund."

Investor Suitability

The Notes may be suitable for you if, among other considerations:

t You fully understand the risks inherent in an investment in the Notes, including the risk of loss of your entire initial investment.

t You can tolerate a loss of all or a substantial portion of your investment and are willing to make an investment that may have the same downside market risk as an investment in the Underlying.

t You accept that you may not receive a Contingent Coupon on some or all of the Coupon Payment Dates.

t You believe the Underlying will close at or above the Coupon Barrier on the Observation Dates and the Downside Threshold on the Final Valuation Date.

t You believe the Underlying will close at or above the Initial Value on one of the specified Observation Dates (after an initial six-month non-call period).

t You understand and accept that you will not participate in any appreciation of the Underlying and that your potential return is limited to the Contingent Coupons.

t You can tolerate fluctuations in the price of the Notes prior to maturity that may be similar to or exceed the downside price fluctuations of the Underlying.

t You would be willing to invest in the Notes if the Downside Threshold and Coupon Barrier were set equal to the top of the range indicated on the cover hereof (the actual Downside Threshold and Coupon Barrier will be finalized on the Trade Date and provided in the pricing supplement and will not be greater than the top of the range listed on the cover).

t You do not seek guaranteed current income from this investment and are willing to forgo dividends paid on the Underlying.

The Notes may not be suitable for you if, among other considerations:

t You do not fully understand the risks inherent in an investment in the Notes, including the risk of loss of your entire initial investment.

t You cannot tolerate a loss of all or a substantial portion of your investment or are unwilling to make an investment that may have the same downside market risk as an investment in the Underlying.

t You require an investment designed to provide a full return of principal at maturity.

t You do not accept that you may not receive a Contingent Coupon on some or all of the Coupon Payment Dates.

t You believe that the price of the Underlying will decline during the term of the Notes and is likely to close below the Coupon Barrier on the Observation Dates and the Downside Threshold on the Final Valuation Date.

t You seek an investment that participates in the full appreciation of the Underlying or that has unlimited return potential.

t You cannot tolerate fluctuations in the price of the Notes prior to maturity that may be similar to or exceed the downside price fluctuations of the Underlying.

t You would not be willing to invest in the Notes if the Downside Threshold and Coupon Barrier were set equal to the top of the range indicated on the cover hereof (the actual Downside Threshold and Coupon Barrier will be finalized on the Trade Date and provided in t You are able and willing to invest in Notes that may be called early (after an initial six-month non-call period) and you are otherwise able and willing to hold the Notes to maturity.

t You accept that there may be little or no secondary market for the Notes and that any secondary market will depend in large part on the price, if any, at which J.P. Morgan Securities LLC, which we refer to as JPMS, is willing to trade the Notes.

t You understand and accept the risks associated with the Underlying.

t You are willing to assume the credit risks of JPMorgan Financial and JPMorgan Chase & Co. for all payments under the Notes, and understand that if JPMorgan Financial and JPMorgan Chase & Co. default on their obligations, you may not receive any amounts due to you including any repayment of principal.

the pricing supplement and will not be greater than the top of the range listed on the cover).

t You prefer the lower risk, and therefore accept the potentially lower returns, of fixed income investments with comparable maturities and credit ratings.

t You seek guaranteed current income from this investment or prefer to receive the dividends paid on the Underlying.

t You are unable or unwilling to invest in Notes that may be called early (after an initial six-month non-call period), or you are otherwise unable or unwilling to hold the Notes to maturity or you seek an investment for which there will be an active secondary market.

t You do not understand or accept the risks associated with the Underlying.

t You are not willing to assume the credit risks of JPMorgan Financial and JPMorgan Chase & Co. for all payments under the Notes, including any repayment of principal.

The suitability considerations identified above are not exhaustive. Whether or not the Notes are a suitable investment for you will depend on your individual circumstances, and you should reach an investment decision only after you and your investment, legal, tax, accounting and other advisers have carefully considered the suitability of an investment in the Notes in light of your particular circumstances. You should also review carefully the "Key Risks" section of this pricing supplement and the "Risk Factors" sections of the accompanying product supplement and the accompanying underlying supplement for risks related to an investment in the Notes. For more information on the Underlying, please see the section titled "The Underlying" below.

Indicative Terms

Issuer	JPMorgan Chase Financial Company LLC, an indirect, wholly owned finance subsidiary of JPMorgan Chase & Co.
Guarantor	JPMorgan Chase & Co.
Issue Price	$10 per Note
Underlying	Financial Select Sector SPDR® Fund
Principal Amount	$10 per Note (subject to a minimum purchase of 100 Notes or $1,000)
Term[1]	Approximately 3 years, unless called earlier
Automatic Call Feature	The Notes will be called automatically if the closing price[2] of one share of the Underlying on any Observation Date (after an initial six-month non-call period) is equal to or greater than the Initial Value. If the Notes are called, JPMorgan Financial will pay you on the applicable Call Settlement Date a cash payment per Note equal to the principal amount *plus* the Contingent Coupon otherwise due for the applicable Observation Date, and no further payments will be made on the Notes.
Contingent Coupon	If the closing price[2] of the Underlying is equal to or greater than the Coupon Barrier on any Observation Date, we will pay you the Contingent Coupon for that Observation Date on the relevant Coupon Payment Date. If the closing price[2] of one share of the Underlying is less than the Coupon Barrier on any Observation Date, the Contingent Coupon for that Observation Date will not accrue or be payable, and we will not make any payment to you on the relevant Coupon Payment Date. Each Contingent Coupon will be a fixed amount based on equal quarterly installments at the Contingent Coupon Rate, which is a per annum rate. **Contingent Coupon payments on the Notes are not guaranteed. We will not pay you the Contingent Coupon for any Observation Date on which the closing price of one share of the Underlying is less than the Coupon Barrier.**
Contingent Coupon Rate	8.00% per annum
Contingent Coupon payments	$0.20 per $10 principal amount Note
Coupon Payment Dates[3]	As specified under the "Coupon Payment Dates" column of the table under "Observation Dates and Coupon Payment Dates" below
Call Settlement Dates[3]	First Coupon Payment Date following the applicable Observation Date
Payment at Maturity (per $10 Note)	**If the Notes are not automatically called and the Final Value is equal to or greater than the Downside Threshold,** we will pay you a cash payment at maturity per $10 principal amount Note equal to $10 *plus* the Contingent Coupon otherwise due on the Maturity Date. **If the Notes are not automatically called and the Final Value is less than the Downside Threshold,** we will pay you a cash payment at maturity that is less than $10 per $10 principal amount Note resulting in a loss on your principal amount proportionate to the negative Underlying Return, equal to:

	$10 × (1 + Underlying Return)
Underlying Return	$\frac{\text{Final Value} - \text{Initial Value}}{\text{Initial Value}}$
Initial Value	The closing price of one share of the Underlying on the Trade Date, as specified on the cover of this pricing supplement
Final Value	The closing price[2] of one share of the Underlying on the Final Valuation Date
Downside Threshold	A percentage of the Initial Value, as specified on the cover of this pricing supplement. The actual Downside Threshold will be finalized on the Trade Date and provided in the pricing supplement and will be set to the same percentage as the Coupon Barrier.
Coupon Barrier	A percentage of the Initial Value, as specified on the cover of this pricing supplement. The actual Coupon Barrier will be finalized on the Trade Date and provided in the pricing supplement and will be set to the same percentage as the Downside Threshold.
Share Adjustment Factor[2]	The Share Adjustment Factor is referenced in determining the closing price of one share of the Underlying. The Share Adjustment Factor is set initially at 1.0 on the Trade Date.

1 See footnote 1 under "Key Dates" on the front cover

2 The closing price and the Share Adjustment Factor of the Underlying are subject to adjustments, in the case of certain events described in the accompanying product supplement under "The Underlyings — Funds — Anti-Dilution Adjustments."

3 See footnote 2 under "Key Dates" on the front cover

Investment Timeline

Trade Date	The closing price of one share of the Underlying (Initial Value) is observed and the Downside Threshold and the Coupon Barrier are determined.
Quarterly (callable after an initial six-month non-call period)	If the closing price of one share of the Underlying is equal to or greater than the Coupon Barrier on any Observation Date, JPMorgan Financial will pay you a Contingent Coupon on the Coupon Payment Date. The Notes will also be called if the closing price of one share of the Underlying on any Observation Date (after an initial six-month non-call period) is equal to or greater than the Initial Value. If the Notes are called, JPMorgan Financial will pay you a cash payment per Note equal to the principal amount *plus* the Contingent Coupon otherwise due for the applicable Observation Date, and no further payments will be made on the Notes.
Maturity Date	The Final Value is determined as of the Final Valuation Date. If the Notes have not been called and the Final Value is equal to or greater than the Downside Threshold, at maturity JPMorgan Financial will repay the principal amount equal to $10.00 per Note *plus* the Contingent Coupon otherwise due on the Maturity Date. If the Notes have not been called and the Final Value is less than the Downside Threshold, JPMorgan Financial will repay less than the principal amount, if anything, at maturity, resulting

in a loss on your principal amount proportionate to the decline of the Underlying, equal to a return of:

$10 × (1 + Underlying Return) per Note

INVESTING IN THE NOTES INVOLVES SIGNIFICANT RISKS. YOU MAY LOSE SOME OR ALL OF YOUR PRINCIPAL AMOUNT. ANY PAYMENT ON THE NOTES, INCLUDING ANY REPAYMENT OF PRINCIPAL, IS SUBJECT TO THE CREDITWORTHINESS OF JPMORGAN FINANCIAL AND JPMORGAN CHASE & CO. IF JPMORGAN FINANCIAL AND JPMORGAN CHASE & CO. WERE TO DEFAULT ON THEIR PAYMENT OBLIGATIONS, YOU MAY NOT RECEIVE ANY AMOUNTS OWED TO YOU UNDER THE NOTES AND YOU COULD LOSE YOUR ENTIRE INVESTMENT.

Observation Dates and Coupon Payment Dates

Observation Dates†	**Coupon Payment Dates†**
April 18, 2019	April 24, 2019
July 18, 2019	July 22, 2019
October 18, 2019	October 22, 2019
January 21, 2020	January 23, 2020
April 20, 2020	April 22, 2020
July 20, 2020	July 22, 2020
October 19, 2020	October 21, 2020
January 19, 2021	January 21, 2021
April 19, 2021	April 21, 2021
July 19, 2021	July 21, 2021
October 18, 2021	October 20, 2021
January 18, 2022 (the Final Valuation Date)	January 21, 2022 (the Maturity Date)

† The Notes are not callable until the second Observation Date, July 18, 2019.

Each of the Observation Dates, and therefore the Coupon Payment Dates, is 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 a Single Underlying — Notes Linked to a Single Underlying (Other Than a Commodity Index)” and “General Terms of Notes — Postponement of a Payment Date” in the accompanying product supplement.

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What Are the Tax Consequences of the Notes?

