



Q3 2018 Results

November 12, 2018

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A photograph of a long, modern building with a glass facade, viewed from a low angle. The building is partially obscured by a red banner that curves across the middle of the image. The foreground is filled with tall grass. The sky is bright and overcast.

Introduction to GIMA TT

GIMA TT at a glance

Core activity

Design and assembly of automatic electronic-based **packaging lines**

Product families

- **Original Equipment**
- **After-sales**

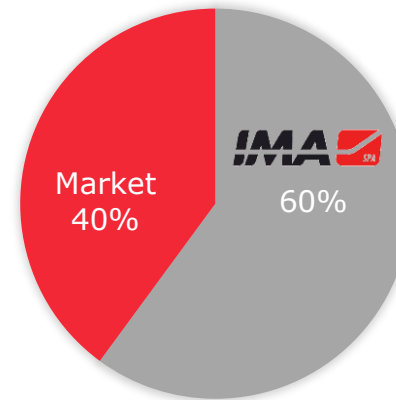
End-market

Tobacco: New Generation Products ("NGPs") and conventional tobacco products

HQs

Ozzano dell'Emilia, **Bologna** (Italy)

Shareholders

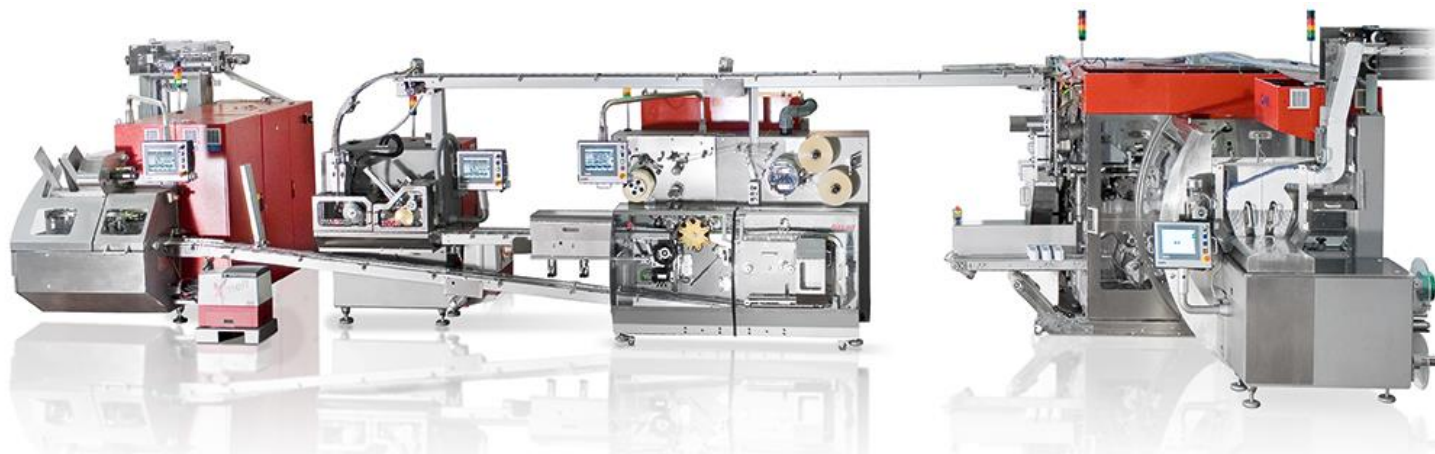


Board of Directors

7 Board Members:

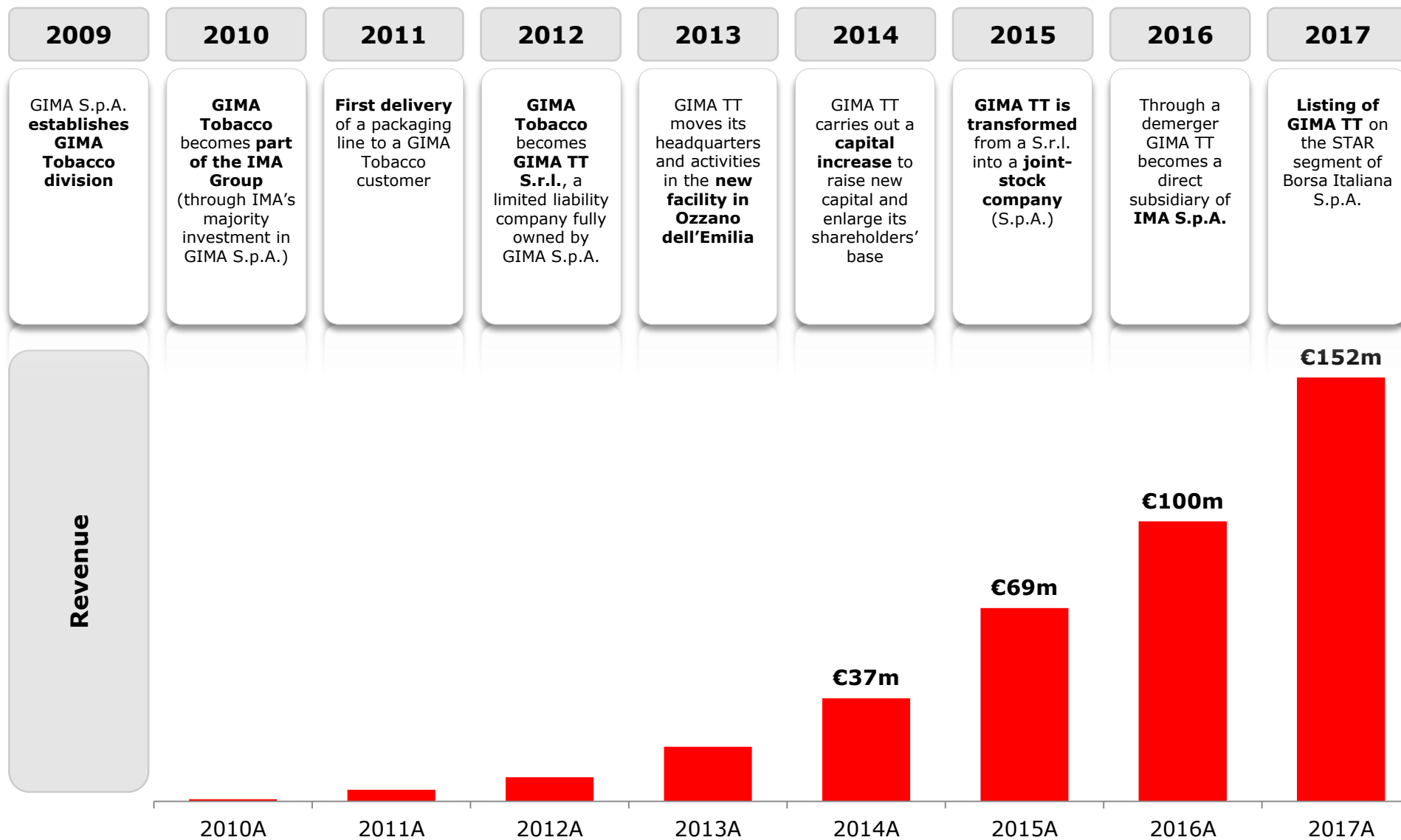
- Sergio Marzo - Chairman
- Fiorenzo Draghetti - Chief Executive Officer
- Stefano Cavallari - Executive Director
- **4 Independent** and Non-Executive Directors

GIMA TT Flex Line



Source: Company information

Corporate milestones



Source: Company information

Innovative, flexible and highly customized machinery solutions for NGPs and conventional tobacco

Changing longstanding industry paradigms: from "PERFORMANCE ONLY" to "FLEXIBILITY" ...
... setting new industry benchmarks in terms of fast complete changeover and extended format range

Machines for NGPs and conventional tobacco products

Flex A



- Hinge lid cigarette **packer** machine (packets range: from 5 to 50 cigarettes)

Flex-B



- **Section to be added to Flex-A** in case of special cigarette packets

Flex ST



