PHILIP MORRIS INTERNATIONAL

2018 PROXY STATEMENT

And Notice of Annual Meeting of Shareholders
To be held on Wednesday, May 9, 2018

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PHILIP MORRIS INTERNATIONAL

March 29, 2018

Dear Fellow Shareholder,

You are cordially invited to join us at the 2018 Annual Meeting of Shareholders of Philip Morris International Inc. ("PMI" or the "Company") to be held on Wednesday, May 9, 2018, at 9:00 a.m., in the Empire State Ballroom at the Grand Hyatt New York, 109 East 42nd Street, New York, New York.

At this year's meeting, we will vote on the election of fourteen directors, an advisory say-on-pay vote approving executive compensation, and the ratification of the selection of PricewaterhouseCoopers SA as the Company's independent auditors. There will also be a report on the Company's business, and shareholders will have an opportunity to ask questions.

We anticipate that a large number of shareholders will attend the meeting. Because seating is limited, you may bring only one immediate family member as a guest. **All attendees must present an admission ticket and government-issued photographic identification. To request an admission ticket, please follow the instructions set forth on page 61 in response to Question 4**.

The meeting facilities will open at 7:30 a.m. on May 9, 2018. We suggest you arrive early to facilitate your registration and security clearance. Those needing special assistance at the meeting are requested to write to the Company's Corporate Secretary at 120 Park Avenue, New York, New York 10017-5579. For your comfort and security, you will not be permitted to bring any packages, briefcases, large pocketbooks or bags into the meeting. Also, cellular and digital phones, audio tape recorders, laptops and other portable electronic devices, video and still cameras, pagers and pets will not be permitted into the meeting. We thank you in advance for your patience and cooperation with these rules, which assist us in conducting a safe and orderly meeting.

Attached you will find a notice of meeting and proxy statement that contains additional information about the meeting, including the methods that you can use to vote your proxy, such as the telephone or Internet. As we did last year, we are mailing to certain of our shareholders a Notice of Internet Availability of Proxy Materials. This Notice contains instructions on how to access our proxy statement and 2017 Annual Report to Shareholders and vote online. Those shareholders who do not receive the Notice will receive a paper copy of the proxy materials by mail. By furnishing this Notice, we are lowering costs and reducing the environmental impact of our Annual Meeting.

Your vote is important. We encourage you to sign and return your proxy card, or use telephone or Internet voting prior to the meeting, so that your shares of common stock will be represented and voted at the meeting even if you cannot attend.

Sincerely,

LOUIS C. CAMILLERI
CHAIRMAN OF THE BOARD

Sincerely,

ANDRÉ CALANTZOPOULOS
CHIEF EXECUTIVE OFFICER

For further information about the Annual Meeting, please call toll-free 1-866-713-8075.

NOTICE OF 2018 ANNUAL MEETING OF SHAREHOLDERS

Date and Time	9:00 a.m. on Wednesday, May 9, 2018
Place	Empire State Ballroom Grand Hyatt New York 109 East 42nd Street New York, New York
Items of Business	(1) To elect fourteen directors. (2) To vote on an advisory resolution approving executive compensation. (3) To ratify the selection of PricewaterhouseCoopers SA as independent auditors for the Company for the fiscal year ending December 31, 2018. (4) To transact other business properly coming before the meeting.
Who Can Vote	Only shareholders of record of shares of common stock at the close of business on March 16, 2018 (the "Record Date") are entitled to notice of and to vote at the meeting, or at any adjournments or postponements of the meeting. Each shareholder of record on the Record Date is entitled to one vote for each share of common stock held. On March 16, 2018, there were 1,554,464,977 shares of common stock issued and outstanding.
Voting of Proxies and Deadline for Receipt	All properly executed written proxies, and all properly completed proxies submitted by telephone or Internet, that are delivered pursuant to this solicitation will be voted at the meeting in accordance with the directions given in the proxy, unless the proxy is revoked before the meeting. Proxies submitted by telephone or Internet must be received by 11:59 p.m., EDT, on May 8, 2018.
2017 Annual Report	A copy of our 2017 Annual Report is enclosed.
Date of Mailing	This notice and the proxy statement are first being mailed to shareholders on or about March 29, 2018.

Jerry Whitson
Deputy General Counsel and Corporate Secretary
March 29, 2018

WE URGE EACH SHAREHOLDER TO PROMPTLY SIGN AND RETURN THE ENCLOSED PROXY CARD OR TO USE TELEPHONE OR INTERNET VOTING. SEE THE QUESTION AND ANSWER SECTION FOR INFORMATION ABOUT VOTING BY TELEPHONE OR INTERNET, HOW TO REVOKE A PROXY, AND HOW TO VOTE YOUR SHARES OF COMMON STOCK IN PERSON. PLEASE NOTE THAT YOU MUST OBTAIN AN ADMISSION TICKET IN ORDER TO ATTEND THE MEETING. TO OBTAIN AN ADMISSION TICKET, PLEASE FOLLOW THE INSTRUCTIONS SET FORTH ON PAGE 61 IN RESPONSE TO QUESTION 4.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to be held on May 9, 2018: The Company's Proxy Statement and 2017 Annual Report are available at www.pmi.com/investors.

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GLOSSARY OF TERMS

Financial Terms:

- Net revenues exclude excise taxes.
- Operating Income, or OI, is defined as our gross profit minus operating expenses.
- Adjusted OI is defined as reported OI adjusted for asset impairment and exit costs and other special items.
- Operating Companies Income, or OCI, is defined as operating income, excluding general corporate expenses and the amortization of intangibles, plus equity (income) or loss in unconsolidated subsidiaries, net.
- Adjusted OCI is defined as reported OCI adjusted for asset impairment and exit costs and other special items.
- EPS stands for Earnings Per Share.
- Adjusted Diluted EPS is defined as reported diluted EPS adjusted for asset impairment and exit costs, tax items and other special items.
- Operating cash flow is defined as net cash provided by operating activities.

Other Terms:

- Reduced-risk products ("RRPs") is the term we use to refer to products that present, are likely to present, or have the potential to present less risk of harm to smokers who switch to these products versus continued smoking. We have a range of RRPs in various stages of development, scientific assessment and commercialization. Because our RRPs do not burn tobacco, they produce an aerosol that contains far lower quantities of harmful and potentially harmful constituents than found in cigarette smoke.
- NEOs are Named Executive Officers and include our Chief Executive Officer, or CEO, our Chief Financial Officer, or CFO, and the three other most highly compensated officers serving in 2017.
- PSUs are Performance Share Units.
- RSUs are Restricted Share Units, and may be issued in the form of deferred share awards.
- TSR stands for Total Shareholder Return.
- In this proxy statement, "PMI," the "Company," "we," "us," and "our" refer to Philip Morris International Inc. and its subsidiaries.

This proxy statement contains proposals to be voted on at our Annual Meeting and other information about our Company and our corporate governance practices. We provide below a brief summary of certain information contained in this proxy statement. The summary does not contain all of the information you should consider. Please read the entire proxy statement carefully before voting.

2017 Business Performance Highlights

In 2017, we delivered consistently strong results versus 2016 results on our key performance metrics, with net revenues growth exceeding the highest level we have achieved since our spin-off in 2008, reflecting a landmark year for our RRP, *IQOS.* We fell marginally short of ambitious adjusted OCI and adjusted diluted EPS growth targets, reflecting an unfavorable pricing environment in Russia, severe volume contraction in Saudi Arabia following a disruptive excise tax increase that doubled retail prices, as well as additional investments behind *IQOS*. Favorable pricing and judicious cost management in our combustible business also played an important role.

As further discussed on page 33, we made significant progress on our strategic initiatives. The most important achievement was our ongoing progress in commercializing *IQOS*. This performance was spearheaded by Japan and Korea, where *HeatSticks* and *HEETS* achieved respective shares of 13.9% and 5.5% during the fourth quarter, an unprecedented result despite capacity-driven constraints. By year-end, *IQOS* was available in key cities in 37 markets across all Regions and nationwide in Japan.

2017 Performance Targets and Results

Measure[a]	Target	Achieved Result	Weight	Performance Rating
Share of Top 30 OCI Markets[b]	18	16	15%	90
Net Revenues[c]	8.1%	9.4%	15%	132
Adjusted OCI[d]	8.7%	7.4%	15%	71
Adjusted Diluted EPS[e]	11.2%	10.0%	20%	79
Operating Cash Flow[f]	3.8%	5.5%	20%	120
Strategic Initiatives Rating	--	--	15%	115

[a] For a reconciliation of non-GAAP to GAAP financial measures see Exhibit B to this proxy statement.
[b] Number of top 30 OCI markets in which share was growing or stable.
[c] Excluding excise taxes, currency and acquisitions.
[d] Excluding currency and acquisitions.
[e] Excluding currency.
[f] Net cash provided by operating activities, excluding currency.

PMI 2017 Annual Incentive Compensation Performance Rating[1]

[1] See pages 33-34 for details.

Investor Outreach

Throughout the year, the Company engages in an extensive shareholder outreach program during which it seeks input on a range of matters, including executive compensation and corporate governance. In 2015, the Compensation and Leadership Development Committee substantially revamped our executive compensation program. Our shareholders overwhelmingly supported the new compensation program, approving our 2017 say-on-pay proposal by a vote of 96.4% and our 2017 Performance Incentive Plan by a vote of 96.6%. Based on this support and its own satisfaction with the new compensation program, the Compensation and Leadership Development Committee has determined not to make any substantial modifications to the program at this time.

In 2017, we met with 61 of our top 100 institutional investors, representing 71% of our available global shareholder base (which excludes index and pension funds that do not meet with management), to discuss our business and environmental, social and governance issues. In addition to these regular Investor Relations engagements, we invited 62 of our largest shareholders, holding approximately 56% of our outstanding shares, to participate in individual conference calls to discuss executive compensation and corporate governance. These engagements provided us a better understanding of our shareholders' priorities, perspectives and positions. We reported the substance of these engagements to our Compensation and Leadership Development Committee, our Nominating and Corporate Governance Committee, and our entire Board of Directors.

The shareholders with whom we spoke overwhelmingly supported the new compensation program we instituted in 2015. They also commended the governance changes we have made, namely the proxy access by-law, the adoption of share retention guidelines for non-employee directors, the enhancements to the Company's anti-hedging and anti-pledging policies, and the formalization of the Nominating and Corporate Governance Committee's oversight of the Company's lobbying and trade association activities and expenditures.

Our Focus on Sustainability

As part of our continued focus on sustainability, the Board has added oversight of our sustainability strategies and performance to the charter of the Board's Nominating and Corporate Governance Committee. Our 2017 Annual Report outlines our approach to sustainability, and notes that in 2017 we made the CDP Climate A list for the fourth year in a row and achieved CDP A list status for both Water and Supplier Engagement for the first time. The 2017 Annual Report also highlights our continued efforts to support our Good Agricultural Practices program.

2018 Shareholder Vote Recommendations

The Board of Directors makes the following recommendations to shareholders:

	Board's Recommendation	Page
Item 1: Election of Directors	**FOR each nominee**	**14**
Item 2: Advisory Vote Approving Executive Compensation	**FOR**	**55**
Item 3: Ratification of the Selection of Independent Auditors for 2018	**FOR**	**58**

Board Responsibility and Meetings

The primary responsibility of the Board of Directors is to foster the long-term success of the Company, consistent with its statutory duty to shareholders. The Board has responsibility for establishing broad corporate policies, setting strategic direction, and overseeing management, which is responsible for the day-to-day operations of the Company. In fulfilling this role, each director must exercise his or her good faith business judgment of the best interests of the Company.

The Board holds regular meetings, typically during the months of February, March, May, June, September and December, and additional meetings when necessary. The organizational meeting follows immediately after the Annual Meeting of Shareholders. The Board held six regular meetings and one special meeting in 2017. The Board meets in executive session regularly with no members of management being present. Directors are expected to attend Board meetings, the Annual Meeting of Shareholders and meetings of the Committees on which they serve, with the understanding that on occasion a director may be unable to attend.

During 2017, all nominees for director then in office attended at least 75% of the aggregate number of meetings of the Board and all Committees on which they served, and each of the nominee directors then in office attended the 2017 Annual Meeting of Shareholders.

The Board approves the Company's annual budget each year and receives updates of the Company's performance against the budget throughout the year. The Board also reviews and approves the Company's three-year plan each year, typically in a two-day session. The Board also regularly receives presentations on the Company's longer-term objectives and plans.

Governance Guidelines, Policies and Codes

The Board has adopted Corporate Governance Guidelines. In 2014, the Audit Committee approved a substantial revision to the Company's Code of Conduct. The revised document, which was updated earlier this year, and is known as the *Guidebook for Success*, is an interactive, plain language tool that describes the fundamental beliefs and attributes that unite and guide us in pursuing PMI's goals, illustrates how to meet our commitments to these beliefs and attributes, and explains why it is critical to do so. The *Guidebook* applies to all employees, including the Company's principal executive officer, principal financial officer, and principal accounting officer or controller. The Board has also adopted a Code of Business Conduct and Ethics that applies to directors. The Board has also adopted a policy with regard to reviewing certain transactions in which the Company is a participant and an officer, director or nominee for director has, had or may have a direct or indirect material interest. All of these documents are available free of charge on the Company's website, www.pmi.com/governance, and will be provided free of charge to any shareholder requesting a copy by writing to the Corporate Secretary, Philip Morris International Inc., 120 Park Avenue, New York, New York 10017-5579.

The information on the Company's websites is not, and shall not be deemed to be, a part of this proxy statement or incorporated into any other filings the Company makes with the U.S. Securities and Exchange Commission.

Leadership Structure

The Board believes that no particular leadership structure is inherently superior to all others under all circumstances. It determines from time to time the structure that best serves the interests of the Company and its shareholders under the then-prevailing circumstances. Currently, Louis Camilleri serves as our non-executive Chairman, and André Calantzopoulos serves as our Chief Executive Officer.

As Chairman, Mr. Camilleri facilitates communication between the Board and management and assists the CEO with long-term strategy. He presides at all meetings of shareholders and of the Board and assists in the preparation of agendas and materials for Board meetings, working together with the Presiding Director, who approves the agendas before they are disseminated to the Board. Input is sought from all directors as to topics they wish to review. Mr. Camilleri ceased to be an employee of the Company on December 31, 2014, and the Board has determined that he now qualifies as independent under the listing standards of the New York Stock Exchange and Rule 10A-3 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Board also has a Presiding Director as described immediately below.

Presiding Director

The non-management directors elect at the annual organizational meeting one independent director as the Presiding Director. The Presiding Director's responsibilities are to:

- preside over executive sessions of the non-management directors and at all meetings at which the Chairman is not present;

- call meetings of the non-management directors as he or she deems necessary;
- serve as liaison between the Chief Executive Officer and the non-management directors;
- approve agendas and schedules for Board meetings;
- advise the Chairman and the Chief Executive Officer of the Board's informational needs and approve information sent to the Board;
- together with the Chairman of the Compensation and Leadership Development Committee, communicate goals and objectives to the Chief Executive Officer and the results of the evaluation of his performance; and
- be available for consultation and communication if requested by major shareholders.

The Presiding Director is invited to attend all meetings of Committees of the Board. Lucio A. Noto currently serves as the Presiding Director.

Committees of the Board

The Board has established various standing Committees to assist with the performance of its responsibilities. These Committees and their current members are listed below. The Board designates the members of these Committees and the Committee Chairs at its organizational meeting following the Annual Meeting of Shareholders, based on the recommendations of the Nominating and Corporate Governance Committee. The Board has adopted written charters for each of these Committees and these charters are available on the Company's website at www.pmi.com/governance. The Chair of each Committee develops the agenda for that Committee and determines the frequency and length of Committee meetings. Each Committee meets as often as it deems appropriate and each has sole authority to retain its own legal counsel, experts and consultants.

The Audit Committee, the Compensation and Leadership Development Committee, and the Nominating and Corporate Governance Committee each consists entirely of non-management directors, all of whom the Board has determined are independent within the meaning of the Exchange Act. The Board has determined that all members of the Audit Committee are financially literate and that Lucio A. Noto is an "audit committee financial expert" within the meaning set forth in the regulations of the Securities and Exchange Commission. No member of the Audit Committee, the Compensation and Leadership Development Committee or the Nominating and Corporate Governance Committee received any payments in 2017 from Philip Morris International Inc. or its subsidiaries, other than compensation received as a director.

Committees and 2017 Meetings	2017 Members	Purpose, Authority and Responsibilities
AUDIT Meetings: 10	**- Jennifer Li (Chair)** - Werner Geissler - Jun Makihara - Lucio A. Noto - Stephen M. Wolf	**Purpose:** to assist the Board in its oversight of: ▪ the integrity of the financial statements and financial reporting processes and systems of internal control; ▪ the qualifications, independence and performance of the independent auditors; ▪ the internal audit function; and ▪ the Company's compliance with legal and regulatory requirements. **Authority and Responsibilities:** ▪ sole authority for appointing, compensating, retaining and overseeing the work of the independent auditors; ▪ evaluate the internal audit function; ▪ evaluate the compliance function; ▪ oversee cybersecurity risk assessment and management; ▪ review financial risk assessment and management; ▪ oversee the risk management of excessive or discriminatory taxation; ▪ oversee the risk management of illicit trade; ▪ oversee the risk management of judicial and regulatory disregard for the rule of law; and ▪ establish "whistleblower" procedures and review claims of improper conduct.
COMPENSATION AND LEADERSHIP DEVELOPMENT Meetings: 5	**- Werner Geissler (Chair)** - Harold Brown - Lucio A. Noto - Robert B. Polet - Stephen M. Wolf	**Purpose:** ▪ discharge the Board's responsibilities relating to executive compensation; ▪ produce a report for inclusion in the proxy statement; and ▪ review succession plans for the CEO and other senior executives. **Authority and Responsibilities:** ▪ review and approve the Company's overall compensation philosophy and design; ▪ review and approve corporate goals and objectives relevant to the compensation of the CEO, evaluate his performance and determine and approve his compensation; ▪ review and approve the compensation of all executive officers; ▪ recommend to the Board compensation plans and administer and make awards under such plans and review the cumulative effect of its actions; ▪ monitor compliance by executives with our share ownership requirements; ▪ review and assist with the development of executive succession plans, evaluate and make recommendations to the Board regarding potential CEO candidates and evaluate and approve candidates to fill other senior executive positions; ▪ oversee the management of risks related to compensation design and payout; ▪ oversee talent management, particularly with respect to diversity and inclusion and talent development throughout the organization; ▪ review and discuss with management proposed disclosures regarding executive compensation matters; and ▪ recommend to the Board whether the Compensation Discussion and Analysis should be accepted for inclusion in the proxy statement and annual report.
FINANCE Meetings: 4	**- Jun Makihara (Chair)** - Harold Brown - Massimo Ferragamo - Werner Geissler - Jennifer Li - Sergio Marchionne - Kalpana Morparia - Lucio A. Noto - Frederik Paulsen - Robert B. Polet - Stephen M. Wolf	**Purpose, Authority and Responsibilities:** ▪ monitor the Company's financial performance and condition; ▪ oversee sources and uses of cash flow and capital structure; ▪ advise the Board on dividends, share repurchases and other financial matters; ▪ advise the Board on the Company's long-term financing plans, short-term financing plans and credit facilities; ▪ oversee the management of the Company's cash management function; ▪ oversee the management of the Company's pension plans, including funded status and performance; ▪ oversee the management of the Company's investor relations and stock market performance; ▪ oversee the management of the risks to the Company's competitive position; ▪ oversee the management of the risks to the Company's pricing strategies; and ▪ oversee the management of the risks of volatility in currency exchange rates.