You should review carefully the section entitled “Material U.S. Federal Income Tax Consequences” in the accompanying product supplement no. UBS-1-I. In determining our reporting responsibilities we intend to treat (i) the Notes for U.S. federal income tax purposes as prepaid forward contracts with associated contingent coupons and (ii) any Contingent Coupons as ordinary income, as described in the section entitled “Material U.S. Federal Income Tax Consequences — Tax Consequences to U.S. Holders — Notes Treated as Prepaid Forward Contracts with Associated Contingent Coupons” in the accompanying product supplement. Based on the advice of Davis Polk & Wardwell LLP, our special tax counsel, we believe that this is a reasonable treatment, but that there are other reasonable treatments that the IRS or a court may adopt.

Sale, Exchange or Redemption of a Note. Assuming the treatment described above is respected, upon a sale or exchange of the Notes (including redemption upon an automatic call or at maturity), you should recognize capital gain or loss equal to the difference between the amount realized on the sale or exchange and your tax basis in the Notes, which should equal the amount you paid to acquire the Notes (assuming Contingent Coupons are properly treated as ordinary income, consistent with the position referred to above). This gain or loss should be short-term capital gain or loss unless you hold the Notes for more than one year, in which case the gain or loss should be long-term capital gain or loss, whether or not you are an initial purchaser of the Notes at the issue price. The deductibility of capital losses is subject to limitations. If you sell your Notes between the time your right to a Contingent Coupon is fixed and the time it is paid, it is likely that you will be treated as receiving ordinary income equal to the Contingent Coupon. Although uncertain, it is possible that proceeds received from the sale or exchange of your Notes prior to an Observation Date but that can be attributed to an expected Contingent Coupon payment could be treated as ordinary income. You should consult your tax adviser regarding this issue.

As described above, there are other reasonable treatments that the IRS or a court may adopt, in which case the timing and character of any income or loss on the Notes could be materially 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 and the relevance of factors such as the nature of the underlying property to which the instruments are linked. 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 affect the tax consequences of an investment in the Notes, possibly with retroactive effect. The discussions above and in the accompanying product supplement do not address the consequences to taxpayers subject to special tax accounting rules under Section 451(b) of the Code. 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 the notice described above.

Non-U.S. Holders — Tax Considerations. The U.S. federal income tax treatment of Contingent Coupons is uncertain, and although we believe it is reasonable to take a position that Contingent Coupons are not subject to U.S. withholding tax (at least if an applicable Form W-8 is provided), a withholding agent may nonetheless withhold on these payments (generally at a rate of 30%, subject to the possible reduction of that rate under an applicable income tax treaty), unless income from your Notes is effectively connected with your conduct of a trade or business in the United States (and, if an applicable treaty so requires, attributable to a permanent establishment in the United States). If you are not a United States person, you are urged to consult your tax adviser regarding the U.S. federal income tax consequences of an investment in the Notes in light of your particular circumstances.

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, we expect that Section 871(m) will 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. If necessary, further information regarding the potential application of Section 871(m) will be provided in the pricing supplement for the Notes. You should consult your tax adviser regarding the potential application of Section 871(m) to the Notes.

FATCA. Withholding under legislation commonly referred to as “FATCA” could apply to payments with respect to the Notes that are treated as U.S.-source “fixed or determinable annual or periodical” income (“FDAP Income”) for U.S. federal income tax purposes (such as interest, if the Notes are recharacterized, in whole or in part, as debt instruments, or Contingent Coupons if they are otherwise treated as FDAP Income). If the Notes are recharacterized, in whole or in part, as debt instruments, withholding could also apply to payments of gross proceeds of a taxable disposition, including an early redemption or redemption at maturity, 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 FDAP Income). You should consult your tax adviser regarding the potential application of FATCA to the Notes.

In the event of any withholding on the Notes, we will not be required to pay any additional amounts with respect to amounts so withheld.

Key Risks

An investment in the Notes involves significant risks. Investing in the Notes is not equivalent to investing directly in the Underlying. These risks are explained in more detail in the “Risk Factors” sections of the accompanying product supplement and the accompanying underlying supplement. We also urge you to consult your investment, legal, tax, accounting and other advisers before you invest in the Notes.

Risks Relating to the Notes Generally

- **Your Investment in the Notes May Result in a Loss** — The Notes differ from ordinary debt securities in that JPMorgan Financial will not necessarily repay the full principal amount of the Notes. If the Notes are not called and the closing price of one share of the Underlying has declined below the Downside Threshold on the Final Valuation Date, you will be fully exposed to any depreciation of the Underlying from the Initial Value to the Final Value. In this case, JPMorgan Financial will repay less than the full principal amount at maturity, resulting in a loss of principal that is proportionate to the negative Underlying Return. Under these circumstances, you will lose 1% of your principal for every 1% that the Final Value is less than the Initial Value and could lose your entire principal amount. As a result, your investment in the Notes may not perform as well as an investment in a security that does not have the potential for full downside exposure to the Underlying.
- **Credit Risks of JPMorgan Financial and JPMorgan Chase & Co.** — The Notes are unsecured and unsubordinated debt obligations of the Issuer, JPMorgan Chase Financial Company LLC, the payment on which is fully and unconditionally guaranteed by JPMorgan Chase & Co. The Notes will rank *pari passu* with all of our other unsecured and unsubordinated obligations, and the related guarantee JPMorgan Chase & Co. will rank *pari passu* with all of JPMorgan Chase & Co.’s other unsecured and unsubordinated obligations. The Notes and related guarantees are not, either directly or indirectly, an obligation of any third party. Any payment to be made on the Notes, including any repayment of principal, depends on the ability of JPMorgan Financial and JPMorgan Chase & Co. to satisfy their obligations as they come due. As a result, the actual and perceived creditworthiness of JPMorgan Financial and JPMorgan Chase & Co. may affect the market value of the Notes and, in the event JPMorgan Financial and JPMorgan Chase & Co. were to default on their obligations, you may not receive any amounts owed to you under the terms of the Notes and you could lose your entire investment.
- **As a Finance Subsidiary, JPMorgan Financial Has No Independent Operations and 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.
- **You Are Not Guaranteed Any Contingent Coupons** — We will not necessarily make periodic coupon payments on the Notes. If the closing price of one share of the Underlying on an Observation Date is less than the Coupon Barrier, we will not pay you the Contingent Coupon for that Observation Date, and the Contingent Coupon that would otherwise be payable will not be accrued and will be lost. If the closing price of one share of the Underlying is less than the Coupon Barrier on each of the Observation Dates, we will not pay you any Contingent Coupon during the term of, and you will not receive a positive return on, your Notes. Generally, this non-payment of the Contingent Coupon coincides with a period of greater risk of principal loss on your Notes.
- **Return on the Notes Limited to the Sum of Any Contingent Coupons and You Will Not Participate in Any Appreciation of the Underlying** — The return potential of the Notes is limited to the specified Contingent Coupon Rate, regardless of the appreciation of the Underlying, which may be significant. In addition, the total return on the

Notes will vary based on the number of Observation Dates on which the requirements for a Contingent Coupon have been met prior to maturity or an automatic call. Further, if the Notes are called, you will not receive any Contingent Coupons or any other payments in respect of any Observation Dates after the Call Settlement Date. Because the Notes could be called as early as the second Observation Date, the total return on the Notes could be minimal. If the Notes are not called, you may be subject to the risk of decline of the Underlying even though you are not able to participate in any potential appreciation of the Underlying. Generally, the longer the Notes remain outstanding, the less likely it is that they will be automatically called, due to the decline in the price of the Underlying and the shorter time remaining for the price to recover to or above the Initial Value on a subsequent Observation Date. As a result, the return on an investment in the Notes could be less than the return on a hypothetical direct investment in the Underlying. In addition, if the Notes are not called and the Final Value is below the Downside Threshold, you will have a loss on your principal amount and the overall return on the Notes may be less than the amount that would be paid on a conventional debt security of JPMorgan Financial of comparable maturity.

t **Contingent Repayment of Principal Applies Only If You Hold the Notes to Maturity** — If you are able to sell your Notes in the secondary market prior to maturity, you may have to sell them at a loss relative to your initial investment even if the closing price of one share of the Underlying is above the Downside Threshold. If by maturity the Notes have not been called, either JPMorgan Financial will repay you the full principal amount per Note, plus the Contingent Coupon, or, if the Underlying closes below the Downside Threshold on the Final Valuation Date, JPMorgan Financial will repay less than the principal amount, if anything, at maturity, resulting in a loss on your principal amount that is proportionate to the decline in the closing price of one share of the Underlying from the Initial Value to the Final Value. This contingent repayment of principal applies only if you hold your Notes to maturity.

t **A Higher Contingent Coupon Rate and/or a Lower Coupon Barrier and/or Downside Threshold May Reflect Greater Expected Volatility of the Underlying, Which Is Generally Associated With a Greater Risk of Loss** — Volatility is a measure of the degree of variation in the price of the Underlying over a period of time. The greater the expected volatility of the Underlying at the time the terms of the Notes are set, the greater the expectation is at that time that the price of the Underlying could close below the Coupon Barrier on any Observation Date, resulting in the loss of one or more, or all, Contingent Coupon payments, or below the

Downside Threshold on the Final Valuation Date, resulting in the loss of a significant portion or all of your principal at maturity. In addition, the economic terms of the Notes, including the Contingent Coupon Rate, the Coupon Barrier and the Downside Threshold, are based, in part, on the expected volatility of the Underlying at the time the terms of the Notes are set, where a higher expected volatility will generally be reflected in a higher Contingent Coupon Rate than the fixed rate we would pay on conventional debt securities of the same maturity and/or on otherwise comparable securities and/or a lower Coupon Barrier and/or a lower Downside Threshold as compared to otherwise comparable securities. Accordingly, a higher Contingent Coupon Rate will generally be indicative of a greater risk of loss while a lower Coupon Barrier or Downside Threshold does not necessarily indicate that the Notes have a greater likelihood of paying Contingent Coupon payments or returning your principal at maturity. You should be willing to accept the downside market risk of the Underlying and the potential loss of some or all of your principal at maturity.

- **Reinvestment Risk** — If your Notes are called early, the holding period over which you would have the opportunity to receive any Contingent Coupons could be as short as approximately six months. There is no guarantee that you would be able to reinvest the proceeds from an investment in the Notes at a comparable return and/or with a comparable interest rate for a similar level of risk in the event the Notes are called prior to the Maturity Date.

- **Potential Conflicts** — We and our affiliates play a variety of roles in connection with the issuance of the Notes, including acting as calculation agent and hedging our obligations under the Notes and making the assumptions used to determine the pricing of the Notes and the estimated value of the Notes when the terms of the Notes are set, which we refer to as the estimated value of the Notes. In performing these duties, our and JPMorgan Chase & Co.'s economic interests and the economic interests of the calculation agent and other affiliates of ours are potentially adverse to your interests as an investor in the Notes. In addition, our and JPMorgan Chase & Co.'s business activities, including hedging and trading activities, could cause our and JPMorgan Chase & Co.'s economic interests to be adverse to yours and could adversely affect any payment on the Notes and the value of 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 for additional information about these risks.