- **Stamper** machine able to apply the governmental stamp in any packet position or orientation

Flex WF



- **Wrapping** machines designed to wrap with polypropylene the cigarette packets

Flex CO



- End-of-line **cartoner** overlapping display cartons with sealable materials

Machines for NGPs only (leveraging on know-how inherited from IMA's pharma expertise)

Assembly lines



- **Assembly lines** for e-cigarettes or components of e-cigarettes

Process machines for liquid or powder



- **Mixing, granulating, feeding and storing powder**

Filling machines for Liquid and Powder



- Liquid and powder **fillers** with labeling/capping units

Primary packaging



- **Blister** packaging or product flow packing

Secondary packing



- **Packing** cartons starting from pre-glued blanks or from flat-blanks



Broad range of after-sales services: change parts, technical assistance (including secure remote connection), improvement kits, spare parts, engineering services, training activities and workshops

Source: Company information

A large, modern glass-walled building is shown from a low angle, extending into the distance. The building's facade is composed of numerous rectangular glass panels framed by dark metal. The sky above is bright and slightly overcast. In the foreground, there is a field of tall, green grass or crops, which is slightly out of focus. A prominent red banner with a curved bottom edge is overlaid across the middle of the image, containing the text 'Tobacco market trends' in white.

Tobacco market trends

Increasing acknowledgement that NGPs are significantly less risky than combustible tobacco...