Committees and 2017 Meetings	2017 Members	Purpose, Authority and Responsibilities
NOMINATING AND CORPORATE GOVERNANCE Meetings: 3	**- Kalpana Morparia (Chair)** - Jennifer Li - Lucio A. Noto - Robert B. Polet - Stephen M. Wolf	**Purpose:** ▪ identify qualified candidates for Board membership; ▪ recommend nominees for election at the annual meeting; ▪ advise the Board on corporate governance and sustainability matters; and ▪ oversee self-evaluation of the Board and each Committee. **Authority and Responsibilities:** ▪ review qualifications of prospective candidates for director; ▪ consider performance of incumbent directors; ▪ oversee the Company's sustainability strategies and performance and advise the Board on sustainability matters; ▪ make recommendations to the Board regarding director independence and the function, composition and structure of the Board and its Committees; ▪ oversee the Company's lobbying and trade association activities and expenditures; ▪ recommend corporate governance guidelines; and ▪ review director compensation.
PRODUCT INNOVATION AND REGULATORY AFFAIRS Meetings: 3	**- Harold Brown (Chair)** - Massimo Ferragamo - Werner Geissler - Jun Makihara - Sergio Marchionne - Kalpana Morparia - Frederik Paulsen - Robert B. Polet - Stephen M. Wolf	**Purpose:** ▪ monitor and review the development of new product strategies, with a particular focus on RRPs; ▪ monitor and review key legislative, regulatory and public policy issues related to RRPs; and ▪ monitor and review the Company's programs on societal alignment issues. **Authority and Responsibilities:** ▪ oversee the management of the risks of changing consumer preferences and the Company's ability to communicate to consumers; ▪ oversee the management of the risks associated with the Company's efforts to develop and commercialize RRPs; ▪ oversee the management of the risks associated with product diversification; and ▪ oversee the Company's efforts to substantiate the risk-reduction potential of our RRPs through rigorous scientific methodologies.

Board Risk Oversight

Risk oversight is conducted both by the Committees of the Board with respect to their areas of responsibility as well as by the full Board. Management has identified and prioritized key enterprise risks based on four risk dimensions: the **impact** a risk could have on the organization if it occurs, the **likelihood** a risk will occur, the **velocity** with which a risk would affect the organization if it occurs, and the **interconnectivity** of a risk with other risks. As part of the risk management process, the Company has established a Corporate Risk Governance Committee ("CRGC") comprising the Chief Operating Officer, the CFO, the Vice President and Controller, the Vice President, Corporate Audit, and the Vice President, Chief Ethics & Compliance Officer. Ownership of each of the prioritized risks is assigned to a member of senior management, and oversight of the management of each risk is assigned to a particular Board Committee or to the full Board. Management reports on these risks to the appropriate Committee and to the full Board throughout the year. The risk management oversight by each Committee is indicated in the chart on pages 9 and 10. The full Board oversees the management of risks relating to the Company's business plan and litigation, and it receives reports on risk management by each Committee. The roles of the various components of risk assessment, management and oversight are shown below.

PMI Risk Assessment, Management and Oversight

- Responsible for oversight of risk management processes
- Allocates oversight of management of specific risks to the appropriate Board Committee

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- Provides oversight by reviewing CRGC process and results
- Assesses risk appetite

- Provide oversight of management of specific risks falling within each Committee's sphere of expertise

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- Aligns on key strategic enterprise risks annually
- Assigns ownership of strategic enterprise risks to individual SMT members
- Integrates risk assessment and management into long-range plan and budget review process

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- Drives desired risk management culture through standard measurement and terminology
- Coordinates SMT strategic enterprise risk assessment
- Coordinates integrated risk assessment for Internal Controls, Compliance, Corporate Audit and other functions
- Integrates key risks into Internal Controls Chart of Controls process

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- Own risk assessment and management for affiliate or function
- Drive sustainability through integration of risk management into existing business processes

Communications with the Board

Shareholders and other interested parties who wish to communicate with the Board may do so by writing to the Presiding Director, Board of Directors of Philip Morris International Inc., 120 Park Avenue, New York, New York 10017-5579. The non-management directors have established procedures for the handling of communications from shareholders and other interested parties and directed the Corporate Secretary to act as their agent in processing any communications received. All communications that relate to matters that are within the scope of the responsibilities of the Board and its Committees are to be forwarded to the Presiding Director. Communications that relate to matters that are within the responsibility of one of the Board Committees are also to be forwarded to the Chair of the appropriate Committee. Communications that relate to ordinary business matters that are not within the scope of the Board's responsibilities, such as customer complaints, are to be sent to the appropriate subsidiary. Solicitations, junk mail and obviously frivolous or inappropriate communications are not to be forwarded, but will be made available to any non-management director who wishes to review them.

Summary of Corporate Governance Practices

The Nominating and Corporate Governance Committee of the Board reviews our corporate governance practices regularly and proposes modifications to our principles and other key governance practices as warranted for adoption by the Board. The following summarizes our key principles and practices and refers you to the pages of this proxy statement where you will find a more detailed discussion of various items:

- the Board has a policy providing that **all directors are elected annually and by majority vote** rather than by a plurality (see page 15);
- under our **proxy access by-law**, an eligible shareholder or group of shareholders who have owned 3% or more of PMI's shares for at least three years may nominate and include in our proxy statement director candidates to occupy up to 20% of the authorized Board seats;
- the Audit, Compensation and Leadership Development, and Nominating and Corporate Governance Committees **consist entirely of independent directors**, all other Board Committees consist entirely of non-management directors, and the Board has no executive committee;
- the Board **elects the Chairman annually** and the Chairman now qualifies as **independent** (see page 7);
- the non-management directors **elect the Presiding Director annually** (see page 7);
- directors may be **removed with or without cause**;
- the **non-management directors meet in executive session** regularly without any members of management being present;
- the Board **assesses its performance** and the performance of Board Committees **annually**;
- PMI has **not adopted a "poison pill" rights plan**;
- the Board has **adopted a "clawback" policy** providing for the recovery of cash bonuses and equity compensation in appropriate circumstances (see page 39);
- the Board has **adopted share ownership requirements and an anti-hedging and anti-pledging policies** for directors and executives intended to align their interests with those of our shareholders and to protect against inappropriate risk taking (see pages 25 and 39);
- the Compensation and Leadership Development Committee has adopted a policy that in the event any equity award granted under the 2017 Performance Incentive Plan vests on an accelerated basis upon the termination of an executive officer's employment for any reason other than death or disability, the former officer must **hold such shares for at least one year following termination** (see page 39);
- we **do not gross up** the limited perquisites we provide our named executive officers to offset their taxes on imputed income;
- the 2012 and 2017 Performance Incentive Plans include **double-trigger features** to the vesting provisions following a change in control as described on page 52;
- the Board has established **independent oversight of political spending and lobbying** that requires periodic reporting by management to the Nominating and Corporate Governance Committee with respect to the Company's lobbying and trade association activities and expenditures; and
- the Board has added oversight responsibility regarding the Company's **sustainability strategies and performance** to the charter of the Nominating and Corporate Governance Committee (see page 6).

Process for Nominating Directors

The Nominating and Corporate Governance Committee is responsible for identifying and evaluating candidates for director and for recommending to the Board a slate of nominees for election at the Annual Meeting of Shareholders.

In evaluating the suitability of individuals for Board membership, the Committee takes into account many factors. These include whether the individual meets requirements for independence; the individual's general understanding of the various disciplines relevant to the success of a large publicly-traded company in today's global business environment; the individual's understanding of the Company's global business and markets; the individual's professional expertise and educational background; and other factors, including nationality and gender, that promote diversity of views and experience. The Committee evaluates each individual in the context of the Board as a whole, with the objective of recommending a group of directors that can best perpetuate the success of the business and represent long-term shareholder interests through the exercise of sound judgment, using its breadth of knowledge and experience. In determining whether to recommend a director for re-election, the Committee also considers the director's attendance at meetings and participation in and contributions to the activities of the Board. The Committee has not established any specific minimum qualification standards for nominees to the Board, although from time to time the Committee may identify certain skills or attributes, such as financial experience, global business experience and scientific expertise, as being particularly desirable to help meet specific Board needs.

In identifying candidates for Board membership, the Committee relies on suggestions and recommendations from the Board, shareholders, management and others. The Committee does not distinguish between nominees recommended by shareholders and other nominees. From time to time, the Committee also retains search firms to assist in identifying candidates for director, gathering information about their background and experience, and acting as an intermediary with such candidates. Earlier this year, the Committee recommended Lisa A. Hook to the Board after she was initially recommended by one of our independent directors.

Shareholders wishing to suggest candidates to the Committee for consideration as directors must submit a written notice to the Corporate Secretary, who will provide it to the Committee. Our by-laws set forth the procedures a shareholder must follow to nominate directors. These procedures are summarized in this proxy statement under the caption "2019 Annual Meeting."

In addition, our by-laws permit an eligible shareholder or group of shareholders who have owned 3% or more of PMI's shares for at least three years to nominate and include in our proxy statement director candidates to occupy up to 20% of the authorized Board seats.

Recommendations of the Board; Director Attributes, Diversity, Refreshment and Tenure

It is proposed that fourteen directors be elected to hold office until the next Annual Meeting of Shareholders and until their successors have been elected. The Nominating and Corporate Governance Committee has recommended to the Board, and the Board has approved, the persons named and, unless otherwise marked, a proxy will be voted for such persons. Each of the nominees currently serves as a director and each was elected by the shareholders at the 2017 Annual Meeting, except for Ms. Hook, who is a new nominee. The Board believes that the experience, qualifications, attributes and skills of each of the nominees presented qualify them to deal with the complex global, regulatory and financial issues that the Company faces, and that the Board as a whole provides a breadth of knowledge, international experience, intellectual rigor and willingness to face tough issues. Nearly three-quarters of the nominees, three of whom are women, are non-U.S. nationals. Eleven different nationalities are represented, underscoring the global perspective of the Board taken as a whole.

The Board has experienced a healthy level of director refreshment since our spin-off in 2008. Five of the original directors continue to serve on the Board. Of the remaining members of the Board, one joined in 2010, two in 2011, one in 2013, two in 2014, one in 2015 and one in 2016. Ms. Hook is a new nominee. The average tenure of the Company's nominees is 6.4 years. As new Board members gain experience, the Board rotates its various committee chairmanships.

In recommending and nominating Mr. Marchionne, the Nominating and Corporate Governance Committee and the Board, respectively, took note of Mr. Marchionne's membership on various boards of directors. The Board unanimously recommends Mr. Marchionne for his significant and valuable contributions to its deliberations. During the past two years, Mr. Marchionne attended 100% of the meetings of the Board and the Committees of which he was a member.

Although it is not anticipated that any of the persons named below will be unable or unwilling to stand for election, a proxy, in the event of such an occurrence, may be voted for a substitute designated by the Board. However, in lieu of designating a substitute, the Board may amend the Company's by-laws to reduce the number of directors.

Independence of Nominees

After receiving the recommendation of the Nominating and Corporate Governance Committee, the Board has determined that each of the following nominees for director is independent of and has no material relationship with the Company: Harold Brown, Louis Camilleri, Massimo Ferragamo, Werner Geissler, Lisa A. Hook, Jennifer Li, Jun Makihara, Kalpana Morparia, Lucio A. Noto, Frederik Paulsen, Robert B. Polet and Stephen M. Wolf. To assist it in making these determinations, the Board has adopted categorical standards of director independence that are set forth in the Corporate Governance Guidelines, which are available on the Company's website at www.pmi.com/governance. Each of the above-named nominees qualifies as independent under these standards.

In making the determination that Mr. Marchionne is not independent, the Board considered the Company's relationship with Ferrari, which began in 1973, well before Mr. Marchionne became CEO of Fiat (which then owned Ferrari) in 2004. The Company's Formula 1 sponsorship agreement and its renewals have been negotiated on an arms-length basis with executives of Ferrari, and Mr. Marchionne has not been involved in the negotiations. The Nominating and Corporate Governance Committee has reviewed the sponsorship as a Related Person Transaction (see page 59) and determined that it is in the best interests of the Company.

In making the affirmative determination that Ms. Morparia is independent, the Board considered the fact that the Company has routine commercial relationships with J.P. Morgan Chase, Ms. Morparia's employer. Payments by the Company to J.P. Morgan Chase are immaterial and Ms. Morparia has no direct or indirect material interest in these routine commercial relationships. Ms. Morparia has never represented J.P. Morgan Chase in connection with its provision of services to the Company, and her compensation is not affected by any banking relationship between the Company and J.P. Morgan Chase.

Majority Vote Standard in Uncontested Elections

All directors are elected annually. The Company's by-laws provide that, where the number of nominees for director does not exceed the number of directors to be elected, directors shall be elected by a majority rather than by a plurality vote. Under applicable law, a director's term extends until his or her successor is duly elected and qualified. Thus, an incumbent director who fails to receive a majority vote would continue to serve as a holdover director. To address that possibility, our Corporate Governance Guidelines require a director who receives less than a majority of the votes cast to offer to resign. The Nominating and Corporate Governance Committee would then consider, and recommend to the Board whether to accept or reject, the offer.

The Board recommends a vote FOR each of the nominees identified below.

Director Nominees

Nominee	Director Since	Nationality	Experience and Qualifications Highlights	Independent	Current Committee Membership: Audit	Compensation and Leadership Development	Finance	Nominating and Corporate Governance	Product Innovation and Regulatory Affairs
Harold Brown	2008	USA	▪ Civic Leadership ▪ Geopolitical and Governmental Affairs ▪ Science and Technology ▪ Academic and Research	✓		✓	✓		Chair
André Calantzopoulos	2013	Greece / Switzerland	▪ Senior Executive ▪ Tobacco Industry ▪ Operations ▪ Global Business						
Louis C. Camilleri	2008	UK	▪ Senior Executive ▪ Tobacco Industry ▪ Operations ▪ Financial ▪ Global Business	✓ (Chairman)					
Massimo Ferragamo	2016	Italy	▪ Senior Executive ▪ Global Consumer and Luxury Products ▪ Marketing and Retail	✓			✓		✓
Werner Geissler	2015	Germany	▪ Global Consumer Products ▪ Senior Executive ▪ Operations ▪ Financial ▪ Civic Leadership	✓	✓	Chair	✓		✓
Lisa A. Hook	New Nominee	USA	▪ Senior Executive ▪ Financial ▪ Technology ▪ Global Business ▪ Big Data Analytics	✓					
Jennifer Li	2010	China	▪ Senior Executive ▪ Financial ▪ Technology ▪ Global Business	✓	Chair		✓	✓	
Jun Makihara	2014	Japan	▪ Global Business ▪ Global Finance	✓	✓		Chair		✓
Sergio Marchionne	2008	Italy / Canada	▪ Senior Executive ▪ Financial ▪ Law ▪ Global Automotive Business				✓		✓
Kalpana Morparia	2011	India	▪ Senior Executive ▪ Global Finance ▪ Law ▪ Risk Management	✓			✓	Chair	✓
Lucio A. Noto	2008	USA	▪ Senior Executive ▪ Operations ▪ Financial ▪ Global Business	✓ (Presiding Director)	✓	✓	✓	✓	

Director Nominees

Nominee	Director Since	Nationality	Experience and Qualifications Highlights	Independent	Current Committee Membership: Audit	Compensation and Leadership Development	Finance	Nominating and Corporate Governance	Product Innovation and Regulatory Affairs
Frederik Paulsen	2014	Sweden	▪ Global Pharmaceutical ▪ Senior Executive/ Entrepreneur ▪ Civic Leadership ▪ Academic and Research	✓			✓		✓
Robert B. Polet	2011	Netherlands	▪ Senior Executive ▪ Global Consumer and Luxury Products ▪ Marketing	✓		✓	✓	✓	✓
Stephen M. Wolf	2008	USA	▪ Senior Executive ▪ Global Business ▪ Operations	✓	✓	✓	✓	✓	✓

Director Nominees

HAROLD BROWN

Primary Occupation: Counselor, Center for Strategic and International Studies

Director since: 2008

Age: 90

Professional Experience:
Dr. Brown has been a Counselor at the Center for Strategic and International Studies since 1992. He was a partner of Warburg Pincus, a leading private equity firm, from 1990 until his retirement in 2007. Previously, he was Chairman of the Foreign Policy Institute at The Johns Hopkins University School of Advanced International Studies. Dr. Brown is President Emeritus of the California Institute of Technology and served as Secretary of Defense for the United States from 1977 through 1981.

Other Directorships and Associations:
Dr. Brown is a member of the board of directors of Chemical Engineering Partners, Inc. and is president emeritus and life trustee of the California Institute of Technology, a member of the North American Group of the Trilateral Commission and a trustee emeritus of the RAND Corporation. Dr. Brown served as a director of Altria Group, Inc. from 1983 to 2003, and again from 2004 to 2008.

PMI Board Committees:
Dr. Brown is Chair of the Product Innovation and Regulatory Affairs Committee and a member of the Compensation and Leadership Development and Finance Committees.

Director Qualifications:
Dr. Brown combines a scientist's intellect with an extensive knowledge and unique experience of international geopolitical and governmental affairs that are of particular benefit to the Board in his role as Chair of the Product Innovation and Regulatory Affairs Committee.

ANDRÉ CALANTZOPOULOS

Primary Occupation: Chief Executive Officer

Director since: 2013

Age: 60

Professional Experience:
Mr. Calantzopoulos became our Chief Executive Officer immediately following our Annual Meeting of Shareholders on May 8, 2013. He served as our Chief Operating Officer since our spin-off on March 28, 2008, and until becoming CEO. Mr. Calantzopoulos served as PMI's President and Chief Executive Officer between 2002 and the date of our spin-off. He joined the Company in 1985 and worked extensively across Central Europe, including as Managing Director of PM Poland and President of the EEMA Region.

Director Qualifications:
Mr. Calantzopoulos's intellect and all-encompassing knowledge of the Company serve him well as CEO and as a member of the Board. He has played an instrumental role in numerous key initiatives, leading the Company with his bold vision of a smoke-free future and through its related evolution into a consumer-centric technology and science-driven business.

LOUIS C. CAMILLERI

Primary Occupation: Chairman of the Board

Director since: 2008

Age: 63

Professional Experience:
Mr. Camilleri is our Chairman, having served as our Chairman and Chief Executive Officer from our spin-off in 2008 until the 2013 Annual Meeting of Shareholders. Mr. Camilleri remained as Chairman and an employee of the Company following the 2013 Annual Meeting. He retired effective December 31, 2014, and continues to serve as a non-employee Chairman. Before our spin-off, Mr. Camilleri was Chairman and Chief Executive Officer of Altria Group, Inc., positions he had held since 2002. From November 1996 to April 2002, he served as Senior Vice President and Chief Financial Officer of Altria Group, Inc. He had been employed continuously by Altria Group, Inc. and its subsidiaries (including Philip Morris International Inc.) in various capacities since 1978.

Other Directorships and Associations:
Mr. Camilleri is a director of América Móvil, S.A.B. de C.V. and Ferrari N.V. He previously served on the Board of Telmex International SAB from 2009 to 2011. Mr. Camilleri was a director of Kraft Foods Inc. from 2001 to 2007 and was Kraft's Chairman from September 2002 to March 2007.

Director Qualifications:
Mr. Camilleri's extensive and detailed knowledge of the Company and the tobacco industry and an incisive strategic view, combined with his transparency and open-mindedness, serve him well in his ongoing role as Chairman of the Board.

MASSIMO FERRAGAMO

Primary Occupation: Chairman, Ferragamo USA Inc.

Director since: 2016

Age: 60

Professional Experience:
Mr. Ferragamo has served as Chairman of Ferragamo USA Inc. since 2000, having previously served as President of that company since 1985. Mr. Ferragamo is also Vice President of the Lungarno Hotel Group and Executive Vice President of the Ferragamo Foundation.