- **Each Contingent Coupon Is Based Solely on the Closing Price of One Share of the Underlying on the Applicable Observation Date** — Whether a Contingent Coupon will be payable with respect to an Observation Date will be based solely on the closing price of one share of the Underlying on that Observation Date. As a result, you will not know whether you will receive a Contingent Coupon until the related Observation Date. Moreover, because each Contingent Coupon is based solely on the closing price of one share of the Underlying on the applicable Observation Date, if the closing price of one share of the Underlying is less than the Coupon Barrier, you will not receive any Contingent Coupon with respect to that Observation Date, even if the closing price of one share of the Underlying was higher on other days during the period before that Observation Date.

- **The Estimated Value of the Notes Will Be 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 will exceed 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** — The estimated value of the Notes is determined by reference to internal pricing models of our affiliates when the terms of the Notes are set. This estimated value of the Notes is based on market conditions and other relevant factors existing at that time and assumptions about market parameters, which can include volatility, dividend rates, interest rates and other factors. 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. See "The Estimated Value of the Notes" in this pricing supplement.

t **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.

t **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. These costs can include selling commissions, projected hedging profits, if any, and, in some circumstances, estimated hedging costs and our internal secondary market funding rates for structured debt issuances. 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).

t **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

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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 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. See the immediately following risk factor for information about additional factors that will impact any secondary market prices of the 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. See "— Lack of Liquidity" below.

t **Many Economic and Market Factors Will Impact the Value of the Notes** — As described under "The Estimated Value of the Notes" in this pricing supplement, the Notes can be thought of as securities that combine a fixed-income debt component with one or more derivatives. As a result, the factors that influence the values of fixed-income debt and derivative instruments will also influence the terms of the Notes at issuance and their value in the secondary market. Accordingly, 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 price of one share of the Underlying, including:

- t any actual or potential change in our or JPMorgan Chase & Co.'s creditworthiness or credit spreads;
- t customary bid-ask spreads for similarly sized trades;
- t our internal secondary market funding rates for structured debt issuances;
- t the actual and expected volatility in the price of one share of the Underlying;
- t the time to maturity of the Notes;
- t the likelihood of an automatic call being triggered;
- t whether the closing price of one share of the Underlying has been, or is expected to be, less than the Coupon Barrier on any Observation Date and whether the Final Value is expected to be less than the Downside Threshold;
- t the dividend rates on the Underlying and the equity securities held by the Underlying;
- t the occurrence of certain events affecting the Underlying that may or may not require an adjustment to the closing price and the Share Adjustment Factor of the Underlying, including a merger or acquisition;
- t interest and yield rates in the market generally; and
- t a variety of other economic, financial, political, regulatory and judicial events.

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.

t **Investing in the Notes Is Not Equivalent to Investing in the Underlying or the Equity Securities Held by the Underlying** — Investing in the Notes is not equivalent to investing in the Underlying or the equity securities held by the Underlying. As an investor in the Notes, you will not have any ownership interest or rights in the Underlying or the equity securities held by the Underlying, such as voting rights, dividend payments or other distributions.

t **Your Return on the Notes Will Not Reflect Dividends on the Underlying or the Equity Securities Held by the Underlying** — Your return on the Notes will not reflect the return you would realize if you actually owned the Underlying or the equity securities held by the Underlying and received the dividends on the Underlying or those equity securities. This is because the calculation agent will determine whether the Notes will be called and whether a Contingent Coupon is payable and will calculate the amount payable to you at maturity of the Notes by reference to the closing price of one share of the Underlying on the relevant Observation Date without taking into consideration the value of dividends on the Underlying or the equity securities held by the Underlying.

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No Affiliation with the Underlying or the Issuers of the Equity Securities Held by the Underlying — We are not affiliated with the Underlying or, to our knowledge, the issuers of the equity securities held by the Underlying. We have not independently verified the information about the Underlying or the issuers of the equity securities held by the Underlying contained in this pricing supplement. You should make your own investigation into the Underlying and the issuers of the equity securities held by the Underlying. We are not responsible for the public disclosure of information by the Underlying or the issuers of the equity securities held by the Underlying, whether contained in SEC filings or otherwise

t **No Assurances That the Investment View Implicit in the Notes Will Be Successful** — While the Notes are structured to provide for Contingent Coupons if the Underlying does not close below the Coupon Barrier on the Observation Dates, we cannot assure you of the economic environment during the term or at maturity of your Notes.

t **Lack of Liquidity** — The Notes will not be listed on any securities exchange. JPMS intends to offer to purchase the Notes in the secondary market, but is not required to do so. Even if there is a secondary market, it may not provide enough liquidity to allow you to trade or sell the Notes easily. Because other dealers are not likely to make a secondary market for the Notes, 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.

t **Potentially Inconsistent Research, Opinions or Recommendations by JPMS, UBS or Their Affiliates** — JPMS, UBS or their affiliates may publish research, express opinions or provide recommendations that are inconsistent with investing in or holding the

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Notes, and that may be revised at any time. Any such research, opinions or recommendations may or may not recommend that investors buy or hold the Underlying and could affect the price of one share of the Underlying, and therefore the market value of the Notes.

t **Tax Treatment** — Significant aspects of the tax treatment of the Notes are uncertain. You should consult your tax adviser about your tax situation.

t **Potential JPMorgan Financial Impact on the Price of the Underlying** — Trading or transactions by JPMorgan Financial or its affiliates in the Underlying and/or over-the-counter options, futures or other instruments with returns linked to the performance of the Underlying may adversely affect the price of the Underlying and, therefore, the market value of the Notes.

t **The Final Terms and Valuation of the Notes Will Be Finalized on the Trade Date and Provided in the Pricing Supplement** — The final terms of the Notes will be based on relevant market conditions when the terms of the Notes are set and will be finalized on the Trade Date and provided in the pricing supplement. In particular, the estimated value of the Notes will be finalized on the Trade Date and provided in the pricing supplement, and may be as low as the applicable minimum set forth on the cover of this pricing supplement. In addition, the Downside Threshold and Coupon Barrier will be finalized on the Trade Date and provided in the pricing supplement and each may be as high as the applicable maximum set forth on the cover of this pricing supplement. Accordingly, you should consider your potential investment in the Notes based on the minimum for the estimated value of the Notes and the maximum for the Downside Threshold and Coupon Barrier.

Risks Relating to the Underlying

t **JPMorgan Chase & Co. Is Currently One of the Companies that Make Up the Underlying and its Underlying Index —** JPMorgan Chase & Co. is currently one of the companies that make up the Underlying and its Underlying Index (as defined under "The Underlying" below). JPMorgan Chase & Co. will not have any obligation to consider your interests as a holder of the Notes in taking any corporate action that might affect the price of the Underlying or the level of its Underlying Index.

t **There Are Risks Associated with the Underlying** — Although shares of the Underlying are listed for trading on a securities exchange and a number of similar products have been trading on a securities exchange for varying periods of time, there is no assurance that an active trading market will continue for the shares of the Underlying or that there will be liquidity in the trading market. The Underlying is subject to management risk, which is the risk that the investment strategies of the Underlying's investment adviser, the implementation of which is subject to a number of constraints, may not produce the intended results. These constraints could adversely affect the market price of the shares of the Underlying, and consequently, the value of the Notes.

t **The Performance and Market Value of the Underlying, Particularly During Periods of Market Volatility, May Not Correlate with the Performance of the Underlying's Underlying Index as well as the Net Asset Value per Share** — The Underlying does not fully replicate its Underlying Index and may hold securities different from those included in its Underlying Index. In addition, the performance of the Underlying will reflect additional transaction costs and fees that are not included in the calculation of its Underlying Index. All of these factors may lead to a lack of correlation between the performance of the Underlying and its Underlying Index. In addition, corporate actions with respect to the equity securities underlying the Underlying (such as mergers and spin-offs) may impact the variance between the performances of the Underlying and its Underlying Index. Finally, because the shares of the Underlying are traded on a securities exchange and are subject to market supply and investor demand, the market value of one share of the Underlying may differ from the net asset value per share of the Underlying.

During periods of market volatility, securities underlying the Underlying may be unavailable in the secondary market, market participants may be unable to calculate accurately the net asset value per share of the Underlying and the liquidity of the Underlying may be adversely affected. This kind of market volatility may also disrupt the ability of market participants to create and redeem shares of the Underlying. Further, market volatility may adversely affect, sometimes materially, the prices at which market participants are willing to buy and sell shares of the Underlying. As a result, under these circumstances, the market value of shares of the Underlying may vary substantially from the net asset value per share of the Underlying. For all of the foregoing reasons, the performance of the Underlying may not correlate with the performance of its Underlying Index as well as the net asset value per share of the Underlying, which could materially and adversely affect the value of the Notes in the secondary market and/or reduce any payment on the Notes.

Risks Associated with the Financial Sector — All or substantially all of the equity securities held by the Underlying are issued by companies whose primary line of business is directly associated with the financial sector. As a result, the value of the Notes may be subject to greater volatility and be more adversely affected by a single economic, political or regulatory occurrence affecting this sector than a different investment linked to securities of a more broadly diversified group of issuers. Financial services companies are subject to extensive government regulation, which may limit both the amounts and types of loans and other financial commitments they can make, the interest rates and fees they can charge, the scope of their activities, the prices they can charge and the amount of capital they must maintain. Profitability is largely dependent on the availability and cost of capital funds and can fluctuate significantly when interest rates change or due to increased competition. In addition, deterioration of the credit markets generally may cause an adverse impact in a broad range of markets, including U.S. and international credit and interbank money markets generally, thereby affecting a wide range of financial institutions and markets. Certain events in the financial sector may cause an unusually high degree of volatility in the financial markets, both domestic and foreign, and cause certain financial services companies to incur large losses. Securities of financial services companies may experience a dramatic decline in value when these companies experience substantial declines in the valuations of their assets, take action to raise capital (such as the issuance of debt or equity securities), or cease operations. Credit losses resulting from financial difficulties of borrowers and financial losses associated with investment activities can negatively impact the financial sector. Insurance companies may be subject to severe price competition. Adverse economic, business or political developments could adversely affect financial institutions engaged in mortgage finance or other lending or investing activities directly or indirectly connected to the value of real estate. These factors could affect the financial sector and could affect the value of the equity

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securities held by the Underlying and the price of the Underlying during the term of the notes, which may adversely affect the value of your Notes.

t **In September 2016, The Underlying Ceased Providing Exposure to the Real Estate Sector** — The Underlying seeks to track the Financial Select Sector Index. On September 19, 2016, the Financial Select Sector Index was reconstituted to eliminate the stocks of real estate management and development companies and real estate investment trusts ("REITs") (other than mortgage REITs) ("real estate stocks"). In order to implement a corresponding change to its portfolio, the Underlying exchanged its real estate stocks for shares of the Real Estate Select Sector SPDR® Fund and then distributed those shares to its holders as a special share distribution with an ex-date of September 19, 2016. As of September 19, 2016, the Underlying no longer holds real estate stocks. The Underlying now tracks the performance of only those financial company stocks that remain in the Financial Select Sector Index following its reconstitution, which exclude real estate stocks. Consequently, the Underlying is less diversified, and is more concentrated in the financial sector, than it was before this change to its portfolio.