"We must acknowledge that there's a continuum of risk for nicotine delivery that ranges from combustible cigarettes at one end, to medicinal nicotine products at the other. We must recognize the potential for innovation to lead to less harmful products, which under FDA's oversight could be part of a solution. We need to envision a world where cigarettes lose their addictive potential through reduced nicotine levels and where less harmful alternative forms are available for those adults who need or want them"

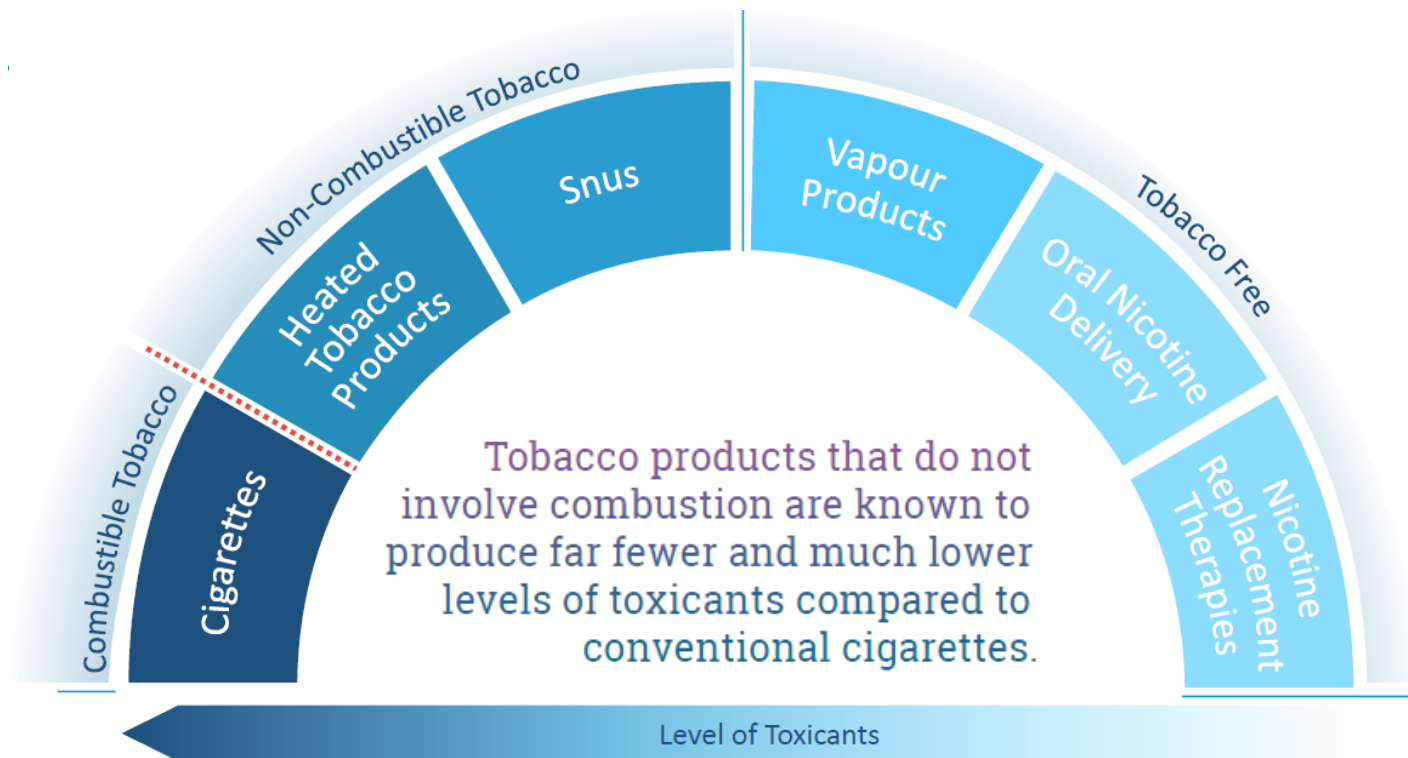
Food and Drug Administration – July 28, 2018

"Ploom TECH uses a hybrid technology to create a tobacco-enriched vapor, by heating a non-nicotine liquid, which passes through a capsule containing granulated tobacco. The tobacco is heated at around 30° Celsius. No combustion is created throughout the process and recent studies show an approx. 99% reduction in levels of measured constituents compared to cigarette smoke. This means that PLOOM TECH has strong potential to be a reduced risk product."

Japan Tobacco - July 21, 2017

"The Exposure Response Study measured the biological response of people who switch to IQOS for 6 months compared with continued smoking. The study met its primary objective, demonstrating that after 6 months, 8 measures of biological response improved in those who switched to IQOS. Numerous aerosol chemistry and physics measurements demonstrate that IQOS aerosol contains an average of 90-95% lower levels of harmful constituents."

Philip Morris International – June 15, 2018



Source: Imperial Brands, FDA, Japan Tobacco, Philip Morris International

... is pushing tobacco majors to add NGPs to their existing combustible tobacco product offering

Conventional Products	New Generation Products ⁽¹⁾		
	Vaping Systems	Heated Tobacco Products	Examples
   	 	 	   
   		 	  
   	 	 	 
   	 		   

Source: Companies websites
 (1) NGPs include open and closed vaping systems and heated tobacco products ("HTP"). Please refer to the Appendix for more information

All tobacco majors envisage significant growth opportunities for NGPs in the long-term ...