Other Directorships and Associations:
Mr. Ferragamo is a director of Ferragamo Finanziaria S.p.A. Mr. Ferragamo served on the board of directors of Yum! Brands, Inc. from 1997 until 2016.

PMI Board Committees:
Mr. Ferragamo is a member of the Finance and Product Innovation and Regulatory Affairs Committees.

Director Qualifications:
Mr. Ferragamo's entrepreneurial spirit and deep experience in the global luxury consumer products retail business complement the considerable expertise of our Board of Directors.

WERNER GEISSLER

Primary Occupation:
Operating Partner, Advent International

Director since:
2015

Age: 64

Professional Experience:
Mr. Geissler became an Operating Partner of Advent International in 2015. He previously served as Vice Chairman and Special Advisor to the Chairman and CEO of Procter and Gamble until his retirement in January 2015. He joined that company in 1979 and served in various capacities, including President, Northeast Asia, from 2001 to 2004, Group President, Central and Eastern Europe, Middle East and Africa, from 2004 to 2007, and Vice Chairman, Global Operations, from 2007 to 2014.

Other Directorships and Associations:
Mr. Geissler is a director of The Goodyear Tire & Rubber Company.

PMI Board Committees:
Mr. Geissler is Chair of the Compensation and Leadership Development Committee and a member of the Audit, Finance, and Product Innovation and Regulatory Affairs Committees.

Director Qualifications:
Mr. Geissler has a keen knowledge of the global consumer products business, having served as a senior consumer products executive in many of the Company's most important markets and regions. His deep senior executive experience serves him well as Chair of the Compensation and Leadership Development Committee.

LISA A. HOOK

Primary Occupation:
President and Chief Executive Officer, Neustar, Inc.

Director since:
New Nominee

Age: 59

Professional Experience:
Ms. Hook has served as Chief Executive Officer of Neustar, Inc. since October 2010, as a member of its board since November 2010, and as President since January 2008. Ms. Hook served as President and Chief Executive Officer of Sunrocket, Inc. from 2006 to 2007, and held several executive-level posts at America Online, Inc. from 2001 to 2004. Previously, she was a partner at Brera Capital Partners, a global private equity investment firm, managing director of Alpine Capital Group, LLC., an investment banking firm, an executive at Time Warner, Inc., a legal advisor to the Chairman of the Federal Communications Commission, and a senior attorney at Viacom International, Inc.

Other Directorships and Associations:
Ms. Hook serves on the board of Worldpay, Inc., a payment processing firm. Ms. Hook served as a senior independent director of RELX PLC and RELX NV, providers of information solutions, from 2006 to 2016. Previously, she served as a director of Covad Communications, Time Warner Telecom, Inc., and National Geographic Ventures. In 2012, she was appointed by President Obama to serve on the National Security Telecommunications Advisory Committee.

PMI Board Committees:
To be determined after her election to the Board.

Director Qualifications:
As President and CEO of a company whose holistic understanding of identity is key to deploying actionable insights that grow and guard many of the world's largest corporations, Ms. Hook will bring to the Board valuable experience as the Company is transitioning to a consumer-centric highly digitalized business model.

JENNIFER LI

Primary Occupation:
Chief Executive Officer and General Managing Director, Baidu Capital

Director since:
2010

Age: 50

Professional Experience:
Ms. Li currently serves as Chief Executive Officer and General Managing Director of Baidu Capital, the investment arm of Baidu, Inc. Ms. Li joined Baidu, Inc., the largest Internet search engine in China and the third-largest independent search engine in the world, in 2008, as Chief Financial Officer, responsible for a wide range of corporate functions, including Finance, Human Resources, International Operations, Marketing, Communications and Purchasing. From 1994 to 2008, she held a number of senior finance positions at various General Motors companies in China, Singapore, the United States and Canada, rising to Chief Financial Officer of GM's business in China and Financial Controller of the North American Operations of GMAC.

Other Directorships and Associations:
Ms. Li is a director of Flex Ltd.

PMI Board Committees:
Ms. Li is the Chair of the Audit Committee and a member of the Finance and Nominating and Corporate Governance Committees.

Director Qualifications:
Ms. Li draws upon her strong financial and accounting expertise as Chair of the Audit Committee, and her experience in a fast-growing, high-tech business and Asian background strengthen the Board's depth and global perspective.

JUN MAKIHARA

Primary Occupation:
Retired Businessman

Director since:
2014

Age: 60

Professional Experience:
Mr. Makihara was employed at Goldman, Sachs & Co. from 1981 to 2000, during which time he was a General Partner for six years, working in New York, Los Angeles, and Tokyo. During his tenure in Tokyo, he was co-head of the Investment Banking Group and the Japanese Equities Group and also served as co-branch manager. Subsequently, he was Chairman of Neoteny Co., Ltd., a Japanese venture incubator, until 2015.

Other Directorships and Associations:
Mr. Makihara is a director of Monex Group, Inc. and Shinsei Bank, Ltd. He is a trustee of the Protestant Episcopal Cathedral Foundation in Washington, D.C. and a board member of the Japan Society in New York. He also served on the board of RHJ International S.A. from 2005 to 2014.

PMI Board Committees:
Mr. Makihara is Chair of the Finance Committee and a member of the Audit and Product Innovation and Regulatory Affairs Committees.

Director Qualifications:
Mr. Makihara brings his deep experience in finance to his position as Chair of the Finance Committee, and the Board benefits from his entrepreneurial spirit and a thorough knowledge of business in Asia, which is of great importance to the Company's business.

SERGIO MARCHIONNE

Primary Occupation:
Chief Executive Officer, Fiat Chrysler Automobiles N.V.

Chairman, Ferrari N.V.

Chairman, CNH Industrial N.V.

Director since:
2008

Age: 65

Professional Experience:
Mr. Marchionne is Chief Executive Officer of Fiat Chrysler Automobiles N.V., having become a member of the Board of Directors of a predecessor of that company, Fiat S.p.A., in May 2003. He is also Chairman of Ferrari N.V. and CNH Industrial N.V. Mr. Marchionne has been a member of the Board of SGS S.A. since May 2001, serving as the Chief Executive and Managing Director from 2002 to 2004 and Chairman since March 2006. Mr. Marchionne is a director of Exor S.p.A., an investment company that, directly or indirectly, holds significant equity investments in Fiat Chrysler, Ferrari and CNH. Mr. Marchionne is a chartered accountant and lawyer who, since beginning his career in 1983, has held executive positions at several firms prior to assuming his current positions.

Other Directorships and Associations:
Mr. Marchionne was a member of the Board of Directors of UBS from 2007 to 2010.

PMI Board Committees:
Mr. Marchionne serves on the Finance and Product Innovation and Regulatory Affairs Committees.

Director Qualifications:
Trained as both a lawyer and an accountant and currently the chief executive of an international automotive manufacturer, Mr. Marchionne brings strategic insights and a hands-on multi-disciplinary approach to the Board, along with experience in many of the same international markets in which the Company does business.

KALPANA MORPARIA

Primary Occupation:
Chief Executive Officer, South and South East Asia, J.P. Morgan Chase

Director since:
2011

Age: 68

Professional Experience:
Ms. Morparia assumed her current position in April 2016, having previously served as CEO of J.P. Morgan India since 2008. She is a member of J.P. Morgan's Asia Pacific Management Committee. Prior to joining J.P. Morgan India, Ms. Morparia served as Joint Managing Director of ICICI Bank, India's second-largest bank, from 2001 to 2007 and the Vice Chair of ICICI's insurance and asset management business from 2007 to 2008.

Other Directorships and Associations:
Ms. Morparia is a director of Dr. Reddy's Laboratories Ltd. and Hindustan Unilever Limited.

PMI Board Committees:
Ms. Morparia is Chair of the Nominating and Corporate Governance Committee and is a member of the Finance and Product Innovation and Regulatory Affairs Committees.

Director Qualifications:
With her strong executive leadership experience in finance, and her deep knowledge of international business, Ms. Morparia provides a keen perspective on economies in Asia, while her legal background and deep experience in highly regulated industries serve her well as Chair of the Nominating and Corporate Governance Committee.

LUCIO A. NOTO

Primary Occupation:
Managing Partner, Midstream Partners, LLC

Director since:
2008

Age: 79

Professional Experience:
Mr. Noto assumed his current position with Midstream Partners, LLC in March 2001. He retired as Vice Chairman of ExxonMobil Corporation in January 2001, a position he had held since the merger of the Exxon and Mobil companies in November 1999. Before the merger, Mr. Noto was Chairman and Chief Executive Officer of Mobil Corporation. Mr. Noto had been employed by Mobil continuously since 1962.

Other Directorships and Associations:
Mr. Noto is a director of Penske Automotive Group, Inc. He also served on the boards of IBM from 1995 to 2008, Altria Group, Inc. from 1998 to 2008, Shinsei Bank from 2005 to 2008, Commercial International Bank from 2006 to 2009 and RHJ International S.A. from 2011 to 2015.

PMI Board Committees:
Mr. Noto is the Presiding Director, and a member of the Audit, Compensation and Leadership Development, Finance and Nominating and Corporate Governance Committees.

Director Qualifications:
As the former chief financial officer and chief executive officer of a large, multi-national oil company, together with his past governance experience serving on the boards and audit committees of a number of major international companies, Mr. Noto brings an extensive knowledge of internal controls and risk assessment to his role as a member of the Audit Committee and a strong “hands-on” approach as Presiding Director.

FREDERIK PAULSEN

Primary Occupation:
Chairman, Ferring Group

Director since:
2014

Age: 67

Professional Experience:
Dr. Paulsen has been Chairman of the Ferring Group, a research-driven, specialty biopharmaceutical group, since 1988, having joined that company in 1976.

Other Directorships and Associations:
Dr. Paulsen is a member of the boards of MGIMO University in Moscow, Russia, and the Pro Universitate of the Christian Albrechts University in Kiel, Germany, and a trustee of the Salk Institute of Biological Research in La Jolla, California, USA.

PMI Board Committees:
Dr. Paulsen is a member of the Finance and Product Innovation and Regulatory Affairs Committees.

Director Qualifications:
Dr. Paulsen’s substantial experience as head of a successful multinational biopharmaceutical group, together with his scientific background, bring a unique perspective to the Company’s critical efforts to develop reduced-risk products.

ROBERT B. POLET

Primary Occupation:
Chairman, Rituals Cosmetics Enterprise B.V.

Director since:
2011

Age: 62

Professional Experience:
Mr. Polet is currently serving as Chairman of Rituals Cosmetics Enterprise B.V. He was Chairman of Safilo Group S.p.A. from 2011 to 2017, and President, Chief Executive Officer and Chairman of the Management Board of the Gucci Group from 2004 to 2011. Previously, Mr. Polet spent 26 years in the Unilever Group in a variety of executive roles, including President of Unilever's Worldwide Ice Cream and Frozen Foods division, Chairman of Unilever Malaysia, Chairman of Van den Bergh and Executive Vice President of Unilever's European Home and Personal Care division.

Other Directorships and Associations:
Mr. Polet is a director of Safilo Group S.p.A., William Grant & Sons Limited, and Arica Holding B.V.

PMI Board Committees:
Mr. Polet serves on the Compensation and Leadership Development, Finance, Nominating and Corporate Governance, and Product Innovation and Regulatory Affairs Committees.

Director Qualifications:
In his previous position, Mr. Polet was responsible for managing such global luxury brands as Gucci, Bottega Veneta, Yves Saint Laurent, Boucheron, Balenciaga, Sergio Rossi, Alexander McQueen and Stella McCartney. He brings to the Board his considerable entrepreneurial business experience in the global luxury business and his deep executive background running major consumer packaged goods businesses, as well as his extensive knowledge of global markets.

STEPHEN M. WOLF

Primary Occupation:
Managing Partner, Alpilles, LLC

Director since:
2008

Age: 76

Professional Experience:
Mr. Wolf has been Managing Partner of Alpilles, LLC since 2003. Previously, he was Chairman of US Airways Group from 2001 to 2003, and Chief Executive Officer of US Airways, Inc. from 1996 to 1998. Prior to joining US Airways, he had served since 1994 as senior advisor in the investment banking firm of Lazard Frères & Co., LLC. From 1987 to 1994, he was Chairman and Chief Executive Officer of UAL Corporation and United Air Lines, Inc.

Other Directorships and Associations:
Mr. Wolf is Chairman of the Advisory Board of Trilantic Capital Partners and served as Chairman of R.R. Donnelley & Sons Company from 2004 to 2014. Mr. Wolf served as a director of Altria Group, Inc. from 1993 to 2008 and as a director of Fiat Chrysler Automobiles N.V. from 2009 to 2017. He is a trustee emeritus of the Brookings Institute.

PMI Board Committees:
Mr. Wolf is a member of the Audit, Compensation and Leadership Development, Finance, Nominating and Corporate Governance, and Product Innovation and Regulatory Affairs Committees.

Director Qualifications:
As a former chief executive officer of four New York Stock Exchange listed companies, and with experience on the boards of a number of companies, Mr. Wolf provides strong counsel on a wide array of matters.

Compensation Philosophy

Directors who are full-time employees of the Company receive no additional compensation for services as a director. The Company's philosophy is to provide competitive compensation necessary to attract and retain high-quality non-employee directors. The Board believes that a substantial portion of director compensation should consist of equity-based compensation to assist in aligning directors' interests with the interests of shareholders.

2017 Compensation

At his request, Dr. Paulsen serves as a director without compensation. Except for the Chairman, in 2017, all other non-employee directors received an annual cash retainer of $125,000 and a retainer of $5,000 for each Committee of which they were a member. The Chairman received an annual cash retainer of $1.25 million. The Presiding Director received an additional annual retainer of $25,000, and the chairs of each Committee received an additional annual retainer of $35,000 for services rendered in connection with those responsibilities. Directors did not receive meeting fees or stock options.

In 2017, each non-employee director then in office (except for the Chairman and Dr. Paulsen) received an annual award on May 3, 2017, of shares of common stock having a value of $175,000 on the date of grant (1,586 shares of common stock with a value of $110.41 per share). As a non-employee Chairman, Mr. Camilleri received an annual share award having a value of $1.25 million.

Directors' Compensation for 2017

PMI's directors' compensation for 2017 was set at the following levels:

Annual cash retainer:	**$125,000**
Annual equity award:	**$175,000**
Chairman annual cash retainer:	**$1,250,000**
Chairman annual equity award:	**$1,250,000**
Presiding Director cash retainer:	**$25,000**
Committee Chair cash retainer:	**$35,000**
Committee member cash retainer:	**$5,000**
Committee meeting fees:	**None**
Stock Options:	**None**

2018 Compensation

During 2017, the Nominating and Corporate Governance Committee requested F.W. Cook & Co., Inc., which serves as independent compensation advisor to the Committee, to analyze the Company's director compensation program. Following review of the analysis, which benchmarked the Company's director compensation against its Peer Group (discussed on page 38), the Board reduced various elements of its program, effective January 1, 2018. It eliminated the cash retainer for Committee memberships. It eliminated the Chairman's annual cash retainer and annual equity award and, in lieu thereof, the Chairman now receives an annual cash retainer and annual equity award equal to that of all other non-employee directors, together with an incremental cash retainer of $400,000, thereby reducing his aggregate annual fees from $2,500,000 to $700,000. The reduction reflects the completion of the Company's leadership transition.

Directors' Compensation for 2018

PMI's directors' compensation for 2018 is set at the following levels:

Annual cash retainer:	**$125,000**
Annual equity award:	**$175,000**
Chairman's incremental cash retainer:	**$400,000**
Presiding Director cash retainer:	**$25,000**
Committee Chair cash retainer:	**$35,000**
Committee member cash retainer:	**None**
Committee meeting fees:	**None**
Stock Options:	**None**

Share Retention Requirement

A non-employee director may not sell or otherwise dispose of PMI shares received pursuant to the annual share award (other than shares withheld from the grant to pay taxes) unless he or she continues after the disposition to own PMI shares having an aggregate value of at least five times the then-current annual cash retainer. The Company's anti-hedging and anti-pledging policies also apply to non-employee directors (see page 39).

COMPENSATION OF DIRECTORS

The following table presents the compensation received by the non-employee directors for fiscal year 2017.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Personal Use of Company Aircraft ($) [a]	Car Expenses ($) [b]	All Other Compensation ($)	Total ($)
Harold Brown	175,000	175,000	-	-	-	350,000
Louis C. Camilleri	1,250,000	1,250,000	189,473	25,044	-	2,714,517
Massimo Ferragamo	135,000	175,000	-	-	-	310,000
Werner Geissler	180,000	175,000	-	-	-	355,000
Jennifer Li	175,000	175,000	-	-	-	350,000
Jun Makihara	175,000	175,000	-	-	-	350,000
Sergio Marchionne	135,000	175,000	-	-	-	310,000
Kalpana Morparia	175,000	175,000	-	-	-	350,000
Lucio A. Noto	170,000	175,000	-	-	-	345,000
Frederik Paulsen [c]	-	-	-	-	-	-
Robert B. Polet	145,000	175,000	-	-	-	320,000
Stephen M. Wolf	150,000	175,000	-	-	-	325,000

[a] For reasons of security and personal safety, PMI requires Mr. Camilleri to use Company aircraft for all travel. The amount shown is the incremental cost of personal use of Company aircraft to PMI and includes the cost of trip-related crew hotels and meals, in-flight food and beverages, landing and ground handling fees, hourly maintenance contract costs, hangar or aircraft parking costs, fuel costs based on the average annual cost of fuel per hour flown, and other smaller variable costs. Fixed costs that would be incurred in any event to operate Company aircraft (e.g., aircraft purchase costs, depreciation, maintenance not related to personal trips, and flight crew salaries) are not included. Beginning January 1, 2018, Mr. Camilleri has agreed to reimburse the Company for his personal usage of Company aircraft in an amount equal to the aggregate incremental cost of such usage up to the maximum amount allowed under federal aviation regulations. He is responsible for his own taxes on any imputed taxable income resulting from personal use of Company aircraft.

[b] The amount shown for Mr. Camilleri includes the incremental cost of personal use of driver services that PMI provided for reasons of security and personal safety. Mr. Camilleri is responsible for his own taxes on any imputed taxable income resulting from car expenses. Beginning January 1, 2018, Mr. Camilleri has agreed to reimburse the Company for all such incremental costs.

[c] At his request, Dr. Paulsen serves as a director without compensation.

Non-employee directors may also elect to defer the award of shares of common stock and all or part of the annual and Committee retainers. Deferred fee amounts are “credited” to an unfunded account and may be “invested” in eight “investment choices,” including a PMI common stock equivalent account. These “investment choices” parallel the investment options offered to employees under the PMI Deferred Profit-Sharing Plan and determine the “earnings” that are credited for bookkeeping purposes to a non-employee director’s account.

The Company reimburses non-employee directors (other than Dr. Paulsen) for their reasonable expenses incurred in attending Board of Directors, Committee and shareholder meetings and other corporate functions, including travel, meals and lodging. Non-employee directors (other than Dr. Paulsen) also are covered by business travel and accident insurance, which the Company maintains for their benefit when they travel on Company business, as well as group life insurance.

Ownership of Equity Securities

The following table shows the number of shares of common stock beneficially owned as of March 16, 2018, by each director, nominee for director and named executive officer, and the directors and executive officers of the Company as a group. Unless otherwise indicated, each of the named individuals has sole voting and investment power with respect to the shares shown. The beneficial ownership of each director, nominee for director and executive officer, and of the directors, nominees for director and executive officers as a group, is less than 1% of the outstanding shares.