The net asset value of the shares of the Real Estate Select Sector SPDR® Fund distributed for each share of the Underlying represented approximately 18.8% of the net asset value of the Underlying as of September 16, 2016. Accordingly, the changes to the Underlying described above represent a significant change in the nature of the Underlying and its holdings. These changes could adversely affect the performance of the Underlying and, in turn, the value of the Notes.

t **Anti-Dilution Protection Is Limited** — Although the calculation agent will adjust the closing price of one share of the Underlying for certain events affecting the Underlying, the calculation agent is not required to make an adjustment for every event that can affect the Underlying. If an event occurs that does not require the calculation agent to adjust the closing price of one share of the Underlying, the market value of your Notes and any payment on the Notes may be materially and adversely affected.

Hypothetical Examples

Hypothetical terms only. Actual terms may vary. See the cover page for actual offering terms.

The examples below illustrate the hypothetical payments on a Coupon Payment Date, upon an automatic call or at maturity under different hypothetical scenarios for a $10.00 Note on an offering of the Notes linked to a hypothetical Underlying and assume an Initial Value of $100.00, a Downside Threshold and Coupon Barrier of $80.00 (which is 80.00%* of the hypothetical Initial Value) and a Contingent Coupon Rate of 8.00% per annum. The hypothetical Initial Value of $100.00 has been chosen for illustrative purposes only and may not represent a likely actual Initial Value. The actual Initial Value, Downside Threshold and Coupon Barrier are based on the closing price of one share of the Underlying on the Trade Date and will be provided in the pricing supplement. For historical data regarding the actual closing prices of one share of the Underlying, please see the historical information set forth under "The Underlying" in this pricing supplement.

Principal Amount:	$10.00
Term:	Approximately three years (unless earlier called)
Hypothetical Initial Value:	$100.00
Hypothetical Contingent Coupon Rate:	8.00%* per annum (or 2.00% per quarter)
Observation Dates:	Quarterly (callable after six months)
Hypothetical Downside Threshold:	$80.00 (which is 80.00% of the hypothetical Initial Value), based on the top of the range of 75.00% and 80.00% of the Initial Value
Hypothetical Coupon Barrier:	$80.00 (which is 80.00% of the hypothetical Initial Value), based on the top of the range of 75.00% and 80.00% of the Initial Value

* The actual Downside Threshold and Coupon Barrier will be finalized on the Trade Date and provided in the pricing supplement. The actual value of any Contingent Coupon payments you will receive over the term of the Notes and the actual value of the payment upon automatic call or at maturity applicable to your Notes may be more or less than the amounts displayed in these hypothetical scenarios.

The examples below are purely hypothetical and are not based on any specific offering of Notes linked to any specific Underlying. These examples are intended to illustrate how the value of any payment on the Notes will depend on the closing price of one share on the Observation Dates.

Example 1 — Notes Are Automatically Called on the Second Observation Date

Date	**Closing Price**	**Payment (per Note)**
First Observation Date	$105.00 (at or above Initial Value; Notes NOT automatically	$0.20 (Contingent Coupon)

	callable because Observation Date is prior to the second Observation Date)	
Second Observation Date	$110.00 (at or above Initial Value)	$10.20 (Payment Upon Automatic Call)
	Total Payment:	$10.40 (4.00% return)

Because the closing price is greater than or equal to the Initial Value on the second Observation Date (which is approximately six months after the Trade Date and is the first Observation Date on which the Notes are callable), the Notes are automatically called on that Observation Date. We will pay you on the applicable Call Settlement Date a total of $10.20 per $10.00 principal amount Note, which is equal to your principal amount *plus* the Contingent Coupon due on the Coupon Payment Date that is also the Call Settlement Date. No further amounts will be owed on the Notes.

In addition, because the closing price was greater than or equal to the Coupon Barrier on the first Observation Date, we will pay the Contingent Coupon of $0.20 on the first Coupon Payment Date. Accordingly, we will have paid a total of $10.40 per $10.00 principal amount Note for a 4.00% total return over the shortened six (6) month term of the Notes as a result of the automatic call.

Example 2 — Notes Are NOT Automatically Called and the Final Value Is at or above the Downside Threshold

Date	**Closing Price**	**Payment (per Note)**
First Observation Date	$90.00 (at or above Coupon Barrier; Notes NOT automatically callable because Observation Date is prior to the second Observation Date)	$0.20 (Contingent Coupon)
Second Observation Date	$85.00 (at or above Coupon Barrier; below Initial Value)	$0.20 (Contingent Coupon)
Third through Eleventh Observation Dates	Various (all below Coupon Barrier; all below Initial Value)	$0.00
Final Valuation Date	$85.00 (at or above Downside Threshold; below Initial Value)	$10.20 (Payment at Maturity)
	Total Payment:	$10.60 (6.00% return)

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Because the closing price was less than the Initial Value on each Observation Date on and after the second Observation Date (which is approximately six months after the Trade Date and is the first Observation Date on which the Notes are callable), the Notes are not automatically called. Because the Final Value is greater than or equal to the Downside Threshold, we will pay you on the Maturity Date $10.20 per $10.00 principal amount Note, which is equal to your principal amount *plus* the Contingent Coupon due on the Coupon Payment Date that is also the Maturity Date.

In addition, because the closing price was greater than or equal to the Coupon Barrier on the first and second Observation Dates, we will pay the Contingent Coupon of $0.20 on the first and second Coupon Payment Dates. However, because the closing price was less than the Coupon Barrier on the third through eleventh Observation Dates, we will not pay any Contingent Coupon on the Coupon Payment Dates following those Observation Dates. Accordingly, we will have paid a total of $10.60 per $10.00 principal amount Note for a 6.00% total return over the approximately three (3) year term of the Notes.

Example 3 — Notes Are NOT Automatically Called and the Final Value is below the Downside Threshold

Date	**Closing Price**	**Payment (per Note)**
First Observation Date	$55.00 (below Coupon Barrier; Notes NOT automatically callable because Observation Date is prior to the second Observation Date)	$0.00
Second Observation Date	$50.00 (below Coupon Barrier; below Initial Value)	$0.00
Third through Eleventh Observation Dates	Various (all below Coupon Barrier; all below Initial Value)	$0.00
Final Valuation Date	$50.00 (below Downside Threshold)	$10.00 × (1 + Underlying Return) = $10.00 × (1 + -50%) = $10.00 × 50% = $5.00 (Payment at Maturity)
	Total Payment:	$5.00 (-50.00% return)

Because the Notes are not automatically called, the Final Value is below the Downside Threshold and the Underlying Return is -50%, at maturity we will pay you $5.00 per $10.00 principal amount Note for a loss on the Notes of 50.00%. Because there is no Contingent Coupon paid during the approximately three (3) year term of the Notes, that represents the total payment on the Notes.

The hypothetical returns and hypothetical payments on the Notes shown above apply only if you hold the Notes for their entire term or until automatically called. These hypotheticals do not reflect 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.

The Underlying

The Financial Select Sector SPDR® Fund is an exchange-traded fund of the Select Sector SPDR® Trust, a registered investment company, that seeks to provide investment results that, before expenses, correspond generally to the price and yield performance of publicly traded equity securities of companies in the Financial Select Sector Index, which we refer to as the Underlying Index with respect to the Financial Select Sector SPDR® Fund. The Financial Select Sector Index is a modified market capitalization-based index that measures the performance of the GICS® financial sector of the S&P 500® Index, which currently includes companies in the following industries: banks; thrifts and mortgage finance; diversified financial services; consumer finance; capital markets; mortgage real estate investment trusts ("REITs"); and insurance. For additional information about the Financial Select Sector SPDR® Fund, see "Fund Descriptions — The Select Sector SPDR® Funds" in the accompanying underlying supplement.

On September 19, 2016, the Financial Select Sector Index was reconstituted to eliminate the stocks of real estate management and development companies and REITs (other than mortgage REITs) ("real estate stocks"). In order to implement a corresponding change to its portfolio, the Financial Select Sector SPDR® Fund exchanged its real estate stocks for shares of the Real Estate Select Sector SPDR® Fund and then distributed those shares to its holders as a special share distribution with an ex-date of September 19, 2016. As of September 19, 2016, the Financial Select Sector SPDR® Fund no longer holds real estate stocks.

Historical Information

The following table sets forth the quarterly high and low closing prices of one share of the Underlying, based on daily closing prices of one share of the Underlying as reported by the Bloomberg Professional® service ("Bloomberg"), without independent verification. This information given below is for the four calendar quarters in each of 2014, 2015, 2016, 2017 and 2018. Partial data is provided for the first calendar quarter of 2019. The closing price of one share of the Underlying on January 15, 2019 was $24.89. We obtained the closing prices of one share of the Underlying above and below from Bloomberg, without independent verification. The closing prices may have been adjusted by Bloomberg for certain actions, such as stock splits. You should not take the historical prices of one share of the Underlying as an indication of future performance.

On September 19, 2016, the Underlying made a significant change to its portfolio so that it no longer holds real estate stocks. The Underlying now tracks the performance of only those financial company stocks that remain in the Financial Select Sector Index following its reconstitution, which exclude real estate stocks. The historical performance of the Underlying shown below might have been meaningfully different had the Underlying not held real estate stocks prior to September 19, 2016.

Quarter Begin	Quarter End	Quarterly High	Quarterly Low	Close
1/1/2014	3/31/2014	$18.25	$16.67	$18.14
4/1/2014	6/30/2014	$18.60	$17.28	$18.47
7/1/2014	9/30/2014	$19.33	$17.99	$18.81
10/1/2014	12/31/2014	$20.33	$17.90	$20.08
1/1/2015	3/31/2015	$20.08	$18.68	$19.58
4/1/2015	6/30/2015	$20.52	$19.56	$19.80
7/1/2015	9/30/2015	$20.77	$18.09	$18.40
10/1/2015	12/31/2015	$20.16	$18.41	$19.31
1/1/2016	3/31/2016	$19.05	$15.99	$18.28
4/1/2016	6/30/2016	$19.36	$17.42	$18.54
7/1/2016	9/30/2016	$19.95	$18.17	$19.30
10/1/2016	12/31/2016	$23.75	$19.21	$23.25

1/1/2017	3/31/2017	$25.24	$22.95	$23.73
4/1/2017	6/30/2017	$24.69	$22.90	$24.67
7/1/2017	9/30/2017	$25.86	$23.88	$25.86
10/1/2017	12/31/2017	$28.22	$26.05	$27.91
1/1/2018	3/31/2018	$30.17	$26.82	$27.57
4/1/2018	6/30/2018	$28.34	$26.36	$26.59
7/1/2018	9/30/2018	$28.98	$26.48	$27.58
10/1/2018	12/31/2018	$28.19	$22.31	$23.82
1/1/2019	1/15/2019*	$24.89	$23.48	$24.89

* As of the date of this pricing supplement, available information for the first calendar quarter of 2019 includes data for the period from January 1, 2019 through January 15, 2019. Accordingly, the “Quarterly High,” “Quarterly Low” and “Close” data indicated are for this shortened period only and do not reflect complete data for the first calendar quarter of 2019.