British American Tobacco

Our Objective: NGP ~30% Of BAT Revenue By 2030



Japan Tobacco

- RRP category expansion will continue in the mid- to long-term despite recent slowdown driven by:
 - New products launches and aggressive marketing activities
 - Less restrictive regulations
 - We still expect the RRP category to reach 30% of total industry volume by the end of 2020
- We continue to prioritize RRP in allocating resources

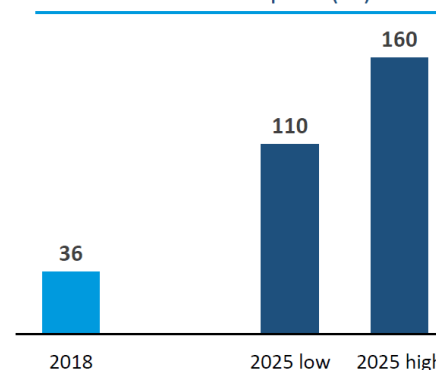
Imperial Brands



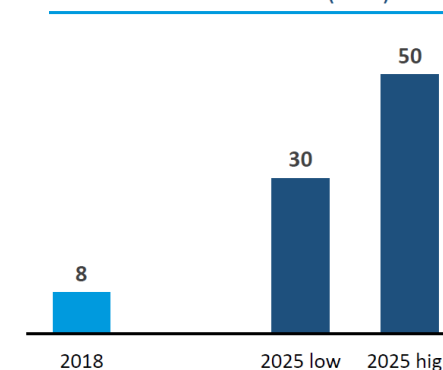
VAPING COULD REACH £50 BILLION BY 2025...



Number of Vapers (m)



Retail Sales Value (£bn)



Philip Morris International

Smoke-Free Future: PMI Business Transformation



	Actual 2017	Aspiration ^(a) 2025
Smoke-Free Product Volume ^(b) (billion units)	36 Approx. 4% of PMI total volume	>250 >30% of PMI total volume
Smoke-Free Product Net Revenues	\$ 4 billion Approx. 13% of PMI total net revenues	\$17-\$19 billion ^(c) Approx. 38%-42% ^(d) of PMI total net revenues

(a) Assuming constant PMI market share outside China and the U.S. We do not set aspirational targets for R&D and commercial expenditure but we expect both ratios to continue increasing to enable the stated outcome in terms of shipment volume
 (b) For 2017, smoke-free products volume includes heated tobacco units only
 (c) At today's pricing and excise tax assumptions
 (d) Note: Net revenues exclude excise taxes
 Source: PMI Financials or estimates, and PMI Communication on Progress 2016 United Nations Global Compact

Source: Companies presentations

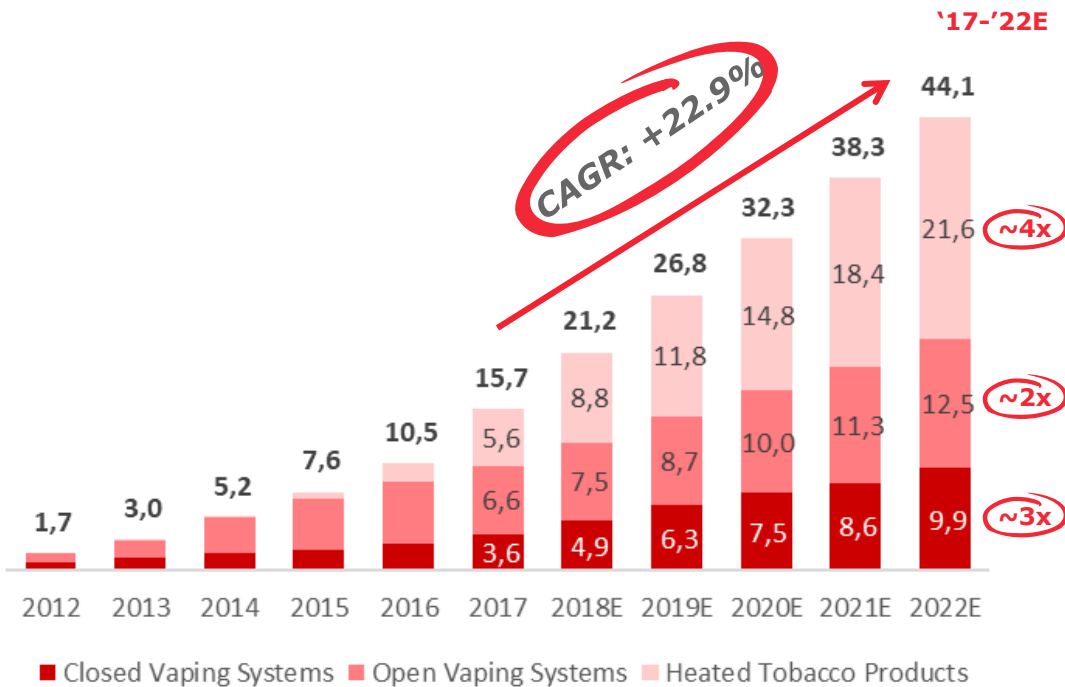
... Confirmed by independent research, forecasting significant growth for NGPs on a global basis