Name	Amount and Nature of Beneficial Ownership [1]
Harold Brown	55,754
André Calantzopoulos	743,765
Louis C. Camilleri	657,590
Massimo Ferragamo	2,675
Marc S. Firestone	175,549
Werner Geissler	7,074
Lisa A. Hook	40
Martin G. King	146,262
Jennifer Li	19,975
Jun Makihara	10,873
Sergio Marchionne	65,200
Kalpana Morparia	12,288
Lucio A. Noto	99,285
Jacek Olczak	230,231
Frederik Paulsen	0
Robert B. Polet	13,817
Stephen M. Wolf	84,468
Miroslaw Zielinski	215,610
Group (32 persons)	3,365,575

[1] Includes shares of deferred stock as follows: Dr. Brown, 34,379; Mr. Calantzopoulos, 133,330; Mr. Camilleri, 42,095; Mr. Ferragamo, 2,675; Mr. Firestone, 40,110; Mr. King, 20,460; Mr. Makihara, 7,513; Mr. Noto, 59,707; Mr. Olczak, 39,980; Mr. Wolf, 61,146; Mr. Zielinski, 30,300; and group, 644,445. Also includes 17,085 shares as to which beneficial ownership is disclaimed by Mr. Noto (shares held by spouse) and 22,196 shares held in trust as to which he has not disclaimed beneficial ownership. Also includes 1,360 shares as to which beneficial ownership is disclaimed by Mr. Makihara (shares held by spouse). Also includes 21,375 shares held in trust as to which Dr. Brown shares voting and/or investment power with others and as to which he has not disclaimed beneficial ownership.

In addition to the shares shown in the table above, as of March 16, 2018, those directors who participate in the Company's director deferred fee program had the following PMI share equivalents allocated to their accounts: Mr. Ferragamo, 1,334; Mr. Makihara, 5,905; Mr. Noto, 91,597; and Mr. Wolf, 30,375. See "Compensation of Directors" on page 26 for a description of the deferred fee program for directors.

The following table sets forth information regarding persons or groups known to the Company to be beneficial owners of more than 5% of the outstanding common stock.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percent of Common Stock Outstanding on March 16, 2018
BlackRock, Inc. 55 East 52nd Street New York, NY 10055	94,653,613 (1)	6.09%
The Vanguard Group 100 Vanguard Blvd. Malvern, PA 19355	114,749,469 (2)	7.38%

(1) According to a Schedule 13G/A, dated January 24, 2018, filed with the U.S. Securities and Exchange Commission on January 29, 2018, by BlackRock, Inc. presenting the number of shares as of December 31, 2017.

(2) According to a Schedule 13G/A, dated February 13, 2018, filed with the U.S. Securities and Exchange Commission on February 13, 2018, by The Vanguard Group presenting the number of shares as of December 31, 2017.

Section 16(a) Beneficial Ownership Reporting Compliance

The Company believes that during 2017 all reports for the Company's executive officers and directors that were required to be filed under Section 16 of the Exchange Act were filed on a timely basis.

Executive Summary

Our Compensation Discussion and Analysis outlines the design of our executive compensation program components, the objectives and principles upon which they are based, our 2017 performance and the resulting decisions of the Compensation and Leadership Development Committee to reflect that performance in setting compensation for our CEO, the other named executive officers, and the other members of our senior management team.

Compensation and Leadership Development Committee

The Compensation and Leadership Development Committee consists entirely of non-management directors, all of whom our Board has determined are independent within the meaning of the listing standards of the New York Stock Exchange. Its responsibilities are described below and set forth in the Compensation and Leadership Development Committee Charter, which is available on the Company's website at www.pmi.com/governance. The members of the Committee are: Werner Geissler (Chair), Harold Brown, Lucio A. Noto, Robert B. Polet and Stephen M. Wolf. The Committee met five times in 2017. The Chair of the Committee, in consultation with the other members, sets meeting agendas. The Committee reports its actions and recommendations to the Board.

Program Design, Philosophy and Objectives

Our compensation and benefits program supports our business and financial objectives. Each component of our program is designed to achieve one or more of the following objectives:

- to support our ability to attract, develop and retain world-class leaders in a controversial industry;
- to align the interests of executives and shareholders;
- to reward performance against pre-defined objectives;
- to support long-term business growth, superior financial results, sustainability efforts, societal alignment and integrity of conduct;
- to promote internal fairness and a disciplined assessment of performance; and
- to align executive incentives with our risk management objectives.

These objectives provide the framework for the various components of compensation and benefits and take into account the specific nature of our business. Together, these elements form an aggregate package that is intended to be appropriately competitive. The design of the overall package encompasses the following features:

- **a mix of fixed and "at-risk" compensation:** the higher the organizational level of the executive, the lower the fixed component of the overall compensation and benefits package;
- **a mix of annual and long-term compensation and benefits** to appropriately reward the achievement of both annual and long-term goals and objectives;
- **a mix of cash and deferred equity compensation** that seeks to discourage actions that are solely driven by the Company's share price at any given time to the detriment of PMI's long-term strategic goals; and
- **an optimal balance of equity compensation** comprising both performance-based and time-based awards, without using stock options, and with significant share ownership requirements, to align the interests of executives and shareholders while remaining mindful of the potentially dilutive nature of equity compensation on shareholder value.

The Committee reviews local market and Peer Group (see page 38) data, but does not target total direct compensation at a specific percentile of the market. Instead, the Committee sets total direct compensation at levels that it believes necessary to attract and retain talented executives in a controversial industry and remain competitive with other consumer product companies.

Components of Our Total Direct Compensation Program

The three components of total direct compensation are base salary, annual performance-based variable cash awards and variable equity awards. We also provide our executives retirement benefits and limited perquisites.

Our total direct compensation program emphasizes pay-for-performance, and the one component that is fixed for a given year, base salary, constitutes the smallest portion of executive compensation for salary grades 26 and above. See page 31 for the target compensation mix of our NEOs in 2017. The key characteristics and key objectives of each component of our compensation program are as follows:

Component	Key Characteristics	Key Objective
Base Salary	▪ Fixed component of compensation reflecting the scope of the executive's role, performance and market pay practices.	▪ Intended to provide sufficient competitive base pay to attract, develop and retain world-class leaders.
Incentive Compensation (IC) Awards	▪ Annual performance-based variable cash award for meeting or exceeding performance goals pre-established by the Committee. ▪ The Company's incentive compensation performance rating is determined by a fixed formula that measures the Company's results against performance targets pre-established and pre-weighted by the Committee (see page 34). The final award is determined by multiplying the executive's base salary by the IC performance rating and by the executive's IC target and individual performance rating.	▪ Intended to motivate executives to meet or exceed our performance goals and strategic objectives in a given fiscal year.
Equity Awards	▪ Long-term variable equity awards contribute to all six of the Committee's program design objectives while minimizing share dilution and protecting against excessive risk taking. ▪ Amount of each award is determined by multiplying the executive's base salary by the target percentage for that salary grade, and then by the executive's individual performance rating for the most recently completed year, plus or minus ten percentage points. – for the February 2018 award, 60% of the award was in the form of PSUs that vest at the end of the 2018-2020 performance cycle in amounts that depend on the degree to which pre-established and pre-weighted performance goals are achieved or exceeded (see pages 35-36). – 40% of the February 2018 award was granted in the form of RSUs that vest at the end of the three-year cycle (assuming continued employment).	▪ Intended to motivate our executives to produce results that enhance sustainable shareholder value and strengthen the Company over the long term.

Target Compensation Mix

Other than the CEO, all of our NEOs are in salary grades 25 and 26. Our CEO is the only employee in salary grade 28, and no employee is in salary grade 27. The target compensation mix for 2017 and for 2018 is shown in the following chart:

In February 2018, the Committee granted PSUs for the 2018-2020 performance cycle and RSUs. It also established performance targets for the 2018 annual incentive compensation awards that are payable in February 2019. Award targets as a percentage of base salary for our CEO and our named executive officers are as follows:

	2018 Cash Incentive Target as % of Base Salary [1]	2018-20 PSUs Target as % of Base Salary (60% of total Equity Award) [2]	2018 RSUs Target as % of Base Salary (40% of total Equity Award) [3]
André Calantzopoulos (CEO)	200%	360%	240%
Marc S. Firestone	125%	165%	110%
Martin G. King	100%	105%	70%
Jacek Olczak	125%	165%	110%
Miroslaw Zielinski	125%	165%	110%

(1) Possible award range is between 0% and 225% of target.

(2) Possible award grant range is between 0% and 150% of target; between 0% and 200% of PSUs granted may vest, depending on performance versus criteria established at the time of grant.

(3) Possible award grant range is between 0% and 150% of target.

Use of Equity Awards Versus Stock Options: Equity awards are made in the form of RSUs and PSUs, rather than stock options, because these forms of awards:

- establish a relationship between our cost and the value ultimately delivered to our executives that is more direct and more visible than is the case with stock options; and
- require the use of substantially fewer shares than stock options to deliver equivalent value, resulting in an annual Company run rate (the sum of all director stock awards and RSUs granted during the period, plus the number of all PSUs vested during the period, divided by the weighted average number of shares outstanding during the period) in 2017 of 0.08% and a total 2017 year-end overhang (number of unvested RSUs plus unvested PSUs at target as a percentage of all shares outstanding at year-end) of 0.29%.

Our run rate and overhang each compares favorably to those of our Peer Group.

2017 Company Performance and Targets

The Committee determined the 2017 cash incentive award performance rating based on 2017 results versus performance metrics pre-established by the Committee and defined on page 34. Each of the financial targets set by the Committee reflected appropriately ambitious performance goals.

2017 Results: In 2017, we delivered consistently strong results versus 2016 results on our key performance target metrics, with net revenues growth exceeding the highest level we have achieved since our spin-off in 2008, reflecting a landmark year for our RRP, *IQOS.* We fell marginally short of ambitious adjusted OCI and adjusted diluted EPS growth targets, reflecting an unfavorable pricing environment in Russia, severe volume contraction in Saudi Arabia following a disruptive excise tax increase that doubled retail prices, as well as additional investments behind *IQOS*. Favorable pricing and judicious cost management in our combustible business also played an important role.

Share of Top 30 OCI Markets: We registered a growing or stable cigarette market share in 16 of our top 30 OCI markets, below our target of 18 markets. Our cigarette market share, excluding China and the U.S., was essentially stable in 2017. *Marlboro* reached a share of the cigarette market of 9.7%, excluding China and the U.S. Heated tobacco units for *IQOS* reached 0.8% of the total international tobacco market, excluding China and the U.S., an increase of 0.6 percentage points from 2016.

Net Revenues: Net revenues of $28.7 billion reflected constant currency growth of 9.4%, above our target of 8.1%. This result was driven by a favorable pricing variance across all Regions and the strong performance of *IQOS*.

Adjusted OCI: Adjusted OCI of $11.8 billion reflected constant currency growth of 7.4%, below our target of 8.7% growth, as stronger-than-expected revenue growth was partially offset by negative margin contribution from *IQOS* device discounts, necessary in the introductory phase, additional investment in RRPs, and the impact of volume contraction in the high margin market of Saudi Arabia.

Adjusted Diluted EPS: Our 10.0% adjusted diluted EPS growth, excluding currency, fell below our ambitious target of 11.2%, due to the same factors that impacted adjusted OCI.

Operating Cash Flow: Operating cash flow, excluding currency, increased 5.5% above last year, above our target of 3.8%.

The Committee also rated our performance on the following key strategic initiatives that the Committee pre-set in February 2017, based on a ratings range of 0-70 if key initiatives were missed, 80-120 if they were mostly or all accomplished, and 130-150 if they were mostly or all exceeded:

- the continued commercialization of *IQOS* and other innovative RRP platforms achieving planned growth and conversion targets;
- the continued development of our combustible brand portfolio, including *Marlboro*, and a focused stream of innovations achieving the performance targets for key growth segments while fully optimizing resources supporting combustible products;
- accelerated progress in the transformation to an organization that is consumer-centric and digitally driven, that enhances critical capabilities, and acts in an agile, entrepreneurial, and collaborative manner;
- continued optimization of our global value chain in the combustible products business while building a cost effective and agile value chain for RRPs;
- rapid progress towards establishing credibility and trust to accelerate the realization of our vision of a smoke-free world and our progress towards achieving our sustainability objectives and commitments;
- significant progress in obtaining regulatory and fiscal measures that accelerate consumer conversion from combustible cigarettes to RRPs and significant progress in our Modified Risk Tobacco Application and our Premarket Tobacco Product Application to the U.S. Food and Drug Administration;
- continued progress in nurturing and developing our talent pool and future leadership, and further increasing diversity in accordance with key performance targets; and
- maintaining and enhancing our robust control, compliance and integrity programs.

As a result of this evaluation, the Committee concluded that the Company had accomplished all of its strategic objectives and it assigned a strategic initiatives rating of 115.

IC Performance Rating: The Committee employed the following pre-established matrix that assigned a rating of 100 correlating to attaining the targeted performance. Ratings for each factor can range from 0 to 150. The percentages indicated for net revenues, adjusted OCI, adjusted diluted EPS, and operating cash flow represent growth versus 2016 results. Actual results are shown in the blue boxes.

2017 Performance Versus Target

Rating:	0	40	...	60	71	75	79	80	90	Target 100	110	120	130	132	140	150
Measure [a]																
Market Share (Top 30 OCI [b] Markets)	<8	8		10				14	16	18	20	22	24		27	30
Net Revenues [c]	<5.7%	5.7%		6.5%				7.3%	7.7%	8.1%	8.5%	8.9%	9.3%	9.4%	9.6%	9.9%
Adjusted OCI [d]	<6.0%	6.0%		6.9%	7.4%			7.8%	8.2%	8.7%	9.2%	9.7%	10.1%		10.5%	11.0%
Adjusted Diluted EPS [e]	<7.9%	7.9%		9.0%		9.8%	10.0%	10.1%	10.7%	11.2%	11.6%	12.2%	12.7%		13.2%	13.7%
Operating Cash Flow [f]	<(2.5)%	(2.5)%		(1.2)%				1.2%	2.5%	3.8%	4.9%	5.5%	6.2%		6.8%	8.0%
Strategic Initiatives	< Key initiatives missed > 0 - 70							< Mostly / all accomplished > 80 - 120					< Mostly / all exceeded > 130 - 150			

[a] For a reconciliation of non-GAAP to the most directly comparable GAAP financial measures see Exhibit B to this proxy statement.
[b] Number of top 30 OCI markets in which share was growing or stable.
[c] Excluding excise taxes, currency and acquisitions.
[d] Excluding currency and acquisitions.
[e] Excluding currency.
[f] Net cash provided by operating activities, excluding currency.

Our performance rating for each factor was weighted in accordance with the pre-established formula shown below to produce an overall IC performance rating of 101, which the Committee rounded down to 100.

2017 IC Performance Rating

Measure	Performance Rating	Weight	Weighted Performance Rating
Market Share (Top 30 OCI Markets)	90	15%	13.50
Net Revenues	132	15%	19.80
Adjusted OCI	71	15%	10.65
Adjusted Diluted EPS	79	20%	15.80
Operating Cash Flow	120	20%	24.00
Strategic Initiatives	115	15%	17.25

Based on its performance against the pre-established targets, the Company earned an IC performance rating for 2017 of:

2017 100 *vs.* 2016 **110** *vs.* 2015 **130**

In addition to certifying the IC performance rating, the Committee rated each executive officer's personal performance during 2017. Individual ratings can range from 0% to 150%. To assure a disciplined, fair and equitable assessment, individual performance ratings were calibrated to reflect each executive's contribution to the overall results of the Company. Application of the following formula then determined the cash incentive award for each named executive officer in 2017.

Incentive Compensation Award Formula

IC Award	=	Base Salary	X	Individual Target % (varies by grade)	X	IC Performance Rating (0%-150%)	X	Individual Rating (0%-150%)

2018 Incentive Compensation (IC) Awards: For 2018, the Committee retained the six performance metrics used in 2017 – except it changed adjusted operating companies income to adjusted operating income, consistent with our financial reporting – and it set performance targets for those metrics. Each of the 2018 performance targets reflects the Company's 2018 budget approved by the Board, with a performance factor of 100 equating to achieving budgeted results. The Committee also established key strategic initiatives to measure our performance. The full range of potential results is reflected in a pre-established matrix that will generate an overall IC performance rating for 2018. In addition to pre-establishing a formula for grading our results against the performance factors, the Committee pre-established the weights for each factor.

Long-Term Equity Awards: The Committee establishes the equity award target opportunity for our CEO and each NEO based on Company targets by salary grade, which are unchanged from the levels established in 2014, and the individual's performance rating for this award. The Committee grants the individual 60% of the award opportunity in the form of performance-based PSUs and 40% in the form of time-based RSUs.

Equity Award Grant Formula

Equity Award Target Opportunity (60% PSU & 40% RSU)	=	Base Salary	X	Individual Target % (varies by grade)	X	Individual Rating (0%-150%)

PSU Performance Metrics: The Committee established three metrics for determining the number of PSUs that will vest at the end of the 2018-2020 performance cycle. The first measure, which is weighted 50%, is the Company's Total Shareholder Return during the three-year cycle relative to the Peer Group and on an absolute basis. The second measure, which is weighted 30%, is the Company's currency-neutral compound annual adjusted operating income growth rate over the cycle, excluding acquisitions. The final measure, which is weighted 20%, is the Company's performance against specific RRP volume measures for PMI's transformation to RRPs during the final year of the performance cycle. The Committee believes that these performance measures are the most appropriate factors in terms of incentivizing senior management to produce results that enhance sustainable shareholder value and strengthen the Company over the long term.

The aggregate of the weighted performance factors for the three metrics will determine the percentage of PSUs that vest at the end of the three-year performance cycle. Each vested PSU entitles the participant to one share of common stock. An aggregate weighted PSU performance factor of 100 will result in the targeted number of PSUs being vested. The minimum percentage of PSUs that can vest is zero, while the maximum is twice the targeted number.

TSR Performance Factor. The TSR performance factor, which determines 50% of the PSU payout, will be calculated based on the Company's three-year rolling TSR versus the Company's Peer Group (see page 38). To adjust for market volatility, the TSR calculations will be based on the average of the 20 trading days immediately before the start of the performance cycle and the last 20 trading days of the performance cycle. To reflect that several members of the Peer Group are primarily listed on foreign stock exchanges and report their financial results in different currencies, the Company will measure the TSRs for those companies by using the price performance of their publicly traded American Depository Receipts ("U.S. ADRs"). The use of U.S. ADRs will avoid the need to adjust the TSRs of non-U.S. Peers to reflect currency changes, and will increase transparency by enabling shareholders to directly observe such TSRs. The TSR performance factor for the 2018-2020 performance cycle will be calculated relative to the Peer Group in accordance with the following schedule, with linear interpolation for results between the 25th and 85th percentiles:

	PMI TSR as a Percentile of Peer Group	Performance Factor
Below Threshold	Below 25th percentile	0%
Threshold	25th percentile	50%
Target	50th percentile	100%
Maximum	85th percentile and above	200%

In addition to evaluating our relative TSR, if the Company's absolute TSR for the performance cycle is zero or less, the Committee will cap the TSR performance factor at target or less. This approach would limit rewards for a performance cycle in which we performed in line with, or better than, the Peer Group, but shareholders did not realize a positive return.

Adjusted Currency-Neutral Operating Income Growth Performance Factor. The adjusted operating income growth performance factor for the 2018-2020 performance cycle, which determines 30% of the PSU performance factor, will be the compound annual growth rate of the Company's adjusted operating income (excluding currency and acquisitions) as shown below, with linear interpolation for results between the percentages shown:

	Three-Year Adjusted OI CAGR (excluding currency and acquisitions)	
	Result	Performance Factor
Below Threshold	<4%	0%
Threshold	4%	50%
Target	7.5%	100%
Maximum	11%	200%

Transformation Performance Factor. The Board, the Committee and management consider the success of the Company's RRPs to be vital to the Company's long-term success. Accordingly, the Committee has established specific RRP shipment volume targets that will account for 20% of the PSU performance factor over the 2018-2020 cycle. The Committee established the targets at what it believes are appropriately ambitious levels that reflect the Board-approved three-year plan.