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The graph below illustrates the daily performance of the Underlying from January 2, 2009 through January 15, 2019, based on information from Bloomberg, without independent verification. The dotted line represents a hypothetical Downside Threshold and Coupon Barrier of $19.91, equal to 80% (based on the top of the range of 75% to 80%) of the closing price of one share of the Underlying on January 15, 2019. The actual Downside Threshold and Coupon Barrier will be finalized on the Trade Date and provided in the pricing supplement based on the closing price of one share of the Underlying on the Trade Date and will not be greater than 80.00% of the Initial Value.

Past performance of the Underlying is not indicative of the future performance of the Underlying.

Supplemental Plan of Distribution

We and JPMorgan Chase & Co. have agreed to indemnify UBS and JPMS against liabilities under the Securities Act of 1933, as amended, or to contribute to payments that UBS may be required to make relating to these liabilities as described in the prospectus supplement and the prospectus. We will agree that UBS may sell all or a part of the Notes that it purchases from us to the public or its affiliates at the price to public indicated on the cover hereof.

Subject to regulatory constraints, JPMS intends to offer to purchase the Notes in the secondary market, but it is not required to do so.

We or our affiliates may enter into swap agreements or related hedge transactions with one of our other affiliates or unaffiliated counterparties in connection with the sale of the Notes, and JPMS and/or an affiliate may earn additional income as a result of payments pursuant to the swap or related hedge transactions. See "Supplemental Use of Proceeds" in this pricing supplement and "Use of Proceeds and Hedging" in the accompanying product supplement.

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 Trade 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.

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 values 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 "Key Risks — Risks Relating to the Notes Generally — 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. See “Key Risks — Risks Relating to the Notes Generally — The Estimated Value of the Notes Does Not Represent Future Values of the Notes and May Differ from Others’ Estimates” in this pricing supplement.

The estimated value of the Notes will be 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 UBS, 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. We or one or more of our affiliates will retain any profits realized in hedging our obligations under the Notes. See “Key Risks — Risks Relating to the Notes Generally — The Estimated Value of the Notes Will Be 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 “Key Risks — Risks Relating to the Notes Generally — Secondary Market Prices of the Notes Will Be Impacted by Many Economic and Market Factors” in this pricing 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 that is intended to be up to five months. The length of any such initial period reflects secondary market volumes for the Notes, 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 “Key Risks — Risks Relating to the Notes Generally — 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 Examples” in this pricing supplement for an illustration of the risk-return profile of the Notes and “The Underlying” 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 UBS, 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.

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170

194

(12)

Exports of crude oil and oil products

336

383

(12)

Exports (imports) net of crude oil and oil products

(526)

(400)

(32)

Other exports

3

2

50

The decrease in crude oil imports and crude oil exports in the 1H-2014 is attributable to a higher share of domestic crude oil on total feedstock processed.

Fuel oil exports were lower resulting from higher domestic sales to meet thermoelectric dispatch, reducing oil product exports.

Oil product imports increased in the 1H-2014 to meet an increase in domestic demand, which exceeded the increase in our output of oil products.

(*)Not reviewed by independent auditor.

[6] Include crude oil exports volumes of Refining, Transportation and Marketing and Exploration & Production segments.

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FINANCIAL HIGHLIGHTS

Refining Operations (Mbbl/d) (*)	For the first half of		
Output of oil products	2,152	2,133	1
Reference feedstock [7]	2,102	2,079	1
Refining plants utilization factor (%) [8]	97	99	(2)
Feedstock processed (excluding NGL) - Brazil [9]	2,041	2,048	−
Feedstock processed - Brazil [10]	2,080	2,092	(1)
Domestic crude oil as % of total feedstock processed	82	81	1

Daily feedstock processing (including NGL) decreased by 1% in the 1H-2014 due to a scheduled stoppage of the distillation unit of Replan refinery in February 2014. Oil products output was 1% higher in the 1H-2014 resulting from increased usage of intermediate products.

Refining Cost - Brazil (*)	For the first half of		
Refining cost (U.S.$/barrel)	2.85	3.11	(8)

Refining cost was 8% lower in the 1H-2014 compared to the 1H-2013. Excluding the impact of the appreciation of the U.S. dollar against the Brazilian Real, it increased by 3%, resulting from a decrease in crude oil and NGL feedstock processing and from higher employee compensation costs arising from the 2013 Collective Bargaining Agreement.

(*)Not reviewed by independent auditor.

[7]Reference feedstock or Installed capacity of primary processing considers the maximum sustainable feedstock processing reached at the distillation units, complying with the project's equipment limitations and the safety, environmental and product quality requirements. It is lower than the authorized capacity set by ANP (including temporary authorizations) and by environmental institutions.

[8]Refining plants utilization factor is the feedstock processed (excluding NGL) divided by the reference feedstock.

[9]Feedstock processed (excluding NGL) is the volume of crude oil processed in Brazil. As from 4Q-2013, this indicator has been included, since it is factored into the calculation of the Refining Plants Utilization Factor.

[10]Feedstock processed includes crude oil and NGL processing.

FINANCIAL HIGHLIGHTS

GAS & POWER

For the first half of

Net Income Attributable to the Shareholders of Petrobras	533	721	(26)

Net income was 26% lower in the 1H-2014 compared to the 1H-2013 due to higher LNG and natural gas import costs to meet thermoelectric demand and to the impact of our Voluntary Separation Incentive Plan (PIDV). These effects were partially offset by a US$ 274 gain on the disposal of 100% of our interest in Brasil PCH S.A. and by the higher average electricity prices resulting from an increase in the prices in the spot market (differences settlement price), attributable to lower water reservoir levels of hydroelectric power plants in Brazil (driven by low rainfall levels).

For the first half of

Physical and Financial Indicators (*)

Electricity sales (Free Contracting Environment - ACL) - average MW	1,204	2,103	(43)

Electricity sales (Regulated contracting environment - ACR) - average MW	2,193	1,798	22

Generation of electricity - average MW	4,405	4,805	(8)

Imports of LNG (Mbbl/d)	135	111	22

Imports of natural gas (Mbbl/d)	205	197	4

Differences settlement price - U.S.$/MWH [11]	283	142	99

Electricity sales volumes in the 1H-2014 were 43% lower resulting from a shift towards the regulated contracting environment (Ambiente de Contratação Regulada – ACR) of a portion of our available capacity (574 average MW). The termination of the lease agreement for UTE Araucária, which reduced the availability of electricity for trading (349 average MW) and a lower demand in the spot market attributable to higher prices, also affected sales volumes.

Electricity generation was 8% lower in the 1H-2014. This decrease is attributable to maintenance stoppages in thermoelectric plants: UTEs – Governador Leonel Brizola, Luiz Carlos Prestes, Celso Furtado, Euzébio Rocha and Aureliano Chaves (403 average MW), as well as the termination of the lease agreement for UTE Araucária (349 average MW) and the interruption of natural gas supplies to UTE Cuiabá (180 average MW) in the 1Q-2014.

Prices in the spot market (differences settlement price) were 99% higher in the 1H-2014 resulting from the lower rainfall levels, which affected water reservoir levels of hydroelectric power plants in Brazil.

LNG imports and natural gas imports from Bolivia were 22% and 4% higher, respectively, to meet a higher thermoelectric and non-thermoelectric demand.

(*)Not reviewed by independent auditor.

[11]Differences settlement price is the price of electricity in the spot market and is computed based on weekly weighed prices per output level (light, medium and heavy), number of hour and submarket capacity.

FINANCIAL HIGHLIGHTS

BIOFUEL

	For the first half of		
Net Income Attributable to the Shareholders of Petrobras	(61)	(60)	2

Biofuel net losses were 2% higher in the 1H-2014 compared to the 1H-2013 resulting from an increase in the share of losses from biodiesel investees and from the impact of our voluntary separation incentive plan (PIDV). A decrease in the share of losses from ethanol investees and lower research and development expenses partially offset this effect.

DISTRIBUTION

	For the first half of		
Net Income Attributable to the Shareholders of Petrobras	417	574	(27)

Net income in the 1H-2014 was 27% lower compared to the 1H-2013 due to the impact of our Voluntary Separation Incentive Plan (PIDV) and to lower average trade margins (3%), partially offset by higher sales volumes (5%).

	For the first half of		
Market Share (*)			
	37.9%	38.2%	−

Notwithstanding the higher sales volumes in the 1H-2014, market share decreased due to the lower electricity generation by thermoelectric plants that run on diesel, of the National Interconnected Electricity System.

(*)Not reviewed by independent auditor. Our market share in the Distribution Segment in Brazil is based on estimates made by Petrobras Distribuidora.

FINANCIAL HIGHLIGHTS

INTERNATIONAL

	For the first half of		
Net Income Attributable to the Shareholders of Petrobras	495	1,315	(62)

Net income was 62% lower in the 1H-2014 compared to the 1H-2013 resulting from a non-recurring gain on the disposal of 50% of our assets in Africa in the 1H-2013. Higher production from E&P activities in the United States attributable to the production start-up of new wells in Cascade and Chinook fields, as well as higher margins in Pasadena Refinery partially offset these effects.

	For the first half of		
Exploration & Production-International (Mbbl/d)[12(*)]			
Consolidated international production			
Crude oil and NGLs	89	141	(37)
Natural gas	93	91	2
Total	182	232	(22)
Non-consolidated international production	31	6	417
Total international production	**213**	**238**	(11)

Consolidated crude oil and NGL production decreased by 37% in the 1H-2014, partially offset by higher crude oil and NGL production in the United States, attributable to the ramp-up of Cascade and Chinook fields, with the start-up of new wells, beginning on January 2014. This decrease results from the disposal of onshore areas in Colombia, concluded in Abril 2014, from the disposal of the Puesto Hernandez asset in Argentina in January 2014 and of 50% of our interest in companies in Nigeria in June 2013. Our production share in Nigerian assets (our 50% remaining interest) has been accounted for as non-consolidated production.

Natural gas production was higher, mainly in Peru, due to the start-up of Kinteroni field in March 2014.

(*)Not reviewed by independent auditor.

[12]Some of the countries that comprise the international production, such as Nigeria and Angola, are operating under the production-sharing model, with the production taxes charged in crude oil barrels.

FINANCIAL HIGHLIGHTS

Lifting Cost - International (U.S.$/barrel) (*)	For the first half of		
	8.40	8.62	(3)

International lifting cost was 3% lower in the 1H-2014, mainly in Argentina, resulting from the depreciation of the Argentine Peso against the U.S. dollar and from the disposal of our Puesto Hernández asset, which had higher-than-average production costs when compared to other assets in the international segment. The disposal of 50% of our interest in companies in Nigeria, which had lower-than-average production costs, partially offset this effect.