According to Euromonitor, the **total value of NGPs** is forecast to reach €44.1 billion by 2022 globally with a **CAGR of 22.9%** (versus a 3.1% CAGR of the tobacco market – excluding NGPs)

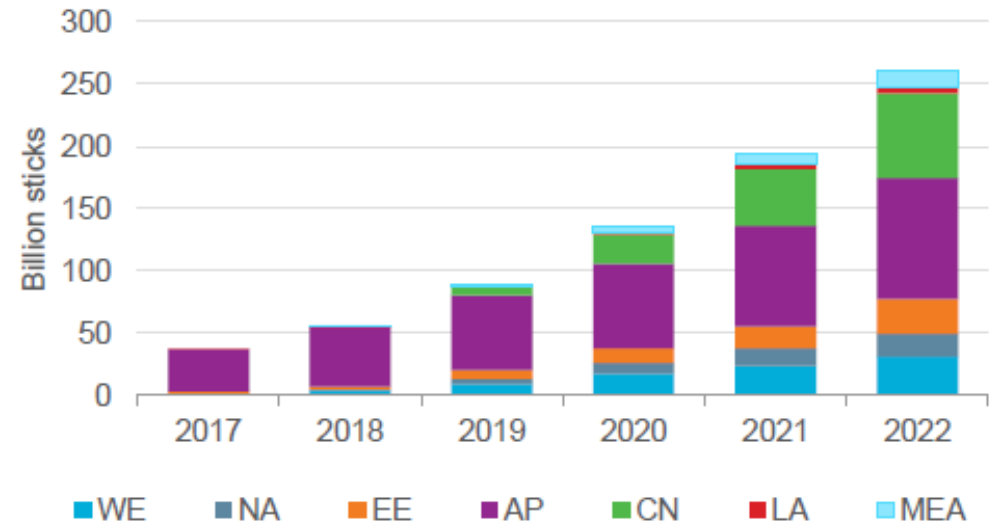
NGPs are expected to count for 5.3% of the global tobacco market in 2022

Heated Tobacco Products are forecast to reach more than **250 billion sticks** in 2022

NGP Global Retail Value (€bn)



Heated Tobacco Volumes (billion sticks)



Source: Euromonitor International (please refer to the Appendix for New Generation Products glossary)

Positive long-term fundamentals for suppliers of machines to the tobacco industry

New Generation Products

Significant **FOCUS** from all tobacco majors and increasing geographic **PENETRATION**

EVOLVING REGULATORY ENVIRONMENT: EU TPD distinguishes **NOVEL SMOKELESS TOBACCO** as a separate category from conventional tobacco

NEW and **DIFFERENT** production capacity/ capabilities

Evolved **SPECIAL** packaging (e.g. blister)

UNEXPLORED geographies with different regulatory standards (e.g. USA, China)

Driving machine first adoption

Conventional Tobacco Products

Decreasing cigarettes consumption but **INCREASED PREMIUMIZATION** and **DIFFERENTIATION** (new filtering, flavouring options, cigarettes size, etc.)

INNOVATIVE PACKAGING as main **MARKETING** solution and **DIFFERENTIATION** tool

Hunting for **FLEXIBLE PRODUCTION** to meet **FAST EVOLVING** users' habits and packaging standards (e.g. EU TPD2⁽¹⁾)

Increased **AUTOMATION** in "secondary" processing phases to further support **PRODUCT INNOVATION**

Driving machine substitution

(1) Revision of the Tobacco Products Directive



Financial Highlights – 9-Months 2018

Profit & Loss

(€ '000s)	9M 2018	%	9M 2017	%
Revenue	133,993		107,350	
Cost of sales	(75,378)	(56.3)	(53,342)	(49.7)
Industrial gross profit	58,615	43.7	54,008	50.3
R&D costs	(1,641)	(1.2)	(1,675)	(1.6)
Sales costs	(2,029)	(1.5)	(2,974)	(2.8)
General and administrative costs	(5,237)	(3.9)	(3,926)	(3.7)
EBIT	49,708	37.1	45,433	42.3
Finance income/(expense)	(141)	(0.1)	(10)	(0.0)
EBT	49,567	37.0	45,423	42.3
Taxes	(13,922)	(10.4)	(12,740)	(11.9)
Net income	35,645	26.6	32,683	30.4
EBITDA	50,335	37.6	45,770	42.6
Backlog	73,905		92,094	
Order intake	97,477		111,521	

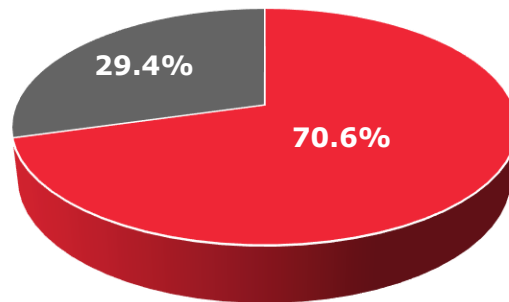
Source: Company Information

Revenue breakdown by product family / geography

Strong growth of Export as % of total revenue in 9M 2018
Original Equipment as % of total revenue in line with 9M 2017