PSU Vesting Mechanics. At the end of the three-year performance cycle, the Company's performance factor for each of the three metrics will be calculated and then weighted, resulting in an overall PSU performance factor from 0-200%. This percentage will be applied to the executive's target PSU award to determine the number of shares of common stock to be issued to the executive.

The Committee may adjust the PSU performance metrics if appropriate to reflect significant unplanned acquisitions or dispositions.

2017 Individual Performance and Compensation Decisions

André Calantzopoulos, Chief Executive Officer: The Committee assigned Mr. Calantzopoulos an individual performance rating for 2017 of 105% for the incentive compensation award and a rating of 115% for the equity award. As a result, Mr. Calantzopoulos received an annual incentive compensation award of CHF 3,177,420, or $3,377,883 based on the conversion rate on the date of the award. Mr. Calantzopoulos's equity award was split into 44,100 RSUs and 66,140 PSUs. The Committee did not increase Mr. Calantzopoulos's base salary for 2018.

Mr. Calantzopoulos's performance rating for the incentive compensation award reflects the Committee's view that under his capable leadership the Company delivered a landmark performance for *IQOS* and a strong financial performance in 2017 in the face of significant challenges in Russia and Saudi Arabia and increased investments behind *IQOS*. The Company delivered its highest level of net revenues growth since it became independent in 2008. The Company also made excellent progress on its strategic initiatives as described on page 33.

Mr. Calantzopoulos's individual performance rating for the equity award reflects that the Company achieved important milestones in the development of RRPs on all fronts: product development, commercialization, scientific substantiation, third-party engagement and the regulatory and fiscal environment. Mr. Calantzopoulos's equity rating also reflects his decisive leadership in the Company's external and internal transformation to an organization that is consumer-centric and digitally driven and well on the way to a future built on smoke-free products.

Other Named Executive Officers:

Marc S. Firestone:* Mr. Firestone served as Senior Vice President and General Counsel in 2017. His incentive compensation and equity awards were each based on an individual performance rating of 115% and recognize his widespread contributions to the Company's results and inspiring leadership of our Law and Corporate Affairs Departments. These ratings reflect his critical role in numerous regulatory, litigation and compliance strategic initiatives, notably his contribution to our continued progress in the regulatory and fiscal framework for RRPs and his insightful guidance of our external affairs initiatives and our strong compliance culture.

Martin G. King:* Mr. King served as President of our Asia Region in 2017. His incentive compensation award and his equity award were each based on an individual performance rating of 115%. Shipment volume in Asia was flat, mainly reflecting: lower cigarette shipment volume in Indonesia, Japan, Korea, Pakistan, and the Philippines, fully offset by higher heated tobacco unit shipment volume, mainly in Japan and Korea. Net revenues and adjusted OCI in the Region increased significantly by 25.9% and 33.7%, respectively, on a constant currency basis. Mr. King's ratings also reflect the resounding success of *IQOS* in Japan and Korea.

Jacek Olczak: Mr. Olczak served as our Chief Financial Officer in 2017. His incentive compensation award and his equity award were each based on an individual performance rating of 115%. These ratings recognize Mr. Olczak's exceptional leadership and contributions to our financial results, notably our cash flow performance, the management of our balance sheet, the attractive terms of multiple bond issuances in the capital markets, and the continued focus on process change optimization in the context of our RRP business transformation, as well as effective productivity and cost savings initiatives. Finally, he assured timely and transparent communication of our strategies and results to the investment community and played a critical role in the implementation of numerous cross-functional strategic initiatives. In connection with his appointment as Chief Operating Officer, effective January 1, 2018, the Committee increased Mr. Olczak's base salary by CHF 45,994, to CHF 1,020,006 ($1,031,720 based on the conversion rate on the date of the Committee's decision).

Miroslaw Zielinski:* Mr. Zielinski served as President, Reduced-Risk Products in 2017. His incentive compensation and equity awards were each based on an individual performance rating of 115%. These ratings reflect his invaluable strategic contributions to the development and commercialization of RRPs, his critical role in the successful roll-out of *IQOS*, the significant progress made in the development and commercialization of our other RRP platforms, the significant progress in scientific substantiation of our RRP platforms, the implementation of highly innovative route-to-market models, the development of novel adult consumer engagement platforms, and his critical contributions to the Company's long-term strategies.

* Effective January 1, 2018, Mr. Firestone was appointed President, External Affairs & General Counsel, Mr. King was appointed Chief Financial Officer, and Mr. Zielinski was appointed President, Science & Innovation. No change was made to their base salaries in connection with the appointments.

Additional Compensation Policies and Processes

Peer Group: The Committee uses a single customized peer group both to benchmark its compensation programs and to compare its TSR when calculating the Company's PSU performance factor. The following 19 companies, selected in 2015 on the basis of their global presence, focus on consumer products, and similarity to the Company in terms of net revenues and market capitalization, constitute our Peer Group:*

- Altria Group, Inc.
- Anheuser-Busch InBev SA/NV
- British American Tobacco p.l.c.
- The Coca-Cola Company
- Colgate-Palmolive Co.
- Diageo plc
- Heineken N.V.
- Imperial Brands PLC
- Japan Tobacco Inc.
- Johnson & Johnson
- Kimberly-Clark Corporation
- The Kraft Heinz Company
- McDonald's Corp.
- Mondelēz International, Inc.
- Nestlé S.A.
- PepsiCo, Inc.
- The Procter & Gamble Company
- Roche Holding AG
- Unilever NV and PLC

*Reynolds American Inc. was removed from the Peer Group following its acquisition by British American Tobacco p.l.c. on July 25, 2017.

Factors Mitigating Against Possible Adverse Consequences of Our Compensation Program: Several elements of our compensation program protect against the possibility that compensation incentives might cause employees to take risks that could materially adversely affect the Company. First, we do not have different incentive compensation award programs for particular business units or functions. Our annual incentive compensation and equity awards apply to management employees worldwide, and the award pools for each of those programs are based on company-wide performance measures that cannot be unduly influenced by a particular business unit or group. Second, all employees are rated on the same scale within general guidelines set by the Committee. These ratings are based on pre-established individual performance criteria so that no particular group of employees will all receive the same rating. Third, both the company-wide and the individual performance measures are subject to maximum levels that limit the amount of awards.

Furthermore, with respect to the long-term equity component of our compensation program, RSUs generally vest only after three years from the date of grant, and PSUs only vest to the extent pre-established targets are achieved over a three-year performance cycle. In addition, our executives are subject to share ownership requirements and comprehensive anti-hedging, anti-pledging and clawback policies described in the following four sections.

Share Ownership Requirements: The Company has for several years set share ownership requirements for executives at levels that are among the highest for publicly owned companies. Unvested units of the Company's PSU equity award do not count towards the ownership requirement. The required share ownership level is shown below:

NEOs	Multiple of base salary
Salary grade 28	15 times
Salary grade 27	9 times
Salary grade 26	6 times
Salary grade 25	5 times

Executives are required to meet their ownership levels within five years of joining PMI or within three years of a promotion. The Committee reviews each executive officer's compliance with the requirements on an annual basis. As of December 31, 2017, all of our named executive officers met or exceeded the applicable requirements.

The Company also imposes share retention requirements on non-employee directors (see page 25).

Post-Termination Share Holding Period: In addition to these longstanding and rigorous share ownership requirements, the Committee has determined that if any equity award held by an executive officer under the 2017 Performance Incentive Plan vests on an accelerated basis upon such officer's termination of employment for any reason other than death or disability, the shares acquired must be held for at least one year following such termination.

Anti-Hedging and Anti-Pledging Policies: The Company's anti-hedging policy prohibits directors, executive officers and other designated employees from purchasing any financial instrument or otherwise engaging in any transaction that is designed to hedge or offset any decrease in the market value of the Company's shares held by them directly or indirectly, including prepaid variable forward contracts, equity swaps, collars and exchange funds, and other transactions with comparable economic consequences. The foregoing does not prohibit trading in broad-based index funds.

Directors, executive officers and designated employees are also prohibited from engaging in short sales related to the Company's shares.

The Company's anti-pledging policy prohibits directors and executive officers from pledging the Company's shares, including holding shares in a margin account.

Clawback Policy Regarding the Adjustment or Recovery of Compensation: Under our Board-approved policy and as set forth in each named executive officer's equity award agreement, if the Board or an appropriate Committee of the Board determines that, as a result of fraud, misconduct, a restatement of our financial statements, or a significant write-off not in the ordinary course affecting our financial statements, an executive has received more compensation than would have otherwise been paid, the Board or Committee shall take action as it deems necessary or appropriate to address the events that gave rise to the fraud, misconduct, write-off or restatement and to prevent its recurrence. Such action may include, to the extent permitted by applicable law, requiring partial or full reimbursement of any incentive compensation paid to the executive, causing the partial or full cancellation of equity awards, adjusting the future compensation of such executive, and dismissing or taking legal action against the executive, in each case as the Board or Committee determines to be in the best interests of the Company.

Role of the Committee in Executive Compensation: The role of the Committee is to discharge the Board's responsibilities relating to executive compensation matters. In this regard, the Committee is responsible for the development and administration of our executive compensation and benefits program, in furtherance of which the Committee has the authority and responsibility to:

- review and approve corporate goals and objectives relevant to the compensation of the CEO, to evaluate the performance of the CEO in light of these goals and objectives, and determine and approve the compensation of the CEO based on this evaluation;
- set senior executive compensation and make recommendations to the Board with respect to incentive compensation plans and equity-based plans, administer and make awards under such plans and review the cumulative effect of its actions;
- review and approve compensation of all executive officers;
- oversee the management of risks related to compensation design and payout;
- monitor compliance by executives with the Company's share ownership requirements; and
- review and assist the Board with the development of executive succession plans.

In fulfilling these duties, the Committee is supported by our Senior Vice President, People & Culture and his department, the Committee's executive compensation consultant and other outside legal, financial and compensation counsel, where appropriate.

Role of the CEO in Executive Compensation: Our CEO makes recommendations to the Committee with respect to the compensation of executive officers other than himself. The Committee reviews and discusses the compensation of these officers with the CEO, and the Committee makes the final compensation decisions with respect to these executive officers. The CEO makes no recommendation and has no role in setting any aspect of his own compensation; he does not attend any Committee meetings when any element of his compensation is discussed.

Role of Compensation Consultant: During 2017, the Committee retained the services of Frederic W. Cook & Co., an independent compensation consulting firm, to advise the Committee with respect to the compensation of the CEO and other executives. In addition, Cook provided the Committee with input into the design of our compensation and benefit programs and evolving regulatory and executive compensation market trends.

Consistent with the requirements of its Charter, the Committee has reviewed and considered:

- the services the senior advisor of the Cook consulting team performed for the Committee during 2017;
- the fees paid by the Company as a percentage of Frederic W. Cook & Co.'s total revenue;
- the senior advisor's ownership of the Company's stock (he has no such ownership);
- the conflicts of interest policies and procedures of Frederic W. Cook & Co.;
- the relationships among PMI, its executive officers and the Committee members, and Frederic W. Cook & Co.; and
- the quality and objectivity of the services provided to the Committee.

Other than obtaining advice on executive and director compensation, the Company has no relationship with the senior advisor or his firm, and the Committee regards them as independent.

Compensation and Leadership Development Committee Interlocks and Insider Participation: No member of the Committee at any time during 2017 had any relationship with the Company that would be required to be disclosed as a related person transaction or as a compensation committee interlock.

Policy with Respect to Qualifying Compensation for Deductibility: Our ability to deduct compensation paid to individual officers who are covered by Section 162(m) of the U.S. Internal Revenue Code is generally limited to $1.0 million annually. However, we do not expect any impact from Section 162(m) because none of our covered officers are or are currently expected to be on our U.S. payroll.

Compensation and Leadership Development Committee Report

The Compensation and Leadership Development Committee has reviewed and discussed the Compensation Discussion and Analysis contained on pages 29 through 54 of this proxy statement with management. Based on its review and discussions with management, the Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

Compensation and Leadership Development Committee:

Werner Geissler, Chair
Harold Brown
Lucio A. Noto
Robert B. Polet
Stephen M. Wolf

The information contained in the report above shall not be deemed to be "soliciting material" or to be "filed" with the Securities and Exchange Commission or subject to Regulation 14A or 14C or the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent specifically incorporated by reference therein.

Summary Compensation Table

The following table sets forth information concerning the cash and non-cash compensation awarded by PMI to our named executive officers: the Chief Executive Officer, Chief Financial Officer and the three most highly compensated officers serving as executive officers on December 31, 2017. These amounts are based on the compensation earned by these officers while employed by PMI for each year.

Name and Principal Position	Year	Salary[1] ($)	Stock Awards[2] ($)	Non-Equity Incentive Plan Compensation[3] ($)	Change in Pension Value[4] ($)	All Other Compensation[5] ($)	Total Compensation ($)
André Calantzopoulos,	2017	1,530,834	11,243,223	3,258,558	2,759,467	185,419	18,977,501
Chief Executive Officer	2016	1,501,552	11,092,956	3,507,393	1,839,863	182,561	18,124,325
	2015	1,538,848	8,140,289	4,640,861	1,828,411	180,570	16,328,979
Marc S. Firestone,	2017	1,031,766	3,491,027	1,503,702	798,471	23,391	6,848,357
President, External Affairs	2016	1,015,680	3,157,371	1,552,548	662,383	19,238	6,407,220
& General Counsel	2015	1,039,253	3,033,480	1,801,209	539,493	18,168	6,431,603
Martin G. King,	2017	856,111	1,833,565	996,575	2,087,765	511,613	6,285,629
Chief Financial Officer	2016	842,239	1,507,449	1,024,674	1,676,224	1,043,628	6,094,214
	2015	860,274	1,395,384	1,080,723	978,367	1,451,476	5,766,224
Jacek Olczak,	2017	987,485	3,474,914	1,435,894	1,415,464	17,620	7,331,377
Chief Operating Officer	2016	971,563	3,286,679	1,545,518	1,295,084	20,746	7,119,590
	2015	994,271	2,652,546	1,796,453	1,113,850	15,972	6,573,092
Miroslaw Zielinski,	2017	958,037	2,323,443	1,393,139	1,487,607	5,185	6,167,411
President, Science	2016	943,738	2,112,721	1,298,724	1,156,579	14,960	5,526,722
& Innovation	2015	964,144	1,785,368	1,514,641	1,057,675	44,805	5,366,633

(1) The 2017 base salaries are converted to U.S. dollars using an average conversion rate for 2017 of $1.00 = 0.9849 CHF. Average conversion rates for 2016 and 2015 were $1.00 = 0.9852 CHF and 0.9627 CHF, respectively. Year-to-year variations in the salaries and other amounts reported for our officers result in part from year-to-year variations in exchange rates.

(2) The amounts shown in this column represent the aggregate grant date fair value of stock awards computed in accordance with FASB ASC Topic 718. The number of shares awarded in 2017, together with the grant date values of each award, is disclosed in the Grants of Plan-Based Awards During 2017 table on page 44.

The assumptions used in the calculation of the grant date fair value of PSUs awarded in 2017 are described in Note 9 to the consolidated financial statements contained in our 2017 Form 10-K. The table below provides the grant date fair value of PSUs awarded in 2017 for each of our NEOs assuming the maximum level performance is achieved.

Name	2017 PSUs Maximum Value at 200% ($)
André Calantzopoulos	14,255,976*
Marc S. Firestone	4,426,618
Martin G. King	2,324,542
Jacek Olczak	4,406,186
Miroslaw Zielinski	2,946,538

* As set forth in the 2012 Performance Incentive Plan, the maximum payment to any participant upon vesting with respect to 2017 PSUs will not exceed $12 million; such limitation includes the fair market value of shares earned and dividend equivalents for such shares.

(3) The 2017, 2016 and 2015 annual incentive compensation awards are converted to U.S. dollars using year-end conversion rates of $1.00 = 0.9751 CHF, 1.0185 CHF and 0.9924 CHF, respectively.

(4) The amounts shown reflect the change in the present value of benefits under the pension plans listed in the Pension Benefits table. The increases in change in present pension value in 2017 for the pension plans in Switzerland were mainly driven by the increases in base salaries in 2017 and the impact of exchange rates between USD and CHF. For the U.S. plans the increase is driven by the mandated use of lower interest rates to discount projected future benefits. Such increases would reverse in the event higher interest rates are used in future periods.

(5) Details of All Other Compensation for each of the named executive officers appear on the following page.

All Other Compensation

Name and Principal Position	Year	International Assignments[a] ($)	Personal Use of Company Aircraft[b] ($)	Car Expenses[c] ($)	Tax Preparation Services[d] ($)	Totals ($)
André Calantzopoulos,	2017	-	149,936	33,960	1,523	185,419
Chief Executive Officer	2016	-	149,114	31,924	1,523	182,561
	2015	-	142,174	36,838	1,558	180,570
Marc S. Firestone,	2017	-	-	13,492	9,899	23,391
President, External Affairs	2016	-	-	8,722	10,516	19,238
& General Counsel	2015	-	-	268	17,900	18,168
Martin G. King,	2017	480,576	-	31,037	-	511,613
Chief Financial Officer	2016	1,013,498	-	30,130	-	1,043,628
	2015	1,438,395	-	13,081	-	1,451,476
Jacek Olczak,	2017	-	-	17,620	-	17,620
Chief Operating Officer	2016	-	-	20,746	-	20,746
	2015	-	-	15,972	-	15,972
Miroslaw Zielinski,	2017	-	-	1,268	3,917	5,185
President, Science & Innovation	2016	-	-	11,407	3,553	14,960
	2015	-	-	33,935	10,870	44,805

(a) The amounts shown include payments or reimbursements made pursuant to PMI's Long-Term Assignment Guidelines, which are designed to facilitate the relocation of employees to positions in other countries by covering expenses over and above those that the employees would have incurred had they remained in their home countries. International assignments and relocations provide a key means for the Company to meet its global employee development and resource needs, and the Long-Term Assignment Guidelines ensure that employees have the necessary financial support to help meet cost differences associated with these assignments. The Long-Term Assignment Guidelines cover housing, home leave, relocation, education expenses and tax equalization, as well as other program allowances. Currently, there are approximately 1,020 participants in the program.

(b) For reasons of security and personal safety, PMI requires Mr. Calantzopoulos to use Company aircraft for all travel. The amounts shown are the incremental cost of personal use of Company aircraft to PMI and include the cost of trip-related crew hotels and meals, in-flight food and beverages, landing and ground handling fees, hourly maintenance contract costs, hangar or aircraft parking costs, fuel costs based on the average annual cost of fuel per hour flown, and other smaller variable costs. Fixed costs that would be incurred in any event to operate Company aircraft (e.g., aircraft purchase costs, depreciation, maintenance not related to personal trips, and flight crew salaries) are not included. Mr. Calantzopoulos has agreed to reimburse the Company for his personal usage of Company aircraft to the extent that the aggregate incremental cost of such usage exceeds $200,000 per fiscal year; he is responsible for his own taxes on any imputed taxable income resulting from personal use of Company aircraft.

(c) Amounts shown for Mr. Calantzopoulos include the incremental cost of personal use of driver services that PMI provided for reasons of security and personal safety. With respect to Messrs. Calantzopoulos, Firestone, King, Olczak, and Zielinski, amounts include the cost, amortized over a five-year period, of a vehicle, including insurance, maintenance, repairs and taxes. Executives are responsible for their own taxes on any imputed taxable income resulting from car expenses.

(d) The tax preparation services are pursuant to PMI policies that apply to all Swiss payroll-based management employees.