Refining Operations - International (Mbbl/d) (*)	For the first half of		
Total feedstock processed [13]	172	177	(3)
Output of oil products	184	192	(4)
Reference feedstock [14]	230	231	−
Refining plants utilization factor (%) [15]	72	72	−

The increase in feedstock processed in our U.S. refinery, resulting from a higher light oil processing availability for local crude oil, partially offset the decrease in total feedstock processed and output of oil products attributable to a scheduled stoppage in our Japanese refinery in the 1Q-2014.

	For the first half of		
Refining Cost - International (U.S.$/barrel) (*)			
	3.71	3.78	(2)

International refining cost per unit was 2% lower in the 1H-2014 due to a decrease in the costs of catalyzers and chemical products in the United States and to the depreciation of the Argentine Peso against the U.S. dollar, which reduced refining costs in Argentina (when expressed in U.S. dollars). Higher refining costs in Japan attributable to maintenance expenses partially offset these effects.

(*)Not reviewed by independent auditor.
[13]Total feedstock processed is the crude oil processed abroad at the atmospheric distillation plants, plus the intermediate products acquired from third parties and used as feedstock in other refining units.
[14]Reference feedstock is the maximum sustainable crude oil feedstock processing reached at distillation plants.
[15]Refining Plants Utilization Factor is the crude oil processed at the distillation plant divided by the reference feedstock.

FINANCIAL HIGHLIGHTS

Sales Volumes – (Mbbl/d) (*)

	For the first half of		
Diesel	973	950	2
Gasoline	610	582	5
Fuel oil	112	110	2
Naphtha	170	175	(3)
LPG	230	223	3
Jet fuel	109	104	5
Others	203	199	2
Total oil products	2,407	2,343	3
Ethanol, nitrogen fertilizers, renewables and other products	92	82	12
Natural gas	439	426	3
Total domestic market	2,938	2,851	3
Exports	339	385	(12)
International sales	579	495	17
Total international market	918	880	4
Total	**3,856**	**3,731**	3

Our domestic sales volumes increased by 3% in the 1H-2014 compared to the 1H-2013, primarily due to:

- Diesel (a 2% increase) – higher consumption in infrastructure construction projects and an increase in the Brazilian diesel-moved light vehicle fleet (vans, pick-ups and SUVs). Lower thermoelectric demand partially offset these effects;

- Gasoline (a 5% increase) – an increase in the flex-fuel automotive fleet attributable to the higher competitive advantage of gasoline prices relatively to ethanol in most Brazilian states and to a higher household consumption. An increase in the anhydrous ethanol mandatory content in Type C gasoline (from 20% to 25%) partially offset these effects;

- LPG (a 3% increase) – an increase in LPG share in the industrial sector, replacing other fuel sources, along with new consumers and an increase in household consumption;

- Natural gas (a 3% increase) – higher thermoelectric demand.

(*)Not reviewed by independent auditor.

FINANCIAL HIGHLIGHTS

LIQUIDITY AND CAPITAL RESOURCES

Consolidated Statement of Cash Flows – Summary[16]

For the first half of

34,679	**19,746**	**22,972**	**Adjusted cash and cash equivalents at the beginning of period [17]**	**19,746**	**23,732**

(4,424)	(3,878)	(9,448)	Government bonds at the beginning of period	(3,878)	(10,212)

30,255	**15,868**	**13,524**	**Cash and cash equivalents at the beginning of period**	**15,868**	**13,520**

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6,413	3,981	7,826	Net cash provided by (used in) operating activities	10,394	15,281

(7,590)	(8,540)	(10,795)	Net cash provided by (used in) investing activities	(16,130)	(18,972)

(8,584)	(8,601)	(11,195)	Capital expenditures and investments in operating segments	(17,185)	(20,418)

83	368	1,542	Proceeds from disposal of assets (divestment)	451	1,542

911	(307)	(1,142)	Investments in marketable securities	604	(96)

(1,177)	**(4,559)**	**(2,969)**	**(=) Net cash flow**	**(5,736)**	**(3,691)**

1,029	18,613	15,112	Net financings	19,642	15,679

4,538	22,803	26,000	Proceeds from long-term financing	27,341	29,672

(3,509)	(4,190)	(10,888)	Repayments	(7,699)	(13,993)

(3,916)	–	(1,386)	Dividends paid to shareholders	(3,916)	(1,386)

49	(46)	(46)	Acquisition of non-controlling interest	3	(98)

157	379	(1,104)	Effect of exchange rate changes on cash and cash equivalents	536	(893)

26,397	**30,255**	**23,131**	**Cash and cash equivalents at the end of period** [16]	**26,397**	**23,131**

3,733	4,424	9,709	Government bonds at the end of period	3,733	9,709

30,130	**34,679**	**32,840**	**Adjusted cash and cash equivalents at the end of period [17]**	**30,130**	**32,840**

As of June 30, 2014, we had a balance of cash and cash equivalents of US$ 26,397 million, compared with US$15,868 million as of December 31, 2013. Our adjusted cash and cash equivalents balance[17] increased by 53% from US$19,746 million as of December 31, 2013 to US$ 30,130 million as of June 30, 2014.

Our principal uses of funds in the 1H-2014 were for capital expenditures (US$ 17,185 million) and payment of dividends (US$ 3,916 million). We met these requirements with cash provided by operating activities of US$ 10,394 million and net long-term financing of US$ 19,642 million. Adjusted cash and cash equivalents were US$ 10,384 million higher as of June 30, 2014, when compared to December 31, 2013.

Net cash provided by operating activities in the 1H-2014 decreased by 32% when compared to the 1H-2013 resulting from an increase in our need for working capital attributable to a higher balance of trade receivables (US$ 1,365million) and an increase in inventory levels (US$ 2,072million).

Proceeds from long-term financing, net of repayments, totaled US$ 19,642 million in the 1H-2014, a US$ 3,963 million increase when compared to the 1H-2013. The principal sources of long-term financing were the issuance of notes for a total of US$ 5.1 billion in the European capital market in January 2014 and US$ 8.5 billion in the North-American capital market in March 2014, as well as long-term funding obtained from the domestic and international banking markets.

Capital expenditures and investments totaled US$ 17,185 million in the 1H-2014 compared with US$ 20,418 million in the 1H-2013. E&P capital expenditures decreased by US$ 338 million and RTM decreased by US$ 2,604 million. Proceeds from disposal of assets were US$ 1,091 million lower, resulting from the non-recurring effect of the disposal of a portion of our assets in Africa in 2013.

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[16]For more details, see the Consolidated Statement of Cash Flows on page 20.
[17]Our adjusted cash and cash equivalents include government bonds with maturities of more than 90 days. This measure is not computed in accordance with International Financial Reporting Standards – IFRS and should not be considered in isolation or as a substitute for cash and cash equivalents computed in accordance with IFRS. It may not be comparable to adjusted cash and cash equivalents of other companies, however management believes that it is an appropriate supplemental measure that helps investors assess our liquidity and assists management in targeting leverage improvements.

FINANCIAL HIGHLIGHTS

Capital expenditures and investments

For the first half of

Exploration & Production	11,739	65	11,809	55	(1)

Refining, Transportation and Marketing	4,128	23	7,106	33	(42)

Gas & Power	1,132	6	1,189	5	(5)

International	643	4	1,120	5	(43)

Exploration & Production	554	86	1,049	94	(47)

Refining, Transportation and Marketing	73	11	48	4	52

Gas & Power	3	–	2	–	50

Distribution	10	2	18	2	(44)

Other	3	1	3	–	–

Distribution	187	1	214	1	(13)

Biofuel	9	–	14	–	(36)

Corporate	252	1	213	1	18

Total capital expenditures and investments	**18,090**	**100**	**21,665**	**100**	**(17)**

Pursuant to its strategic objectives, the Company operates through joint ventures in Brazil and abroad, as a concessionaire of oil and gas exploration, development and production rights.

In the 1H-2014, we invested US$ 18,090 million, primarily aiming at increasing production and modernizing and expanding our refineries.

FINANCIAL HIGHLIGHTS

Consolidated debt

Current debt [18]	10,685	8,017	33
Non-current debt [19]	129,025	106,308	21
Total	139,710	114,325	22
Cash and cash equivalents	26,397	15,868	66
Government securities (maturity of more than 90 days)	3,733	3,878	(4)
Adjusted cash and cash equivalents	30,130	19,746	53
Net debt [20]	109,580	94,579	16
Net debt/(net debt+shareholders' equity)	40%	39%	1
Total net liabilities [21]	333,262	301,677	10
Capital structure			
(Net third parties capital / total net liabilities)	51%	51%	–
Net debt/Adjusted EBITDA ratio	4.10	3.21	28

As of June 30, 2014, net debt in U.S. dollars was 16% higher when compared to December 31, 2013, resulting from new long-term funding sources and from a 6% impact from the depreciation of the U.S. dollar against the Real.

Summarized information on financing

Floating rate debt	68,112	59,109	15

Fixed rate debt	71,500	55,127	30

Total	**139,612**	**114,236**	22

Reais	28,143	22,825	23

US Dollars	96,340	81,776	18

Euro	10,768	6,398	68

Other currencies	4,361	3,237	35

Total	**139,612**	**114,236**	22

2014	7,671	8,001	(4)

2015	6,767	7,266	(7)

2016	13,162	12,692	4

2017	12,314	8,679	42

2018	18,673	16,051	16

2019 and thereafter	81,025	61,547	32

Total	**139,612**	**114,236**	22

[18] Includes finance lease obligations (Current debt: US$ 18 million on June 30, 2014 and US$16 million on December 31, 2013).

[19]Includes finance lease obligations (Non-current debt: US$ 80 million on June 30, 2014 and US$73 million on December 31, 2013).

[20]Ournet debt is not computed in accordance with International Standards -IFRS and should not be considered in isolation or as a substitute for total long-term debt calculated in accordance with IFRS. Our calculation of net debt may not be comparable to the calculation of net debt by other companies. Management believes that net debt is an appropriate supplemental measure that helps investors assess our liquidity and assists management in targeting leverage improvements.

[21]Total liabilities net of adjusted cash and cash equivalents.