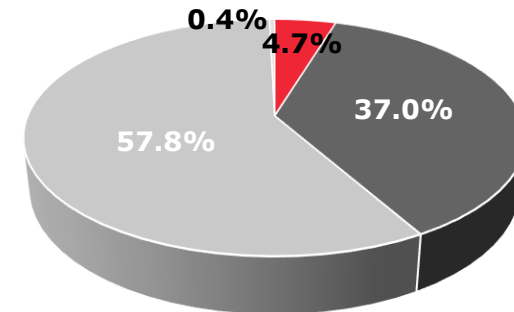
9M 2018

By Product family



■ Original Equipment ■ After-Sales

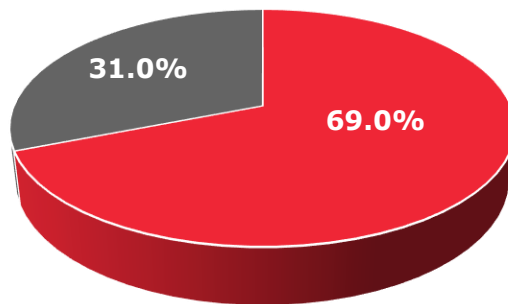
By Geography



■ Italy ■ Rest of Europe
■ Asia & Middle East ■ Rest of world

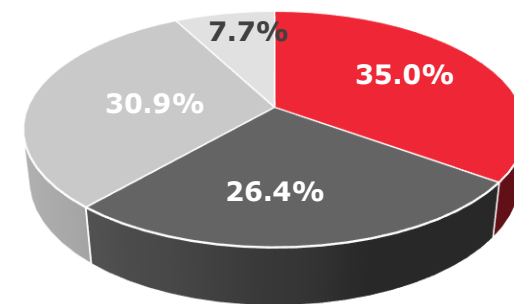
9M 2017

By Product family



■ Original Equipment ■ After-Sales

By Geography



■ Italy ■ Rest of Europe
■ Asia & Middle East ■ Rest of world

Source: Company Information

Balance sheet

(€ '000s)	09.30.2018	12.31.2017	Delta
Trade receivables and advances to suppliers	70,036	30,905	39,131
Inventories	20,180	21,372	(1,192)
Trade payables and advances from customers	(44,429)	(56,876)	12,448
Other, net (*)	(15,471)	(928)	(14,543)
Working capital	30,316	(5,527)	35,843
Property, plant and equipment	1,914	1,361	553
Intangible assets	3,701	2,507	1,194
Financial assets	2,228	-	2,228
Receivables and deferred tax assets	1,268	1,072	196
Non-current assets	9,110	4,940	4,170
Employee severance indemnities and other non-current payables	(1,583)	(592)	(991)
Net capital employed	37,843	(1,179)	39,022
Net financial position (A)	5,453	45,788	(40,335)
Shareholders' equity (B)	43,296	44,609	(1,313)
Total sources of funding (B) - (A)	37,843	(1,179)	39,022

Source: Company Information

(*) This item mainly includes tax receivables and payables, provisions for risks and charges and other payables

Cash flow statement

(€ '000s)	9M 2018	9M 2017
Net profit for the period	35,645	32,683
Taxes	13,922	12,740
Other non-monetary changes	1,573	899
Subtotal	51,140	46,322
(Increase) or decrease in trade and other receivables	(31,615)	(13,892)
(Increase) or decrease in inventories	1,192	(5,251)
Increase or (decrease) in trade and other payables	(11,958)	(6,321)
Taxes paid	(7,316)	(6,921)
CASH FLOW PROVIDED BY OPERATING ACTIVITIES (A)	1,443	13,937
Additions to property, plant and equipment	(818)	(612)
Additions to intangible assets	(1,629)	(2,028)
Increase in financial receivable from the parent company	–	7,624
Additions to financial assets	(2,228)	–
CASH FLOW PROVIDED BY INVESTING ACTIVITIES (B)	(4,675)	4,984
Dividends paid	(36,960)	(27,001)
Other changes	(143)	21
CASH FLOW USED IN FINANCING ACTIVITIES (C)	(37,103)	(26,980)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(40,335)	(8,059)