The following are the specific amounts paid by the Company under the Long-Term Assignment Guidelines:

Name and Principal Position	Year	Housing ($)	Home Leave ($)	Relocation ($)	Tax Equalization[a] ($)	Other Program Allowances[b] ($)	Totals ($)
Martin G. King,	2017	364,796	18,300	26,806	-	70,674	480,576
Chief Financial Officer	2016	415,335	20,781	-	506,000	71,382	1,013,498
	2015	259,236	27,174	136,878	943,606	71,501	1,438,395

Amounts that were paid or incurred in currency other than U.S. dollars are converted to U.S. dollars using average conversion rates for 2017 of $1.00 = 0.9849 CHF and $1.00 = 7.7928 HKD.

(a) The tax equalization payments made pursuant to PMI's Long-Term Assignment Guidelines are to ensure that an assignee's income tax liability is approximately the same as if he or she had not accepted a long-term international assignment. Payments for tax equalization often occur in years following the actual tax year. The Company has covered the excess taxes on behalf of Mr. King pursuant to our assignment tax principle.

(b) Other Program Allowances include tax preparation services paid by the Company under the Long-Term Assignment Guidelines.

Grants of Plan-Based Awards During 2017

Name and Principal Position	Grant Date	Estimated Possible Payouts Under Non-Equity Annual Incentive Plan[1] Threshold ($)	Target ($)	Maximum ($)	Estimated Future Payouts Under Equity Incentive Plan[2] Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares of Stock or Units[3] (#)	Grant Date Fair Value of Stock Awards ($)
André Calantzopoulos,	2017	0	3,103,388	6,982,623					
Chief Executive Officer	2/2/2017				31,400	62,800	125,600		7,127,988
	2/2/2017							41,870	4,115,235
Marc S. Firestone,	2017	0	1,307,566	2,942,024					
President, External Affairs	2/2/2017				9,750	19,500	39,000		2,213,309
& General Counsel	2/2/2017							13,000	1,277,718
Martin G. King,	2017	0	866,582	1,949,810					
Chief Financial Officer	2/2/2017				5,120	10,240	20,480		1,162,271
	2/2/2017							6,830	671,294
Jacek Olczak,	2017	0	1,248,605	2,809,361					
Chief Operating Officer	2/2/2017				9,705	19,410	38,820		2,203,093
	2/2/2017							12,940	1,271,821
Miroslaw Zielinski,	2017	0	1,211,426	2,725,709					
President, Science &	2/2/2017				6,490	12,980	25,960		1,473,269
Innovation	2/2/2017							8,650	850,174

(1) The estimated possible payouts are converted to U.S. dollars using the conversion rate on December 29, 2017, of $1.00 = 0.9751 CHF. The numbers in these columns represent the range of potential cash awards as of the time of the grant. Actual awards paid under these plans for 2017 are found in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table.

(2) On February 2, 2017, each of our named executive officers received 60% of his targeted equity award in the form of PSUs. The target number of PSUs awarded was based on the grant date fair market value, determined by using the average of the high and the low trading prices of PMI stock on that date of $98.286. The closing price of PMI stock on that date was $98.84. These equity awards are scheduled to vest on February 19, 2020, to the extent performance goals pre-established and pre-weighted by the Committee are achieved. For the 2017-2019 performance cycle the performance goals are based on TSR, compound annual adjusted OCI growth rate and RRP volume measure. Dividend equivalents will be payable at vesting only on the earned shares.

The numbers in these columns represent the potential number of PSUs that can vest at three different levels of performance. Threshold assumes achievement of a threshold performance level for each of the three pre-established performance goals, resulting in the vesting of 50% of the target number of PSUs. The vesting percentage can be zero if none of the threshold levels are achieved.

(3) On February 2, 2017, each of our named executive officers received 40% of his targeted equity award in the form of RSUs. The number of RSUs awarded was based on the grant date fair market value, determined by using the average of the high and the low trading prices of PMI stock on that date of $98.286. The closing price of PMI stock on that date was $98.84. These equity awards are scheduled to vest on February 19, 2020. Dividend equivalents are payable on a quarterly basis throughout the vesting restriction period.

On February 8, 2018, the following named executive officers received equity awards that will vest (subject to the conditions of the awards) on February 17, 2021, as follows: Mr. Calantzopoulos, 44,100 RSUs, 66,140 PSUs; Mr. Firestone, 13,630 RSUs, 20,440 PSUs; Mr. King, 7,190 RSUs, 10,780 PSUs; Mr. Olczak, 13,010 RSUs, 19,520 PSUs; and Mr. Zielinski, 12,630 RSUs, 18,940 PSUs. The amount of these awards was determined based on 2017 individual performance and targeted award levels by salary grade and then split between PSUs (60%) and RSUs (40%).

Outstanding Equity Awards as of December 31, 2017

		Stock Awards			
		RSUs		PSUs	
Name and Principal Position	Stock Award Grant Date[1]	Number of Units that Have not Vested[2] (#)	Market Value of Units that Have not Vested[3] ($)	Number of Unearned Units that Have not Vested[4] (#)	Market or Payout Value of Unearned Units that Have not Vested[3] ($)
André Calantzopoulos, Chief Executive Officer	2/2/2017			62,800	6,634,820
	2/2/2017	41,870	4,423,566		
	2/4/2016			71,040	7,505,376
	2/4/2016	47,360	5,003,584		
	2/5/2015	98,940	10,453,011		
Marc S. Firestone, President, External Affairs & General Counsel	2/2/2017			19,500	2,060,175
	2/2/2017	13,000	1,373,450		
	2/4/2016			20,220	2,136,243
	2/4/2016	13,480	1,424,162		
	2/5/2015	36,870	3,895,316		
Martin G. King, Chief Financial Officer	2/2/2017			10,240	1,081,856
	2/2/2017	6,830	721,590		
	2/4/2016			9,650	1,019,523
	2/4/2016	6,440	680,386		
	2/5/2015	16,960	1,791,824		
Jacek Olczak, Chief Operating Officer	2/2/2017			19,410	2,050,667
	2/2/2017	12,940	1,367,111		
	2/4/2016			21,050	2,223,933
	2/4/2016	14,030	1,482,270		
	2/5/2015	32,240	3,406,156		
Miroslaw Zielinski, President, Science & Innovation	2/2/2017			12,980	1,371,337
	2/2/2017	8,650	913,873		
	2/4/2016			13,530	1,429,445
	2/4/2016	9,020	952,963		
	2/5/2015	21,700	2,292,605		

(1) These awards vest according to the following schedule:

Grant Date	Grant Type	Vesting Schedule
2/2/2017	PSU	Award vests between 0-200% on 2/19/2020 upon certification of the achievement of performance goals pre-established by the Committee.
2/2/2017	RSU	100% of award vests on 2/19/2020.
2/4/2016	PSU	Award vests between 0-200% on 2/20/2019 upon certification of the achievement of performance goals pre-established by the Committee.
2/4/2016	RSU	100% of award vests on 2/20/2019.
2/5/2015	RSU	100% of award vested on 2/21/2018.

Upon normal retirement or upon separation from employment by mutual agreement after reaching age 58, outstanding RSUs will vest immediately, while outstanding PSUs will vest at the end of the relevant three-year performance cycle to the extent performance goals are met. Upon death or disability, all outstanding RSUs will vest and all outstanding PSUs will vest at 100% of target. In all other cases, the extent of vesting or forfeiture will be subject to the Committee's discretion.

(2) Dividend equivalents paid in 2017 on outstanding RSUs for each of our named executive officers were as follows: Mr. Calantzopoulos, $849,896; Mr. Firestone, $299,841; Mr. King, $143,097; Mr. Olczak, $276,756; and Mr. Zielinski, $182,717.

(3) Based on the closing market price of PMI common stock on December 29, 2017, of $105.65.

(4) Amount assumes target performance goals are achieved. The actual number of units that vest will range between 0% and 200% depending on actual performance during the performance cycle.

Stock Option Exercises [1] and Stock Vested During 2017

Name and Principal Position	Stock Awards	
	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
André Calantzopoulos, Chief Executive Officer	94,870	9,715,067
Marc S. Firestone, President, External Affairs & General Counsel	43,510	4,455,598
Martin G. King, Chief Financial Officer	21,400	2,191,446
Jacek Olczak, Chief Operating Officer	38,230	3,914,905
Miroslaw Zielinski, President, Science & Innovation	24,260	2,484,321

[1] The Company does not issue stock options.

On February 21, 2018, vesting restrictions lapsed for the following RSUs granted in 2015: Mr. Calantzopoulos, 98,940 shares; Mr. Firestone, 36,870 shares; Mr. King, 16,960 shares; Mr. Olczak, 32,240 shares; and Mr. Zielinski, 21,700 shares.

Pension Benefits

The Pension Benefits table and the Non-Qualified Deferred Compensation table below generally reflect amounts accumulated as a result of the NEOs' service over their full careers with us, our prior parent company and affiliates. The increments related to 2017 are reflected in the Change in Pension Value column of the Summary Compensation Table on page 42. Our plans providing pension benefits are described below in the Pension Benefits table, and our defined contribution plans are described in the Non-Qualified Deferred Compensation table on page 51.

Name and Principal Position	Plan Name	Number of Years of Credited Service[1] (#)	Present Value of Accumulated Benefits[2][3] ($)	Payments During Last Fiscal Year ($)
André Calantzopoulos, Chief Executive Officer	Pension Fund of Philip Morris in Switzerland	36.00	17,458,429	-
	IC Pension Plan of Philip Morris in Switzerland	12.92	2,752,351	-
	Supplemental Plan of Philip Morris in Switzerland	12.00	7,881,902	-
Marc S. Firestone, President, External Affairs & General Counsel	Pension Fund of Philip Morris in Switzerland	5.75	2,213,074	-
	IC Pension Plan of Philip Morris in Switzerland	4.92	205,377	-
	Supplemental Plan of Philip Morris in Switzerland	5.75	988,007	-
Martin G. King, Chief Financial Officer	Pension Fund of Philip Morris in Switzerland	12.58	4,107,789	-
	IC Pension Plan of Philip Morris in Switzerland	11.92	695,225	-
	Supplemental Plan of Philip Morris in Switzerland	9.00	1,172,714	-
	Retirement Plan for Salaried Employees	14.00	886,866	-
	Benefit Equalization Plan (BEP)	14.00	5,021,005	-
Jacek Olczak, Chief Operating Officer	Pension Fund of Philip Morris in Switzerland	28.00	9,970,308	-
	IC Pension Plan of Philip Morris in Switzerland	11.92	697,682	-
	Supplemental Plan of Philip Morris in Switzerland	9.00	2,453,663	-
Miroslaw Zielinski, President, Science & Innovation	Pension Fund of Philip Morris in Switzerland	32.00	10,951,424	-
	IC Pension Plan of Philip Morris in Switzerland	12.92	1,209,227	-
	Supplemental Plan of Philip Morris in Switzerland	12.00	2,344,834	-

(1) As of December 31, 2017, each named executive officer's total years of service with PMI or its affiliates were as follows: Mr. Calantzopoulos, 32.92 years; Mr. Firestone, 5.71 years; Mr. King, 26.58 years; Mr. Olczak, 24.79 years; and Mr. Zielinski, 26.33 years. The years shown in this column are the years credited under the named plan for purposes of benefit accrual. Additional years may count for purposes of vesting or early retirement eligibility. Differences between each named executive officer's total service and the credited service shown for each plan result from transfers between entities sponsoring various plans. Mr. King's credited service under the U.S. plans reflects his prior service as a U.S. payroll-based employee. While such credited service is now frozen, he continues to earn eligibility and vesting service and increases in his benefit due to increases in his compensation as a result of his continued service with PMI. The Pension Fund of Philip Morris in Switzerland allows employees to purchase additional service credit with contributions from their own funds, and Messrs. Calantzopoulos, Olczak, and Zielinski have purchased 3.08, 15.67, and 13.83 years, respectively, without any Company contribution.

(2) The amounts shown in this column for pension plans in Switzerland are based on a 60% joint and survivor annuity commencing at age 62 (the earliest date on which, assuming continued employment, the individual would be eligible for benefits that are not reduced for early commencement) and the following actuarial assumptions: discount rate 0.62%, mortality table LPP 2015 with a load of 2.00% for expected improvements in mortality and interest rate on account balances of 3.4%. Present value amounts in Swiss francs are converted to U.S. dollars using the conversion rate on December 29, 2017, of $1.00 = 0.9751 CHF.

The amounts shown in this column for Mr. King's U.S. pension benefits are based on a single life annuity (or, for the BEP, a lump sum payment) using the same assumptions applied for year-end 2017 financial disclosure under FASB ASC Topic 715 (discount rate 3.62%, BEP lump sum rate 3.12%, mortality table fully generational RP 2017 with MP 2017 projection and IRS 2018 table for the BEP), except that in accordance with SEC requirements, benefits are assumed to commence at the earliest date on which, assuming continued employment, the individual would be eligible for benefits that are not reduced for early commencement.

Like all present value amounts, the amounts shown in this column change as the interest rate used to discount projected future benefits is adjusted, with lower interest rates producing higher present values and higher interest rates producing lower present values.

(3) In addition to the benefits reflected in this column, we generally provide a survivor income benefit allowance, or SIB allowance, to the surviving spouse and children of U.S. payroll-based employees who die while covered by our Retirement Plan for Salaried Employees. Following the death of a retiree who was married at the time of retirement and whose retirement benefits are being paid as a single life annuity, the surviving spouse becomes entitled to a SIB allowance four years after the retiree's death, in an amount equal to the amount the spouse would have received if the participant had elected to receive monthly payments under the Retirement Plan in the form of a 50% joint and survivor annuity. The present value of the post-retirement SIB benefits for Mr. King, assuming his spouse survives him, is $49,132. There is no SIB allowance under the BEP since the BEP benefit is only available as a lump sum.

The surviving spouse of a participant who dies prior to retirement and prior to age 61 becomes entitled to receive 25% of the base salary of the deceased employee commencing four years after the participant's death, provided the spouse has not remarried, and continuing until the deceased employee would have reached age 65. At that time, the surviving spouse receives the same survivor benefit he or she would have received if the deceased employee continued to work until age 65 earning the same base salary as in effect at the time of death. These benefits are reduced by any death benefits payable from the Retirement Plan. If there is no surviving spouse, SIB allowances for each child equal 10% of the base salary of the deceased employee (to a maximum of 30% of base salary), become payable monthly beginning four years after the employee's death, and continue until the child reaches age 25 if a full-time student (age 19 if not).

Retirement Plans for U.S. Payroll-Based Employees
Pensions for our U.S. payroll-based employees are payable from the tax-qualified Retirement Plan and non-qualified supplemental plans. These plans recognize the employees' prior service with companies with which we were previously affiliated.

Mr. King, who is a former U.S. payroll-based employee, has accrued benefits under the tax-qualified Retirement Plan and the non-qualified supplemental Benefit Equalization Plan (BEP). The provisions of these two plans are described below.

The BEP provides both supplemental pension benefits and supplemental deferred profit-sharing benefits. The provisions of the BEP relating to deferred profit-sharing benefits are described following the Non-Qualified Deferred Compensation table.

Retirement Plan for Salaried Employees
The tax-qualified Retirement Plan is a non-contributory plan maintained for the benefit of our U.S. payroll-based salaried employees hired before January 1, 2009. Subject to tax law limits, the pension formula generally applicable under the Retirement Plan provides for lifetime benefits following termination of employment equal to (a) 1.75% of the employee's average compensation (the sum of annual salary and annual incentive compensation award in the 60 consecutive months during the employee's last 120 months of service that, when divided by five, produces the highest average), minus (b) 0.30% of such compensation up to the applicable Social Security-covered compensation amount, times (c) years of credited service (up to a maximum of 35). Social Security-covered compensation is generally an amount equal to the average of the Social Security taxable wage bases for the 35-year period that ends in the year the participant reaches age 65. The resulting benefit is expressed as a single life annuity payable commencing at normal retirement age.

Employees who terminate employment before age 55 with vested benefits may commence receiving payment of their accrued pensions after attaining age 55, with reductions for early commencement of 6% for each year by which commencement precedes age 65. For an employee who terminates employment after age 55, the reduction for early commencement is generally 6% for each year by which commencement precedes age 60. If an employee has 30 years of service and is age 55 or older, or is 60 or older with five years of service, the annuity immediately payable on early retirement is 100% of that payable at normal retirement age.

Benefit Equalization Plan (BEP)
The tax law applicable to the funded tax-qualified Retirement Plan limits the annual compensation that can be taken into account in determining the five-year average compensation under the plan. As a result of this and certain other tax limits, only a portion of the benefits calculated under the Retirement Plan formula can be paid to affected employees from the Retirement Plan. To compensate for the loss of these benefits under the funded tax-qualified plan, eligible employees accrue supplemental benefits under non-qualified plans. Generally, the supplemental pension benefits accrued under the BEP equal the difference between (a) the pension benefits determined under the Retirement Plan provisions described above, disregarding the tax law limits, and (b) the benefits that can be provided from the Retirement Plan after taking the tax law limits into account.

Retirement Plans for Swiss Payroll-Based Employees
Pensions for our Swiss payroll-based employees are payable from a funded defined benefit pension plan and incentive compensation (IC) pension plan qualifying for favorable treatment under Swiss law. To the extent that Swiss tax or other limitations do not allow paying the full pension under the qualified plans, the balance is expected to be payable under a supplemental pension plan.

Pension Fund of Philip Morris in Switzerland
With limited exceptions, all Swiss payroll-based employees over 25 years of age become immediately covered by the Pension Fund of Philip Morris in Switzerland, a broad-based contributory-funded plan providing defined retirement, disability and death benefits up to limits prescribed under Swiss law. Retirement benefits are expressed as an annuity at normal retirement age equal to 1.8% of the participant's five-year average pensionable salary (base salary minus two-thirds of the maximum social security benefits of CHF 28,200 in 2017) multiplied by years of credited service (to a maximum of 40 to 41 years, depending on the employee's date of birth). Effective April 1, 2015, employees between the ages of 25 and 34 contribute 6% of their pensionable salary to the Fund, and the contribution increases to 7% for employees between the ages of 35 and 54 and 8% for employees between the ages of 55 and 65. Subject to certain conditions, participants may elect to receive pension benefits entirely or partially in a lump sum. For determining lump sum values, a discount rate of 4% and the LPP 2015 mortality table is used. The LPP mortality table is a commonly used mortality table in Switzerland. For an employee who completes 30 years of service and retires at age 62, this translates into payments equivalent to a pension of 54% of five years' annual average pensionable salary. For an employee with 40 years of credited

service at age 65, this "replacement ratio" is approximately 72% of average salary. Participants may retire and commence benefits as early as age 58; however, for each year that retirement precedes age 62, the 1.8% multiplier used to calculate the amount of the retirement pension is reduced by 0.06% (at age 58 the multiplier is 1.56%). Swiss law permits participants in a pension plan to make additional voluntary contributions to the pension plan to compensate for missing years of credited service.

If an employee terminates employment with us before age 58, the lump sum value of the pension calculated using the termination lump sum factors is transferred either to a new pension fund or to a blocked bank account until early retirement age is reached. An employee who is age 50 or over upon termination of employment can elect under certain conditions to remain in the plan as an external member. In this case, neither the employee nor the employer can contribute any further funds. At the age of 58, the former employee must then elect to take retirement in the form of an annuity, a lump sum or a mix of both.

IC Pension Plan of Philip Morris in Switzerland

Swiss payroll-based employees in salary grades 14 and above who are eligible to participate in the annual incentive compensation award program described above are also eligible to participate in the IC Pension Plan of Philip Morris in Switzerland, a funded plan which, for the named executive officers, provides for participant contributions of up to 1.5% of pensionable salary (as defined above), subject to maximum Swiss pension law limits, and an equal matching contribution from the employer. As with the pension plan, participants may make additional voluntary contributions subject to certain terms and conditions.