FINANCIAL HIGHLIGHTS

FINANCIAL STATEMENTS

Income Statement - Consolidated[22]

For the first half of

36,910	34,494	35,569	**Sales revenues**	71,404	71,914

(28,382)	(26,265)	(26,531)	Cost of sales	(54,647)	(53,428)

8,528	8,229	9,038	**Gross profit**	16,757	18,486

(1,243)	(1,154)	(1,233)	Selling expenses	(2,397)	(2,383)

(1,157)	(1,083)	(1,251)	General and administrative expenses	(2,240)	(2,489)

(808)	(646)	(583)	Exploration costs	(1,454)	(1,225)

(270)	(250)	(287)	Research and development expenses	(520)	(624)

(140)	(138)	(120)	Other taxes	(278)	(232)

(941)	(1,755)	(84)	Other operating income and expenses, net	(2,696)	(911)

(4,559)	(5,026)	(3,558)		(9,585)	(7,864)

3,969	**3,203**	**5,480**	**Net income before financial results, share of profit of equity-accounted investments, profit sharing and income taxes**	**7,172**	**10,622**

340	441	439	Finance income	781	926

(1,006)	(782)	(618)	Finance expense	(1,788)	(1,219)

244	268	(1,536)	Foreign exchange and inflation indexation charges	512	(726)

(422)	(73)	(1,715)	Net finance income (expense)	(495)	(1,019)

122	221	188	Share of profit of equity-accounted investments	343	266

(140)	(142)	(114)	Profit-sharing	(282)	(321)

3,529	**3,209**	**3,839**	**Net income before income taxes**	**6,738**	**9,548**

(1,200)	(763)	(1,095)	Income taxes	(1,963)	(2,879)

2,329	**2,446**	**2,744**	**Net income (loss)**	**4,775**	**6,669**

Net income (loss) attributable to:

2,225	2,280	2,996	Shareholders of Petrobras	4,505	6,850

104	166	(252)	Non-controlling interests	270	(181)

2,329	**2,446**	**2,744**		**4,775**	**6,669**

[22]As from the 1Q-2014, we have disclosed a line item for profit sharing benefits, as is done for our annual consolidated financial statements. The amounts for 2013 were reclassified for comparison purposes.

FINANCIAL HIGHLIGHTS

Statement of Financial Position – Consolidated

ASSETS

Current assets	**65,502**	**52,655**

Cash and cash equivalents	26,397	15,868

Marketable securities	3,739	3,885

Trade and other receivables, net	10,630	9,670

Inventories	16,984	14,225

Recoverable taxes	3,789	4,971

Assets classified as held for sale	1,917	2,407

Other current assets	2,046	1,629

Non-current assets	**297,890**	**268,768**

Long-term receivables	**20,495**	**18,782**

Trade and other receivables, net	5,748	4,532

Marketable securities	136	131

Judicial deposits	2,904	2,504

Deferred taxes	1,079	1,130

Other tax assets	5,199	5,380

Advances to suppliers	3,175	3,230

Other non-current assets	2,254	1,875

Investments	**7,114**	**6,666**

Property, plant and equipment	**253,955**	**227,901**

Intangible assets	**16,326**	**15,419**

Total assets	**363,392**	**321,423**

LIABILITIES

Current liabilities	**34,167**	**35,226**

Trade payables	12,509	11,919

Current debt	10,685	8,017

Taxes payable	5,020	4,950

Dividends payable	–	3,970

Employee compensation (payroll, profit-sharing and related charges)	2,592	2,052

Pension and medical benefits	867	816

Liabilities associated with assets classified as held for sale	267	1,073

Other current liabilities	2,227	2,429

Non-current liabilities	**164,756**	**137,074**

Non-current debt	129,025	106,308

Deferred taxes	12,737	9,906

Pension and medical benefits	13,105	11,757

Provision for decommissioning costs	7,344	7,133

Provisions for legal proceedings	1,511	1,246

Other non-current liabilities	1,034	724

Shareholders' equity	**164,469**	**149,123**

Share capital	107,380	107,371

Profit reserves and others	56,389	41,156

Non-controlling interests	700	596

Total liabilities and shareholders' equity	**363,392**	**321,423**

FINANCIAL HIGHLIGHTS

Statement of Cash Flows – Consolidated

For the first half of

2,225	**2,280**	**2,996**	**Net income attributable to the shareholders of Petrobras**	**4,505**	**6,850**

4,188	1,701	4,830	(+) Adjustments for:	5,889	8,431

3,458	3,013	3,374	Depreciation, depletion and amortization	6,471	6,572

663	599	1,651	Foreign exchange and inflation indexation and finance charges	1,262	1,123

104	166	(252)	Non-controlling interests	270	(181)

(122)	(221)	(188)	Share of profit of equity-accounted investments	(343)	(266)

122	(247)	(662)	(Gains) / losses on disposal / write-offs of non-current assets, E&P areas returned and cancelled projects	(125)	(677)

724	290	524	Deferred income taxes, net	1,014	1,587

670	447	301	Exploration expenditures writen-off	1,117	605

88	117	157	Impairment	205	231

543	440	663	Pension and medical benefits (actuarial expense)	983	1,366

(1,027)	(1,045)	332	Inventories	(2,072)	(833)

(287)	(1,078)	195	Trade and other receivables, net	(1,365)	382

289	(205)	(229)	Trade payables	84	(28)

(254)	(142)	(236)	Pension and medical benefits	(396)	(385)

(328)	(539)	(997)	Taxes payable	(867)	(1,213)

(455)	106	197	Other assets and liabilities	(349)	148

6,413	**3,981**	**7,826**	**(=) Net cash provided by (used in) operating activities**	**10,394**	**15,281**

(7,590)	**(8,540)**	**(10,795)**	**(-) Net cash provided by (used in) investing activities**	**(16,130)**	**(18,972)**

(8,584)	(8,601)	(11,195)	Capital expenditures and investments in operating segments	(17,185)	(20,418)

83	368	1,542	Proceeds from disposal of assets (divestment)	451	1,542

911	(307)	(1,142)	Investments in marketable securities	604	(96)

(1,177)	**(4,559)**	**(2,969)**	**(=) Net cash flow**	**(5,736)**	**(3,691)**

(2,838)	**18,567**	**13,680**	**(-) Net cash provided by (used in) financing activities**	**15,729**	**14,195**

4,538	22,803	26,000	Proceeds from long-term financing	27,341	29,672

(2,212)	(2,595)	(10,020)	Repayment of principal	(4,807)	(11,559)

(1,297)	(1,595)	(868)	Repayment of interest	(2,892)	(2,434)

(3,916)	–	(1,386)	Dividends paid to shareholders	(3,916)	(1,386)

49	(46)	(46)	Acquisition of non-controlling interest	3	(98)

157	379	(1,104)	Effect of exchange rate changes on cash and cash equivalents	536	(893)

(3,858)	**14,387**	**9,607**	**(=) Net increase (decrease) in cash and cash equivalents in the period**	**10,529**	**9,611**

30,255	15,868	13,524	Cash and cash equivalents at the beginning of period	15,868	13,520

26,397	30,255	23,131	Cash and cash equivalents at the end of period	26,397	23,131

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FINANCIAL HIGHLIGHTS

SEGMENT INFORMATION[23]

Consolidated Income Statement by Segment – Jan-Jun/2014

Sales revenues	**34,359**	**56,264**	**8,692**	**113**	**20,647**	**7,409**	**–**	**(56,080)**	**71,404**
Intersegments	34,150	19,987	769	98	578	498	–	(56,080)	–
Third parties	209	36,277	7,923	15	20,069	6,911	–	–	71,404
Cost of sales	(17,245)	(59,924)	(7,501)	(129)	(18,961)	(6,502)	–	55,615	(54,647)
Gross profit (loss)	**17,114**	**(3,660)**	**1,191**	**(16)**	**1,686**	**907**	**–**	**(465)**	**16,757**
Expenses	**(2,859)**	**(2,133)**	**(564)**	**(44)**	**(1,034)**	**(422)**	**(2,639)**	**110**	**(9,585)**
Selling, general and administrative expenses	(193)	(1,505)	(633)	(25)	(970)	(372)	(1,051)	112	(4,637)
Exploration costs	(1,367)	–	–	–	–	(87)	–	–	(1,454)
Research and development expenses	(270)	(85)	(41)	(7)	–	–	(117)	–	(520)
Other taxes	(22)	(50)	(45)	–	(8)	(48)	(105)	–	(278)
Other operating income and expenses, net	(1,007)	(493)	155	(12)	(56)	85	(1,366)	(2)	(2,696)
Net income (loss) before financial results, share of profit of equity-accounted investments, profit sharing and income taxes	**14,255**	**(5,793)**	**627**	**(60)**	**652**	**485**	**(2,639)**	**(355)**	**7,172**
Net finance income (expense)	–	–	–	–	–	–	(495)	–	(495)

Share of profit of equity-accounted investments	(1)	97	141	(21)	−	124	3	−	343
Profit-sharing	(96)	(79)	(11)	−	(20)	(6)	(70)	−	(282)
Net income (loss) before income taxes	**14,158**	**(5,775)**	**757**	**(81)**	**632**	**603**	**(3,201)**	**(355)**	**6,738**
Income taxes	(4,814)	1,996	(210)	20	(215)	(63)	1,201	122	(1,963)
Net income (loss)	**9,344**	**(3,779)**	**547**	**(61)**	**417**	**540**	**(2,000)**	**(233)**	**4,775**
Net income (loss) attributable to:									
Shareholders of Petrobras	9,346	(3,776)	533	(61)	417	495	(2,216)	(233)	4,505
Non-controlling interests	(2)	(3)	14	−	−	45	216	−	270
	9,344	**(3,779)**	**547**	**(61)**	**417**	**540**	**(2,000)**	**(233)**	**4,775**

Consolidated Income Statement by Segment – Jan-Jun/2013

Sales revenues	**33,454**	**56,669**	**7,912**	**225**	**20,652**	**8,587**	**−**	**(55,585)**	**71,914**

Intersegments	33,184	19,486	637	193	581	1,504	−	(55,585)	−

Third parties	270	37,183	7,275	32	20,071	7,083	–	–	71,914

Cost of sales	(17,307)	(59,721)	(6,418)	(250)	(18,767)	(6,976)	–	56,011	(53,428)

Gross profit (loss)	**16,147**	**(3,052)**	**1,494**	**(25)**	**1,885**	**1,611**	**−**	**426**	**18,486**

Expenses	**(1,916)**	**(1,957)**	**(496)**	**(47)**	**(997)**	**54**	**(2,596)**	**91**	**(7,864)**

Selling, general and administrative expenses	(209)	(1,612)	(486)	(27)	(1,013)	(430)	(1,182)	87	(4,872)

Exploration costs	(1,174)	–	–	–	–	(51)	–	–	(1,225)

Research and development expenses	(319)	(109)	(35)	(12)	(1)	(2)	(146)	−	(624)

Other taxes	(24)	(40)	(39)	(1)	(10)	(78)	(40)	–	(232)

Other operating income and expenses, net	(190)	(196)	64	(7)	27	615	(1,228)	4	(911)

Net income (loss) before financial results, share of profit of equity-accounted investments, profit sharing and income taxes	**14,231**	**(5,009)**	**998**	**(72)**	**888**	**1,665**	**(2,596)**	**517**	**10,622**

Net finance income (expense)	–	–	–	–	–	–	(1,019)	–	(1,019)

Share of profit of equity-accounted investments	(1)	17	98	(13)	–	167	(2)	–	266

Profit-sharing	(118)	(81)	(13)	–	(18)	(7)	(84)	–	(321)

Net income (loss) before income taxes	**14,112**	**(5,073)**	**1,083**	**(85)**	**870**	**1,825**	**(3,701)**	**517**	**9,548**

Income taxes	(4,798)	1,732	(334)	25	(296)	(471)	1,438	(175)	(2,879)

Net income (loss)	**9,314**	**(3,341)**	**749**	**(60)**	**574**	**1,354**	**(2,263)**	**342**	**6,669**

Net income (loss)
attributable to:

Shareholders of Petrobras	9,295	(3,341)	721	(60)	574	1,315	(1,996)	342	6,850

Non-controlling interests	19	–	28	–	–	39	(267)	–	(181)

9,314	**(3,341)**	**749**	**(60)**	**574**	**1,354**	**(2,263)**	**342**	**6,669**

[23]As from 2014, accountability for and management of Liquigás (a subsidiary) were attributed to the RTM segment. Amounts previously reported for 2013 were restated for comparability purposes and the results previously attributable to the Distribution segment are now presented under the RTM segment, pursuant to the management and accountability premise adopted for the financial statements by business segment.