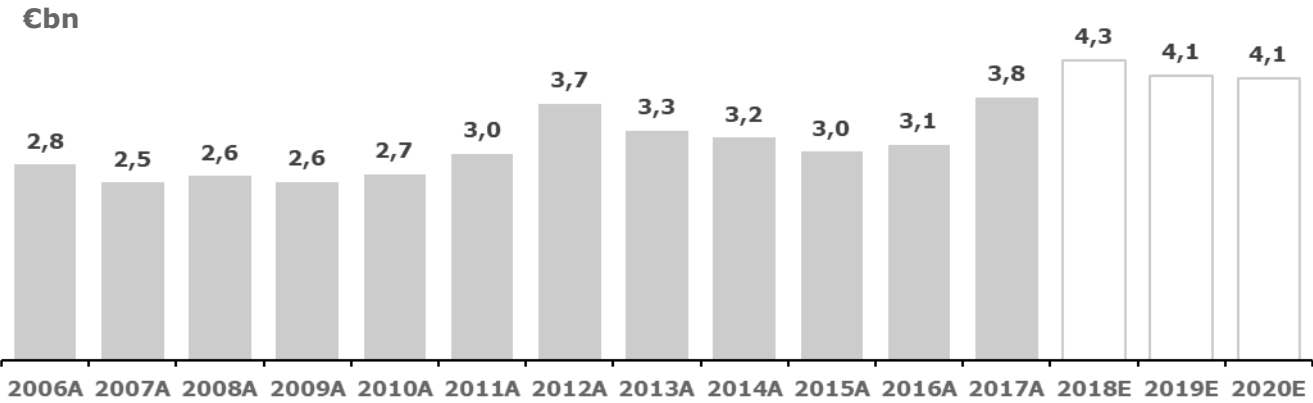
Source: Company Information

A photograph of a modern, multi-story building with a glass facade, viewed from a low angle. The building is partially obscured by a red curved banner that spans across the middle of the image. The foreground shows a field of tall grass. The sky is bright and overcast.

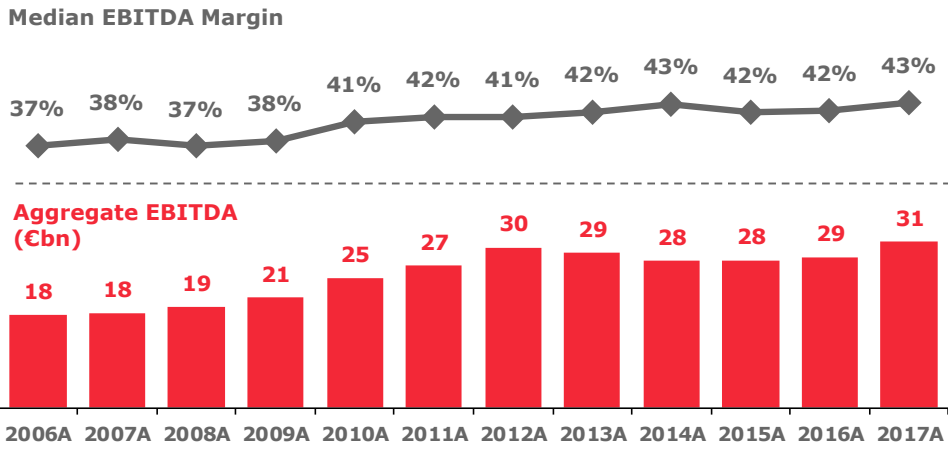
Appendix

Tobacco majors are expected to continue intense capex activities, with strong profitability so far

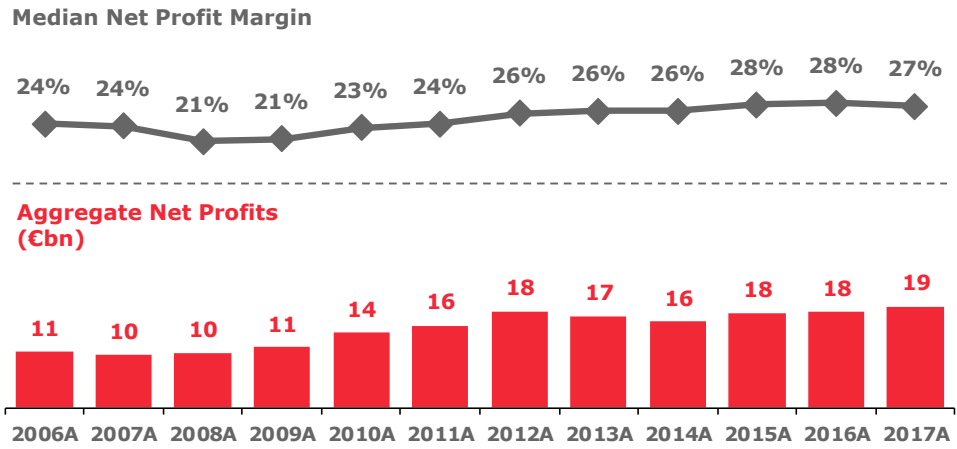
Tobacco Majors⁽¹⁾ Annual Aggregate CapEx



Tobacco Majors⁽¹⁾ Aggregate EBITDA and Margins



Tobacco Majors⁽¹⁾ Aggregate Net Profit and Margins



Source: Companies annual reports and Consensus
 (1) Philip Morris International, British American Tobacco, Japan Tobacco and Imperial Brands