Benefits ultimately received depend on interest rates set by the Pension Board of the plan (which consists of members appointed by the employer and an equal number selected by participants in the plan) and are payable in a lump sum or as an annuity. The plan guarantees that there is no loss of principal on either the employee contributions or the Company match. In 2017, the assets of the funds had a positive performance of 14.4%, and 10.1% was credited on plan balances.

If an employee terminates employment with the Company before age 58, the employee's account value is transferred to either a new pension fund or to a blocked bank account until early retirement age is reached. An employee who is age 50 or over upon termination of employment can elect under certain conditions to remain in the plan as an external member. In this case, neither the employee nor the employer can contribute any further funds to the plan although interest does accrue on the account balance. At the age of 58, the former employee must then elect to take retirement in the form of an annuity, a lump sum payment or a mix of both.

Supplemental Plan of Philip Morris in Switzerland

For some Swiss payroll-based employees, including our NEOs, the laws and regulations applicable to the Pension Fund of Philip Morris in Switzerland and the IC Pension Plan of Philip Morris in Switzerland limit the benefits that can be provided under those plans. For these employees, we maintain a Supplemental Plan under which an amount is calculated and deposited annually in a Swiss foundation to make up for the difference between the full pension an employee would have received had these plans not been subject to such limitations (assuming the employee becomes entitled to benefits from the Supplemental Plan). However, the annual deposits do not serve to increase the amount that an individual would have received absent such limits. In determining the amount of the annual deposit, the actuarial assumptions used are the same as those described above for the Pension Fund of Philip Morris in Switzerland.

In the event of a Supplemental Plan participant's termination of employment from the Company, if the Foundation Board determines in its sole discretion that he or she is entitled to a benefit, the Supplemental Plan benefit is paid in a lump sum at the time that benefits first become payable to the participant under the Pension Fund of Philip Morris in Switzerland and the IC Pension Plan of Philip Morris in Switzerland. As the Supplemental Plan is not a tax-qualified plan, the benefits from this plan, when paid, are adjusted for the loss of favorable tax-qualified plan treatment.

Non-Qualified Deferred Compensation

Name and Principal Position	Plan Name	Executive Contributions in 2017 ($)	Registrant Contributions in 2017 ($)	Aggregate Earnings in 2017[1] ($)	Aggregate Withdrawals/ Distribution ($)	Aggregate Balance as of December 31, 2017 ($)
Martin G. King, Chief Financial Officer	Benefit Equalization Plan (BEP), Deferred Profit-Sharing	0	0	322	0	20,222

[1] The amount in this column consists of amounts credited as earnings for 2017 on account balances attributable to the prior participation under the defined contribution portion of the BEP. This amount does not constitute above-market earnings and, accordingly, is not included in amounts reported in the Summary Compensation Table on page 42.

Deferred Profit-Sharing and Benefit Equalization Plan

For U.S. payroll-based employees, we provide non-qualified defined contribution benefits supplementing the benefits provided under our tax-qualified Deferred Profit-Sharing Plan for Salaried Employees, or DPS. Under the DPS, contributions are made on behalf of each participant for each year. Currently, none of our named executive officers is eligible for DPS contributions.

As is the case for the Retirement Plan, the applicable U.S. tax law limits the amount of compensation ($270,000 for 2017) that can be taken into account under the tax-qualified DPS for any year and imposes other limits on the amounts that can be allocated to individuals under the DPS. A DPS participant whose salary was more than the compensation limit or who was otherwise affected by tax law limits is entitled to a supplemental profit-sharing benefit in an amount generally equal to the additional benefits the participant would have received under the DPS, but for the application of the tax law limits.

The funds accumulated in the DPS portion of BEP for Mr. King reflect the contributions while he was a U.S. payroll-based employee.

The DPS fund used as an earnings measure under this portion of the BEP is invested in a variety of high-quality fixed-income instruments with strong credit ratings and, for 2017, produced earnings at a rate of approximately 1.6%. Participants typically receive their supplemental profit-sharing benefits upon termination of employment in a lump sum or, if elected in advance, as a deferred lump sum payment or in installments over a number of years not to exceed their life expectancy.

Employment Contracts, Termination of Employment and Change in Control Arrangements

As a general matter, PMI has not utilized special employment contracts for its named executive officers. However, our Swiss payroll-based executive officers are covered by contracts, which do not include change in control provisions.

Our 2017 equity compensation awards were granted under the 2012 Performance Incentive Plan. That plan includes a double-trigger feature. Under the plan, the changes to vest or pay applicable awards occur immediately upon a change in control only if the entity acquiring PMI does not agree to assume or replace the awards. In addition, if the acquiring entity agrees to assume or replace the awards, but an employee's employment is terminated involuntarily and other than for cause or the employee terminates employment for good reason within two years after the change in control, the applicable awards will become vested or be payable upon the employee's termination of employment as follows:

- the restrictions on outstanding RSUs would lapse;
- outstanding PSUs would vest on a pro-rata basis at target and be payable in cash;
- unless otherwise determined by the Compensation and Leadership Development Committee, equity awards would be cashed out at the change in control price; and
- fully earned but unpaid annual incentive compensation awards would become payable.

Under PMI's 2012 Performance Incentive Plan, a change in control occurs: (i) upon an acquisition of 20% or more of either PMI's common stock or the voting power of PMI's voting securities, excluding certain acquisitions involving PMI or its affiliates or where PMI's beneficial owners continue to meet certain ownership thresholds; (ii) when members of the PMI Board as of the effective date of PMI's 2012 Performance Incentive Plan, or thereafter nominated or elected by such members, cease to constitute a majority of the PMI Board; (iii) upon certain reorganizations, mergers, share exchanges and consolidations involving PMI; or (iv) upon the liquidation or dissolution, or sale of substantially all of the assets of PMI, with limited exceptions.

PMI's 2017 Performance Incentive Plan also includes a double-trigger feature. Under that plan, outstanding equity awards will not accelerate or vest if the entity acquiring PMI agrees to replace the award with a time-based equity award of equivalent value. For this purpose, the value of outstanding PSUs would be determined based on actual performance through the date of the change in control if more than one-half of the performance cycle has elapsed and such performance is determinable. Otherwise, the value of the outstanding PSUs will be based on the assumption that target performance had been achieved. If outstanding equity awards are not replaced, the outstanding RSUs would fully vest, and the value of outstanding PSUs would be determined as set forth above and both be payable immediately in cash. Fully earned but unpaid annual incentive compensation awards would become payable.

If outstanding equity awards are replaced as described above but, within two years after the change in control, the employee's employment is terminated involuntarily and other than for cause or the employee terminates employment for good reason, the replacement awards would fully vest. The definition of change in control in the 2017 Plan is similar to that in the 2012 Plan.

The amounts in the accompanying table are estimates of the amounts that would have become payable on a change in control of PMI, calculated as if a change in control occurred on December 31, 2017, applying certain assumptions. For outstanding equity awards and annual cash incentive awards, we have assumed that the awards become vested and payable as of December 31, 2017, either because the acquirer does not assume or replace the awards or because the employee's employment is involuntarily terminated.

Name	Unvested PSUs[1] ($)	Unvested RSUs[1] ($)	Completed 2017 Annual Incentive Compensation Award Cycle[2] ($)	Total ($)
André Calantzopoulos	7,215,191	19,880,161	3,103,388	30,198,740
Marc S. Firestone	2,110,887	6,692,928	1,307,566	10,111,381
Martin G. King	1,040,301	3,193,800	866,582	5,100,683
Jacek Olczak	2,166,178	6,255,537	1,248,605	9,670,320
Miroslaw Zielinski	1,410,075	4,159,441	1,211,426	6,780,942

(1) Assumes the change in control price is equal to the closing market price of PMI on December 29, 2017, of $105.65. The value of unvested PSUs assumes target number of shares awarded prorated for the amount of time lapsed in the performance cycle.

(2) Assumes target award payable under our annual incentive compensation award program for a full year. Amounts are converted to U.S. dollars using the conversion rate on December 29, 2017, of $1.00 = 0.9751 CHF.

Benefits payable under PMI's qualified pension and profit-sharing plans and supplemental plans are discussed above. None of those plans provide PMI's executive officers with an additional enhancement, early vesting or other benefit in the event of a change in control or termination of employment, except for certain plan provisions applicable to all plan participants that ensure vesting and continuation of profit-sharing contributions for the year of a change in control and the following two years. Mr. King is already fully vested under these plans. Similarly, no enhanced provisions apply to the above-named executive officers with respect to continued medical, life insurance or other insurance coverage following termination of employment, whether or not in connection with a change in control.

Involuntary Separation Without Cause

In the event of involuntary separation without cause, a severance payment is typically determined as a multiple of monthly base salary. The amount of severance paid varies based on a number of factors, including the circumstances of the termination and the executive's years of service.

Voluntary Early Retirement or Retirement

In the event of voluntary early retirement or retirement, a retirement allowance is typically determined based on the annual base salary midpoint for the executive's grade. The amount varies based on a number of factors, including the circumstances of retirement and the executive's years of service.

Pay Ratio

About our Workforce

At October 1, 2017, we employed approximately 80,400 people worldwide. As our manufacturing and sales activities are outside of the U.S., 99.8% of our employees (or approximately 80,240) are located outside of the U.S. Approximately 69% of our employees are located in non-OECD countries, which tend to be lesser developed countries with lower wages than OECD countries. Approximately 36% of our workforce is in Indonesia. The national average annual net salary is approximately $2,400 in that country.[1] Approximately 67% of our overall workforce is covered by collective labor agreements, and approximately 74% of our workforce in non-OECD countries is covered by collective labor agreements.

Our Pay Ratio

Given our global footprint, and in accordance with the regulatory guidance, we have determined that the cost-of-living adjusted ratio based on the purchasing power parity index (or PPP) reflects the differences in the living and economic conditions of approximately 90 countries where our employees reside.[2] The PPP conversion factor represents the number of units of local currency that can buy a basket of goods that 1 CHF would buy in Switzerland, where our CEO resides. Based on this calculation, our median employee on October 1, 2017, was located in Indonesia, with a total PPP-adjusted 2017 compensation of approximately CHF 54,070. Comparing this employee's total PPP-adjusted compensation to the total compensation of our CEO in 2017, our adjusted pay ratio is 325:1.

Had we not used the PPP adjustment, our median employee's total 2017 compensation would have been approximately $19,170. Comparing this employee's total compensation to the total compensation of our CEO set forth in the Summary Compensation Table on page 42, the ratio would be 990:1. For reference, the ratio of the CEO's total compensation to that of our median employee in Switzerland is 86:1.[3] At October 1, 2017, we employed approximately 3,160 people in Switzerland, including approximately 350 in our factory and 610 in our R&D facility in Neuchâtel.

PMI as an Employer

We are the first multinational company in Switzerland to receive an equal salary certification from the Equal Salary Foundation. In addition, our affiliate in Japan received an equal salary certification from this institution in September 2016.

This year, the Top Employers Institute recognized us a Global Top Employer for the second year in a row. It also awarded us a Top Employer 2018 Seal in 43 countries worldwide, including Indonesia.

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(1) http://www.bi.go.id/sdds/default.asp#RealSector.

(2) The PPP conversion factor is described at http://data.worldbank.org. The PPP indices are publicly available in the jurisdictions where our employees reside, with limited exceptions in the Dutch Antilles, Aruba, La Reunion, Kuwait, Taiwan, and Venezuela. Our workforce in these jurisdictions is approximately 0.6% of our total workforce (i.e., 23 employees in the Dutch Antilles, 6 employees in Aruba, 46 employees in La Reunion, 28 employees in Kuwait,132 employees in Taiwan, and 225 employees in Venezuela) and is excluded from the calculation. As a result, the total number of employees used for the cost-of-living adjusted ratio was 79,926.

(3) To identify a median employee in the above calculations, we analyzed base salary information because that is the only pay element applied consistently throughout our global workforce.

ADVISORY VOTE APPROVING EXECUTIVE COMPENSATION

The Compensation Discussion and Analysis section discusses in detail how our compensation programs support our business and financial objectives, how they work and are administered under the direction of our independent Compensation and Leadership Development Committee, and how the Committee's decisions concerning the 2017 compensation of our executive officers were directly tied to our performance.

Pursuant to Section 14A of the Exchange Act, we are asking our shareholders to indicate their support for our named executive officer compensation as described in this proxy statement. This annual say-on-pay vote gives our shareholders the opportunity to express their views on our NEOs' compensation at each Annual Meeting of Shareholders. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and the philosophy, policies and practices described in this proxy statement. Accordingly, we will ask our shareholders to vote "FOR" the following resolution at the Annual Meeting:

> RESOLVED, that the Company's shareholders approve, on an advisory basis, the compensation of the named executive officers, as disclosed in the Company's Proxy Statement for the 2018 Annual Meeting of Shareholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the Summary Compensation Table and the other related tables and disclosure.

This say-on-pay vote is advisory and, therefore, not binding on the Company, the Compensation and Leadership Development Committee or the Board of Directors. The Board and the Committee value the opinions of our shareholders and will review the voting results when making future decisions regarding executive compensation.

The Board recommends a vote FOR the resolution approving the compensation of our named executive officers.

Audit Committee Report for the Year Ended December 31, 2017

To Our Shareholders:

Management has the primary responsibility for the financial statements and the reporting process, including the systems of internal accounting control. The Audit Committee monitors the Company's financial reporting processes and systems of internal accounting control, the independence and the performance of the independent auditors, and the performance of the internal auditors. The Audit Committee has the sole authority for appointing, compensating and overseeing the work of the independent auditors.

The Audit Committee has received representations from management that the Company's consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America, and the Audit Committee has reviewed and discussed the consolidated financial statements with management and the independent auditors. The Audit Committee has discussed with the independent auditors, including in executive sessions without the presence of management, the independent auditors' evaluation of the accounting principles, practices and judgments applied by management, the adequacy of the Company's financial reporting processes, controls and procedures, and the Audit Committee has discussed any items required to be communicated to it by the independent auditors in accordance with regulations promulgated by the U.S. Securities and Exchange Commission, the Public Company Accounting Oversight Board and the Independence Standards Board.

The Audit Committee has received from the independent auditors written disclosures and a letter required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the Audit Committee concerning their independence and has discussed with the independent auditors the auditors' independence from the Company and its management. The Audit Committee has pre-approved all fiscal year 2017 audit and permissible non-audit services provided by the independent auditors and the fees for those services. As part of this process, the Audit Committee has reviewed the audit fees of the independent auditors. It has also reviewed non-audit services and fees to assure compliance with regulations prohibiting the independent auditors from performing specified services that might impair their independence, as well as compliance with the Company's and the Audit Committee's policies.

The Audit Committee discussed with the Company's internal auditors and independent auditors the overall scope of and plans for their respective audits. The Audit Committee has met with the internal auditors and the independent auditors, separately and together, with and without management present, to discuss the Company's financial reporting processes and internal control over financial reporting and overall control environment. The Audit Committee has reviewed significant audit findings prepared by the independent auditors and those prepared by the internal auditors, together with management's responses.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors the inclusion of the audited consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

Audit Committee:

Jennifer Li, Chair
Werner Geissler
Jun Makihara
Lucio A. Noto
Stephen M. Wolf

The information contained in the report above shall not be deemed to be "soliciting material" or to be "filed" with the Securities and Exchange Commission or subject to Regulation 14A or 14C or the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent specifically incorporated by reference therein.

Independent Auditors' Fees

Aggregate fees, including out-of-pocket expenses, paid to our independent auditors, PricewaterhouseCoopers SA, consisted of the following (in millions):

	2017	2016
Audit Fees[1]	$19.64	$20.02
Audit-Related Fees[2]	0.88	0.70
Tax Fees[3]	4.15	4.76
All Other Fees[4]	1.18	0.94
TOTAL	**$25.85**	**$26.42**

(1) Fees and expenses associated with professional services in connection with (i) the audit of the Company's consolidated financial statements and internal control over financial reporting, including statutory audits of the financial statements of the Company's affiliates; (ii) reviews of the Company's unaudited condensed consolidated interim financial statements; and (iii) reviews of documents filed with the Securities and Exchange Commission.

(2) Fees and expenses for professional services for audit-related services, which include due diligence related to acquisitions and divestitures, employee benefit plan audits, accounting consultations and procedures relating to various other audit and special reports.

(3) Fees and expenses for professional services in connection with U.S. and foreign tax compliance assistance, consultation and advice on various foreign tax matters, transfer pricing documentation for compliance purposes and advice relating to customs and duties compliance matters.

(4) Fees and expenses for professional services relating to market analysis and other professional services.

Pre-Approval Policy

The Audit Committee's policy is to pre-approve all audit and permissible non-audit services provided by the independent auditors. These services may include audit services, audit-related services, tax services and other services. Pre-approval is detailed as to the particular service or category of service and is subject to a specific budget. The Audit Committee requires the independent auditors and management to report on the actual fees charged for each category of service at Audit Committee meetings throughout the year.

During the year, circumstances may arise when it may become necessary to engage the independent auditors for additional services not contemplated in the original pre-approval. In those instances, the Audit Committee requires specific pre-approval before engaging the independent auditors. The Audit Committee has delegated pre-approval authority to the Chair of the Audit Committee for those instances when pre-approval is needed prior to a scheduled Audit Committee meeting. The Chair of the Audit Committee must report on such approvals at the next scheduled Audit Committee meeting.

RATIFICATION OF THE SELECTION OF INDEPENDENT AUDITORS

The Audit Committee has selected PricewaterhouseCoopers SA ("PwC") as the Company's independent auditors for the fiscal year ending December 31, 2018, and has directed that management submit the selection of independent auditors to shareholders for ratification at the Annual Meeting. Representatives of PwC are expected to be present at the meeting, will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

In determining to reappoint PwC, the Audit Committee considered a number of factors, including the following:

- PwC has served as the Company's independent auditors during the nine fiscal years completed following our becoming an independent company;
- The results of the Audit Committee's evaluation of PwC's qualifications, performance, independence and quality control procedures;
- The Audit Committee's belief that PwC's deep knowledge of the Company and the Company's information technology and systems platforms better equips it to focus the audit work where it is most needed, enhances the quality of risk-based reviews, and enables it to design and implement a superior audit plan and to effectively test for control weaknesses;
- The Audit Committee's belief that PwC has the capability and expertise and professionals in the many countries that are necessary to conduct a quality audit of our worldwide business;
- The Audit Committee reviews and evaluates the lead partner and senior auditors on the account and selects the incoming lead partner when the outgoing lead partner rotates off the account;
- External data relating to audit quality and performance, including the Public Company Accounting Oversight Board's reports on PwC and its peer firms; and
- The appropriateness of PwC's fees.

Shareholder ratification of the selection of PwC as the Company's independent auditors is not required by the Company's by-laws or otherwise. However, we are submitting the selection of PwC to the shareholders for ratification as a matter of good corporate practice. If the shareholders fail to ratify the selection, the Audit Committee will reconsider whether or not to retain PwC. Even if the selection is ratified, the Audit Committee in its discretion may direct the appointment of a different independent audit firm at any time during the year if it is determined that such a change would be in the best interests of the Company and its shareholders.

The Board recommends a vote FOR the ratification of the selection of PricewaterhouseCoopers SA as the Company's independent auditors.

The Board has adopted a policy, which is available on the Company's website at www.pmi.com/governance, that requires our executive officers, directors and nominees for director to promptly notify the Corporate Secretary in writing of any transaction in which (i) the amount exceeds $120,000; (ii) the Company is, was or is proposed to be a participant; and (iii) such person or such person's immediate family members ("Related Persons") has, had or may have a direct or indirect material interest (a "Related Person Transaction"). The Corporate Secretary, in consultation with outside counsel, to the extent appropriate, shall determine whether a potential transaction with a Related Person constitutes a Related Person Transaction requiring review under the policy (including whether the Company or the Related Person has a material interest, based on a review of all facts and circumstances). If the Corporate Secretary determines that the proposed transaction constitutes a Related Person Transaction or it would be beneficial to further review the transaction, then, in either case, the transaction will be referred to the CEO or the Nominating and Corporate Governance Committee of the Board. In deciding whether to approve or ratify the Related Person Transaction, the reviewer is required to consider all relevant facts and circumstances. Based on the review of such facts and circumstances, the reviewer will approve, ratify or disapprove the Related Person Transaction. The reviewer will approve or ratify a Related Person Transaction only if it is determined that the transaction is not opposed to the best interests of the Company. All determinations by the CEO and Corporate Secretary must be reported to the Committee at its next meeting.