FINANCIAL HIGHLIGHTS

Other Operating Income (Expenses) by Segment – Jan-Jun/2014

Voluntary separation incentive program	(410)	(203)	(48)	(3)	(71)	(10)	(260)	−	(1

Unscheduled stoppages and pre-operating expenses	(457)	(12)	(42)	–	–	(7)	(10)	–	(5

Pension and medical benefits	–	–	–	–	–	–	(481)	–	(4

Institutional relations and cultural projects	(24)	(16)	(2)	–	(26)	(3)	(312)	–	(3

(Losses)/gains on legal, administrative and arbitral proceedings	(33)	(38)	(13)	–	(18)	(9)	(231)	–	(3

E&P areas returned and cancelled projects	(222)	–	–	–	–	–	–	–	(2

Inventory write-down to net realizable value (market value)	–	(159)	(5)	(9)	–	(39)	1	–	(2

Expenditures on health, safety and environment	(15)	(15)	(4)	−	−	(2)	(38)	−	(7

Impairment	–	–	–	–	–	6	–	–	6

Government Grants	5	18	48	–	–	–	6	–	77

(Expenditures)/reimbursements from operations in E&P partnerships	167	–	–	–	–	–	–	–	16

(Losses)/gains on disposal of non current assets	(82)	(32)	306	–	3	169	(17)	–	34

Others	64	(36)	(85)	–	56	(20)	(24)	(2)	(4

(1,007)	**(493)**	**155**	**(12)**	**(56)**	**85**	**(1,366)**	**(2)**	**(2**

Other Operating Income (Expenses) by Segment – Jan-Jun/2013

Unscheduled stoppages and pre-operating expenses	(211)	(14)	(61)	−	−	−	(8)	−	(294

Pension and medical benefits	–	–	–	–	–	–	(476)	–	(476

Institutional relations and cultural projects	(32)	(21)	(3)	–	(19)	(7)	(254)	–	(336

(Losses)/gains on legal, administrative and arbitral proceedings	(22)	(28)	(2)	–	(21)	(7)	(347)	–	(427

Inventory write-down to net realizable value (market value)	(4)	(92)	(4)	(8)	–	(123)	–	–	(231

Expenditures on health, safety and environment	(15)	(50)	(3)	–	–	(11)	(54)	–	(133

Impairment	–	–	–	–	–	–	–	–	–

Government Grants	9	20	14	–	–	39	1	–	83

(Expenditures)/reimbursements from operations in E&P partnerships	125	–	–	–	–	(2)	–	–	123

(Losses)/gains on disposal of non current assets	(5)	(16)	(1)	–	19	681	(1)	–	677

Others	(35)	5	124	1	48	45	(89)	4	103

(190)	**(196)**	**64**	**(7)**	**27**	**615**	**(1,228)**	**4**	**(91**

Consolidated Assets by Segment – 06.30.2014

Total assets	**169,615**	**104,735**	**31,913**	**1,286**	**10,579**	**17,266**	**35,254**	**(7,256)**	**363,392**
Current assets	**7,325**	**21,326**	**5,334**	**85**	**4,326**	**4,608**	**28,622**	**(6,124)**	**65,502**
Non-current assets	**162,290**	**83,409**	**26,579**	**1,201**	**6,253**	**12,658**	**6,632**	**(1,132)**	**297,890**
Long-term receivables	7,058	4,813	1,855	3	3,330	1,911	2,580	(1,055)	20,495
Investments	146	2,569	828	952	6	2,479	134	−	7,114
Property, plant and equipment	140,488	75,880	23,507	246	2,609	7,712	3,590	(77)	253,955
Operating assets	98,746	38,052	18,237	229	2,008	4,431	2,471	(77)	164,097
Assets under construction	41,742	37,828	5,270	17	601	3,281	1,119	−	89,858
Intangible assets	14,598	147	389	−	308	556	328	−	16,326

Consolidated Assets by Segment – 12.31.2013

Total assets	**152,707**	**92,534**	**27,703**	**1,196**	**7,254**	**18,123**	**28,540**	**(6,634)**	**321,423**

Current assets	**5,902**	**19,141**	**3,864**	**77**	**2,380**	**5,089**	**21,643**	**(5,441)**	**52,655**

Non-current assets	**146,805**	**73,393**	**23,839**	**1,119**	**4,874**	**13,034**	**6,897**	**(1,193)**	**268,768**

Long-term receivables	6,251	4,411	1,853	2		2,229	1,987	3,168	(1,119)	18,782

Investments	94	2,318	749	895	6	2,511	93	–	6,666

Property, plant and equipment	126,716	66,522	20,882	222	2,350	7,971	3,312	(74)	227,901

Operating assets	90,888	32,635	16,698	205	1,687	3,792	2,312	(74)	148,143

Assets under construction	35,828	33,887	4,184	17	663	4,179	1,000	–	79,758

Intangible assets	13,744	142	355	–	289	565	324	–	15,419

FINANCIAL HIGHLIGHTS

Consolidated Adjusted EBITDA Statement by Segment – Jan-Jun/2014

Net income (loss)	9,344	(3,779)	547	(61)	417	540	(2,000)	(233)	4,775
Net finance income (expense)	−	−	−	−	−	−	495	−	495
Income taxes	4,814	(1,996)	210	(20)	215	63	(1,201)	(122)	1,963
Depreciation, depletion and amortization	3,778	1,423	482	7	83	516	181	−	6,471
EBITDA	**17,936**	**(4,352)**	**1,239**	**(74)**	**715**	**1,119**	**(2,525)**	**(355)**	**13,704**
Share of profit of equity-accounted investments	1	(97)	(141)	21	−	(124)	(3)	−	(343)
Impairment	−	−	−	−	−	(6)	−	−	(6)
Adjusted EBITDA	**17,937**	**(4,449)**	**1,098**	**(53)**	**715**	**989**	**(2,528)**	**(355)**	**13,355**

Consolidated Adjusted EBITDA Statement by Segment – Jan-Jun/2013

Net income (loss)	9,314	(3,341)	749	(60)	574	1,354	(2,263)	342	6,669
Net finance income (expense)	−	−	−	−	−	−	1,019	−	1,019
Income taxes	4,798	(1,732)	334	(25)	296	471	(1,438)	175	2,879
Depreciation, depletion and	3,909	1,297	497	11	91	594	173	−	6,572

amortization									
EBITDA	**18,021**	**(3,776)**	**1,580**	**(74)**	**961**	**2,419**	**(2,509)**	**517**	**17,139**
Share of profit of equity-accounted investments	1	(17)	(98)	13	–	(167)	2	–	(266)
Impairment	–	–	–	–	–	–	–	–	–
Adjusted EBITDA	**18,022**	**(3,793)**	**1,482**	**(61)**	**961**	**2,252**	**(2,507)**	**517**	**16,873**

Reconciliation between Adjusted EBITDA and Net Income

For the first half of

2,329	2,446	(5)	2,744	Net income	4,775	6,669	(28)

422	73	478	1,715	Net finance income (expense)	495	1,019	51

1,200	763	57	1,095	Income taxes	1,963	2,879	(32)

3,458	3,013	15	3,374	Depreciation, depletion and amortization	6,471	6,572	(2)

7,409	**6,295**	18	**8,928**	**EBITDA**	**13,704**	**17,139**	(20)

(122)	(221)	(45)	(188)	Share of profit of equity-accounted investments	(343)	(266)	(29)

–	(6)	(100)	–	Impairment	(6)	–	–

7,287	**6,068**	20	**8,740**	**Adjusted EBITDA**	**13,355**	**16,873**	(21)

20	**18**	3	**25**	**Adjusted EBITDA margin (%)** [24]	**19**	**23**	(5)

Adjusted EBITDA is not an IFRS measure and it is possible that it may not be comparable with financial indicators of the same name reported by other companies. Adjusted EBITDA should not be considered as a substitute for operational profit or as a better measure of liquidity than operational cash flow, both of which are calculated in accordance with IFRS.

[24] Adjusted EBITDA margin equals Adjusted EBITDA divided by sales revenues.

FINANCIAL HIGHLIGHTS

Consolidated Income Statement for International Segment

Income Statement - Jan-Jun 2014

Sales revenues	**1,653**	**3,992**	**244**	**2,560**	**9**	**(1,049)**	**7,409**

Intersegments	702	820	17	1	7	(1,049)	498

Third parties	951	3,172	227	2,559	2	−	6,911

Net income before financial results, share of profit of equity-accounted investments, profit sharing and income taxes	**422**	**76**	**42**	**76**	**(116)**	**(15)**	**485**

Net income (loss) attributable to the shareholders of Petrobras	**469**	**85**	**56**	**72**	**(172)**	**(15)**	**495**

Income Statement - Jan-Jun 2013

Sales revenues	**2,574**	**4,211**	**293**	**2,616**	**–**	**(1,107)**	**8,587**

Intersegments	1,532	1,056	19	4	–	(1,107)	1,504

Third parties	1,042	3,155	274	2,612	–	–	7,083

Net income before financial results, share of profit of equity-accounted investments, profit sharing and income taxes	**1,724**	**13**	**17**	**50**	**(140)**	**1**	**1,665**

Net income (loss) attributable to the shareholders of Petrobras	**1,430**	**23**	**15**	**44**	**(198)**	**1**	**1,315**

Consolidated Assets for International Segment

Total assets on June 30, 2014	**12,878**	**2,647**	**551**	**1,046**	**2,574**	**(2,430)**	**17,266**

Total assets on December 31, 2013	**13,656**	**2,652**	**602**	**1,085**	**1,970**	**(1,842)**	**18,123**

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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: August 11, 2014

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 within the meaning of Section 27A of the Securities Act of 1933, as amended (Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (Exchange Act) that are not based on historical facts and are not assurances of future results. These forward-looking statements are based on management's current view and estimates of future 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 o f 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.

All forward-looking statements are expressly qualified in their entirety by this cautionary statement, and you should not place reliance on any forward-looking statement contained in this press release. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or future events or for any other reason.