Immediate family members of Messrs. Antonio Marques, the Company's former Senior Vice President, Operations, and Patrick Brunel, Chief Information Officer, are employed by the Company's subsidiary in Switzerland in non-executive capacities. Their compensation in 2017 amounted to approximately $150,000 and $545,000, respectively, and was consistent with the Company's compensation programs. These employment relationships were reviewed and approved in accordance with the policy.

In addition to this policy, the Code of Business Conduct and Ethics for Directors (the "Director Code"), which is available on our website at www.pmi.com/governance, has specific provisions addressing actual and potential conflicts of interest. The Director Code specifies: "Our directors have an obligation to act in the best interest of the Company. All directors should endeavor to avoid situations that present a potential or actual conflict between their interest and the interest of the Company." The Director Code defines conflict of interest to include any instance in which (i) a person's private interest interferes in any way, or even appears to interfere, with the interest of the Company, including its subsidiaries and affiliates; (ii) a director or a director's family member takes an action or has an interest that may make it difficult for that director to perform his or her work objectively and effectively; and (iii) a director (or his or her family member) receives improper personal benefits as a result of the director's position in the Company.

Similarly, our policies require all officers and employees of the Company to avoid situations where the officer's or employee's personal, financial or political activities have the potential of interfering with his or her loyalty and objectivity to the Company.

AVAILABILITY OF FORM 10-K AND ANNUAL REPORT TO SHAREHOLDERS

We are required to provide an Annual Report to shareholders who receive this proxy statement. We will also provide copies of the Annual Report to brokers, dealers, banks, voting trustees and their nominees for the benefit of their beneficial owners of record. Additional copies of the Annual Report, along with copies of our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, are available without charge to shareholders upon written request to the Company's Corporate Secretary at 120 Park Avenue, New York, New York 10017-5579. You may review the Company's filings with the U.S. Securities and Exchange Commission by visiting our website at www.pmi.com/investors. The information on our websites is not, and shall not be deemed to be, a part of this report or incorporated into any other filings we make with the SEC.

OTHER MATTERS

Management knows of no other business that will be presented to the meeting for a vote. If other matters properly come before the meeting, the persons named as proxies will vote on them in accordance with their best judgment.

The cost of this solicitation of proxies will be paid by us. In addition to the use of the mail, some of the officers and regular employees of the Company may solicit proxies by telephone and will request brokerage houses, banks and other custodians, nominees and fiduciaries to forward soliciting material to the beneficial owners of common stock held of record by such persons. We will reimburse such persons for expenses incurred in forwarding such soliciting material. It is contemplated that additional solicitation of proxies will be made in the same manner under the engagement and direction of D.F. King & Co., Inc., 48 Wall Street, New York, NY 10005, at an anticipated cost of $24,000, plus reimbursement of out-of-pocket expenses.

2019 ANNUAL MEETING

Shareholders wishing to suggest candidates to the Nominating and Corporate Governance Committee for consideration as directors must submit a written notice to the Corporate Secretary of the Company. Our by-laws set forth the procedures a shareholder must follow to nominate directors or to bring other business before shareholder meetings. For a shareholder to nominate a candidate for director at the 2019 Annual Meeting, presently anticipated to be held on May 1, 2019, notice of the nomination must be received by the Company between October 30 and November 29, 2018. The notice must describe various matters regarding the nominee, including name, address, occupation and shares held. The Nominating and Corporate Governance Committee will consider any nominee properly presented by a shareholder and will make a recommendation to the Board. After full consideration by the Board, the shareholder presenting the nomination will be notified of the Board's conclusion. For a shareholder to bring other matters before the 2019 Annual Meeting and to include a matter in the Company's proxy statement and proxy for that meeting, notice must be received by the Company between October 30 and November 29, 2018. The notice must include a description of the proposed business, the reasons therefor and other specified matters. In each case, the notice must be timely given to the Corporate Secretary of the Company, whose address is 120 Park Avenue, New York, New York 10017-5579. Any shareholder desiring a copy of the Company's by-laws (which are posted on our website at www.pmi.com/governance) will be furnished one without charge upon written request to the Corporate Secretary.

Jerry Whitson
Deputy General Counsel and Corporate Secretary
March 29, 2018

1. WHAT IS A PROXY?

It is your legal designation of another person to vote the stock you own. That other person is called a proxy. If you designate someone as your proxy in a written document, that document also is called a proxy or a proxy card. André Calantzopoulos, Louis C. Camilleri and Jerry Whitson have each been designated as proxies for the 2018 Annual Meeting of Shareholders.

2. WHAT IS THE RECORD DATE AND WHAT DOES IT MEAN?

The Record Date for the 2018 Annual Meeting of Shareholders is March 16, 2018. The Record Date is established by the Board of Directors as required by Virginia law. Shareholders of record (registered shareholders and street name holders) at the close of business on the Record Date are entitled to:

a) receive notice of the meeting; and

b) vote at the meeting and any adjournments or postponements of the meeting.

3. WHAT IS THE DIFFERENCE BETWEEN A REGISTERED SHAREHOLDER AND A SHAREHOLDER WHO HOLDS STOCK IN STREET NAME?

If your shares of stock are registered in your name on the books and records of our transfer agent, you are a registered shareholder.

If your shares of stock are held for you in the name of a broker or bank, then your shares are held in street name. The organization holding your shares of stock is considered the shareholder of record for purposes of voting at the Annual Meeting. The answer to Question 15 describes brokers' discretionary voting authority and when your broker or bank is permitted to vote your shares of stock without instruction from you.

4. HOW DO I OBTAIN ADMISSION TO THE MEETING?

To obtain admission to the meeting, you must have an admission ticket. Because seating is limited, you may bring only one immediate family member as a guest. In addition, all meeting attendees must present government-issued photographic identification at the meeting. Please submit your request for an admission ticket by Friday, April 20, 2018, by sending an e-mail to asmticket@pmi.com or by mailing or faxing a request to the Company's Corporate Secretary at 120 Park Avenue, New York, New York 10017-5579; facsimile: 1-877-744-5412 (from within the United States) or 1-212-687-3188 (from outside the United States). Please include the following information with your ticket request:

a) your name and mailing address;

b) whether you need special assistance at the meeting;

c) the name of your immediate family member, if one will accompany you; and

d) if your shares are held for you in the name of your broker or bank, evidence of your stock ownership (such as a letter from your broker or bank or a photocopy of a current brokerage or other account statement) as of March 16, 2018.

5. WHAT ARE THE DIFFERENT METHODS THAT I CAN USE TO VOTE MY SHARES OF COMMON STOCK?

a) In Writing: All shareholders of record can vote by mailing their completed and signed proxy card (in the case of registered shareholders) or their completed and signed voting instruction form (in the case of street name holders).

b) By Telephone and Internet Proxy: All shareholders of record also can vote their shares of common stock by touch-tone telephone using the telephone number on the proxy card, or by Internet, using the procedures and instructions described on the proxy card and other enclosures. Street name holders of record may vote by telephone or Internet if their brokers or banks make those methods available. If that is the case, each broker or bank will enclose instructions with the proxy statement. The telephone and Internet voting procedures, including the use of control numbers, are designed to authenticate shareholders' identities, to allow shareholders to vote their shares, and to confirm that their instructions have been properly recorded. Proxies submitted by Internet or telephone must be received by 11:59 p.m., EDT, on May 8, 2018.

c) In Person: All shareholders may vote in person at the meeting (unless they are street name holders without a legal proxy).

6. HOW CAN I REVOKE A PROXY?

You can revoke a proxy prior to the completion of voting at the meeting by:

a) giving written notice to the Corporate Secretary of the Company;

b) delivering a later-dated proxy; or

c) voting in person at the meeting.

7. ARE VOTES CONFIDENTIAL? WHO COUNTS THE VOTES?

We have established and will maintain a practice of holding the votes of individual shareholders in confidence except: (a) as necessary to meet applicable legal requirements and to assert or defend claims for or against the Company; (b) in case of a contested proxy solicitation; (c) if a shareholder makes a written comment on the proxy card or otherwise communicates his or her vote to management; or (d) to allow the independent inspectors of election to certify the results of the vote. We will retain an independent tabulator to receive and tabulate the proxies and independent inspectors of election to certify the results.

8. WHAT ARE THE CHOICES WHEN VOTING ON DIRECTOR NOMINEES, AND WHAT VOTE IS NEEDED TO ELECT DIRECTORS?

Shareholders may:

a) vote in favor of a nominee;

b) vote against a nominee; or

c) abstain from voting on a nominee.

Directors will be elected by a majority of the votes cast, which will occur if the number of votes cast "FOR" a director nominee exceeds the number of votes "AGAINST" that nominee. See "Election of Directors – Majority Vote Standard in Uncontested Elections" on page 15.

The Board recommends a vote "FOR" all of the nominees.

9. WHAT ARE THE CHOICES WHEN VOTING ON THE ADVISORY SAY-ON-PAY RESOLUTION APPROVING THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS?

Shareholders may:

a) vote in favor of the resolution;

b) vote against the resolution; or

c) abstain from voting on the resolution.

The resolution will be approved if the votes cast "FOR" exceed the votes cast "AGAINST."

The Board recommends a vote "FOR" this resolution.

The advisory vote on this matter is non-binding. However, the Board of Directors and the Compensation and Leadership Development Committee value the opinions of our shareholders and will consider the outcome of the vote when making future executive compensation decisions.

10. WHAT ARE THE CHOICES WHEN VOTING ON THE RATIFICATION OF THE SELECTION OF PRICEWATERHOUSECOOPERS SA AS THE COMPANY'S INDEPENDENT AUDITORS, AND WHAT VOTE IS NEEDED TO RATIFY THEIR SELECTION?

Shareholders may:

a) vote in favor of the ratification;

b) vote against the ratification; or

c) abstain from voting on the ratification.

The selection of the independent auditors will be ratified if the votes cast "FOR" exceed the votes cast "AGAINST."

The Board recommends a vote "FOR" this proposal.

11. WHAT IF A SHAREHOLDER DOES NOT SPECIFY A CHOICE FOR A MATTER WHEN RETURNING A PROXY?

Shareholders should specify their choice for each matter on the enclosed proxy. If no specific instructions are given, proxies that are signed and returned will be voted "FOR" the election of all director nominees, "FOR" the advisory say-on-pay resolution approving the compensation of our named executive officers, and "FOR" the proposal to ratify the selection of PricewaterhouseCoopers SA as the Company's independent auditors.

12. WHO IS ENTITLED TO VOTE?

You may vote if you owned stock as of the close of business on March 16, 2018. Each share of common stock is entitled to one vote. As of March 16, 2018, the Company had 1,554,464,977 shares of common stock outstanding.

13. HOW DO I VOTE IF I PARTICIPATE IN THE DIVIDEND REINVESTMENT PLAN?

The proxy card you have received includes your dividend reinvestment plan shares. You may vote your shares through the Internet, by telephone or by mail, all as described on the enclosed proxy card.

14. WHAT DOES IT MEAN IF I RECEIVE MORE THAN ONE PROXY CARD?

It means that you have multiple accounts with brokers and/or our transfer agent. Please vote all of these shares. We recommend that you contact your broker and/or our transfer agent to consolidate as many accounts as possible under the same name and address. Our transfer agent is Computershare Trust Company, N.A., P.O. Box 43078, Providence, RI 02940-3078 or you can reach Computershare at 1-877-745-9350 (from within the United States or Canada) or 1-781-575-4310 (from outside the United States or Canada), or via e-mail at pmi@computershare.com.

15. WILL MY SHARES BE VOTED IF I DO NOT PROVIDE MY PROXY?

If you are a street name holder of shares, you should have received a voting instruction form with the proxy statement sent from your broker or bank. Your shares held in street name may be voted only on certain “routine” matters when you do not provide your broker or bank with voting instructions. For example, the ratification of the selection of PricewaterhouseCoopers SA as independent auditors of the Company is considered a “routine” matter for which brokers or banks may vote uninstructed shares. When a proposal is not a “routine” matter (such as the election of director nominees and say-on-pay advisory votes) and the broker or bank has not received voting instructions from the street name holder with respect to that proposal, that broker or bank cannot vote the shares on that proposal. This is called a broker non-vote. Therefore, it is important that you provide instructions to your broker or bank with respect to your vote on these “non-routine” matters.

16. ARE ABSTENTIONS AND BROKER NON-VOTES COUNTED?

Abstentions will not be included in the vote totals for any matter. Broker non-votes will not be included in vote totals and will not affect the outcome of the vote.

17. MAY SHAREHOLDERS ASK QUESTIONS AT THE MEETING?

Yes. The Chairman will answer shareholders’ questions of general interest during a designated portion of the meeting. In order to provide an opportunity for everyone who wishes to speak, shareholders will be limited to two minutes. Shareholders may speak a second time only after all others who wish to speak have had their turn. When speaking, shareholders must direct questions and comments to the Chairman and confine their remarks to matters that relate directly to the business of the meeting.

18. HOW MANY VOTES MUST BE PRESENT TO HOLD THE MEETING?

Your shares are counted as present at the meeting if you attend the meeting and vote in person or if you properly return a proxy by Internet, telephone or mail. In order for us to conduct our meeting, a majority of our outstanding shares of common stock as of March 16, 2018, must be present in person or by proxy at the meeting. This is referred to as a quorum. Abstentions and shares of record held by a broker, bank or other agent (“Broker Shares”) that are voted on any matter are included in determining the number of votes present. Broker Shares that are not voted on any matter will not be included in determining whether a quorum is present.

PHILIP MORRIS INTERNATIONAL INC.
and Subsidiaries
Reconciliation of Non-GAAP Measures

Adjustments to Net Revenues for the Impact of Currency and Acquisitions
For the Years Ended December 31,
($ in millions)
(Unaudited)

	Net Revenues	Less Excise Taxes	Net Revenues excluding Excise Taxes	Less Currency	Less Acquisitions	Net Revenues excluding Excise Taxes, Currency & Acquisitions	% Change in Net Revenues excluding Excise Taxes		
							Total	Excluding Currency	Excluding Currency & Acquisitions
2017 Reconciliation:									
European Union	$ 27,580	$ 19,262	$ 8,318	$ 45	$ -	$ 8,273	1.9 %	1.4 %	1.4 %
EEMA	18,045	11,346	6,699	(291)	-	6,990	(4.3)%	(0.1)%	(0.1)%
Asia	22,635	11,845	10,790	(137)	-	10,927	24.3 %	25.9 %	25.9 %
Latin America & Canada	9,838	6,897	2,941	(54)	-	2,995	3.5 %	5.4 %	5.4 %
Total	**$ 78,098**	**$ 49,350**	**$ 28,748**	**$ (437)**	**$ -**	**$ 29,185**	**7.7 %**	**9.4 %**	**9.4 %**
2016 Reconciliation:									
European Union	$ 27,129	$ 18,967	$ 8,162						
EEMA	18,286	11,286	7,000						
Asia	20,531	11,850	8,681						
Latin America & Canada	9,007	6,165	2,842						
Total	**$ 74,953**	**$ 48,268**	**$ 26,685**						

Adjustments to Operating Companies Income for the Impact of Currency and Acquisitions
For the Years Ended December 31,
($ in millions)
(Unaudited)

	Operating Companies Income	Less Currency	Less Acquisitions	Operating Companies Income excluding Currency & Acquisitions	% Change in Operating Companies Income		
					Total	Excluding Currency	Excluding Currency & Acquisitions
2017 Reconciliation:							
European Union	$ 3,775	$ (43)	$ -	$ 3,818	(5.5)%	(4.4)%	(4.4)%
EEMA	2,888	81	-	2,807	(4.2)%	(6.9)%	(6.9)%
Asia	4,149	(123)	-	4,272	29.8 %	33.7 %	33.7 %
Latin America & Canada	1,002	(70)	-	1,072	6.8 %	14.3 %	14.3 %
Total	**$ 11,814**	**$ (155)**	**$ -**	**$ 11,969**	**6.0 %**	**7.4 %**	**7.4 %**
2016 Reconciliation:							
European Union	$ 3,994						
EEMA	3,016						
Asia	3,196						
Latin America & Canada	938						
Total	**$ 11,144**						

Reconciliation of Operating Companies Income to Operating Income
For the Years Ended December 31,
($ in millions)
(Unaudited)

	2017	2016	% Change
Operating companies income	**$ 11,814**	**$ 11,144**	**6.0%**
Amortization of intangibles	(88)	(74)	
General corporate expenses	(164)	(161)	
Equity (income)/loss in unconsolidated subsidiaries, net	(59)	(94)	
Operating income	**$ 11,503**	**$ 10,815**	**6.4%**

Reconciliation of Reported Operating Companies Income to Adjusted Operating Companies Income, excluding Currency and Acquisitions
For the Years Ended December 31,
($ in millions)
(Unaudited)

	Operating Companies Income	Less Asset Impairment & Exit Costs	Adjusted Operating Companies Income	Less Currency	Less Acquisitions	Adjusted Operating Companies Income excluding Currency & Acquisitions	% Change in Adjusted Operating Companies Income	
							Adjusted	Adjusted excluding Currency & Acquisitions
2017 Reconciliation:								
European Union	$ 3,775	$ -	$ 3,775	$ (43)	$ -	$ 3,818	(5.5)%	(4.4)%
EEMA	2,888	-	2,888	81	-	2,807	(4.2)%	(6.9)%
Asia	4,149	-	4,149	(123)	-	4,272	29.8 %	33.7 %
Latin America & Canada	1,002	-	1,002	(70)	-	1,072	6.8 %	14.3 %
Total	**$ 11,814**	**$ -**	**$ 11,814**	**$ (155)**	**$ -**	**$ 11,969**	**6.0 %**	**7.4 %**
2016 Reconciliation:								
European Union	$ 3,994	-	$ 3,994					
EEMA	3,016	-	3,016					
Asia	3,196	-	3,196					
Latin America & Canada	938	-	938					
Total	**$ 11,144**	**$ -**	**$ 11,144**					

Reconciliation of Reported Diluted EPS to Adjusted Diluted EPS
and Adjusted Diluted EPS, excluding Currency
For the Years Ended December 31,
(Unaudited)

	2017	2016	% Change
Reported Diluted EPS	**$ 3.88**	**$ 4.48**	**(13.4)%**
Adjustments:			
Asset impairment and exit costs	-	-	
Tax items	0.84	-	
Adjusted Diluted EPS	**$ 4.72**	**$ 4.48**	**5.4 %**
Less:			
Currency impact	(0.21)		
Adjusted Diluted EPS, excluding Currency	**$ 4.93**	**$ 4.48**	**10.0 %**

Reconciliation of Operating Cash Flow to Operating Cash Flow, excluding Currency
For the Years Ended December 31,
($ in millions)
(Unaudited)

	2017	2016	% Change
Net cash provided by operating activities (operating cash flow)	**$ 8,912**	**$ 8,077**	**10.3%**
Less:			
Currency impact	392		
Net cash provided by operating activities (operating cash flow), excluding currency	**$ 8,520**	**$ 8,077**	**5.5%**

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PHILIP MORRIS INTERNATIONAL

2018 PROXY STATEMENT

And Notice of Annual Meeting of Shareholders
To be held on Wednesday, May 9, 2018

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