British American Tobacco

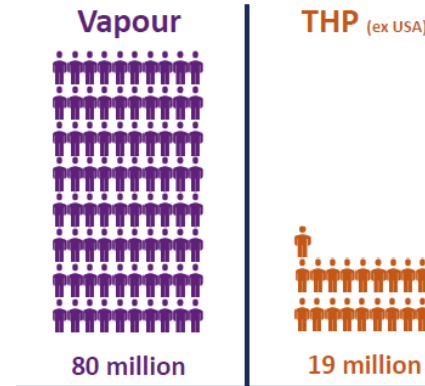
To be the world's best at satisfying consumer moments in NGPs

A Multi-platform Strategy in NGPs

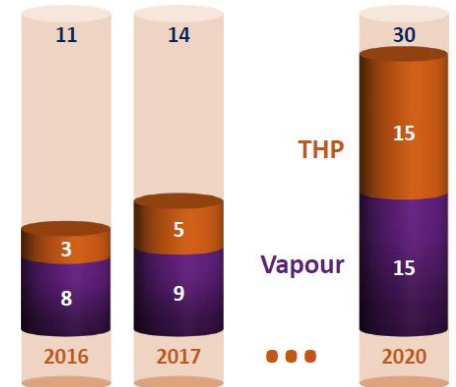


NGP: a Significant and Growing Marketplace

2020 NGP Consumers



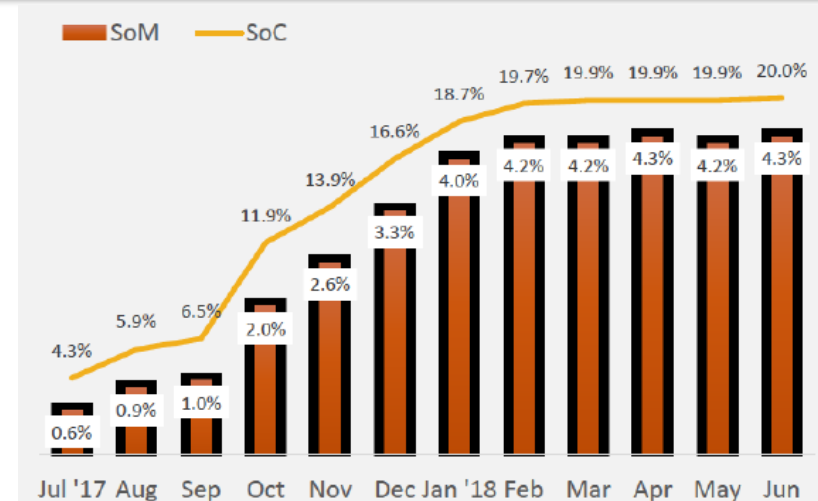
NGP Industry CPTO (£ bn) Including USA vapour



BAT Targets

	2017	2018E	2022E	2030E	2050E
NGP as % of BAT Revenue	2%	3-5%	N/A	~30%	~50%
THP	£0.2 bn	£0.6 bn	£3.5 bn	--	--
Vapour	£0.2 bn	£0.4 bn	£1.5 bn	--	--
BAT NGP Revenue	£0.4 bn	£1.0 bn	£5.0 bn	--	--
glo	2017*	2018E*			
Devices	5 mn	25 mn			
Sticks	15 bn	52 bn			

Performance of glo in Japan (Market Share)



(* Annualized year end capacity)

Source: GIMA TT analysis based on British American Tobacco public materials. THP: Tobacco Heating products. CPTO: Consumer Price Turnover

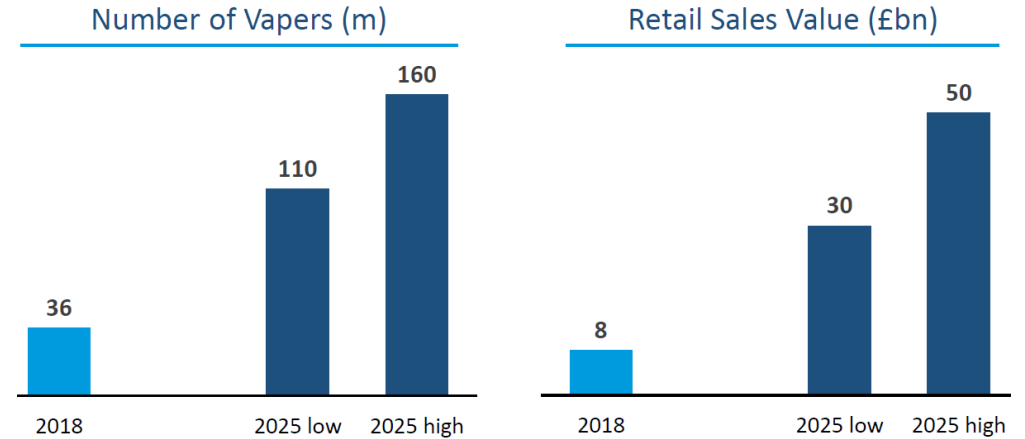
Imperial Brands

Creating something better for the world's smokers

Approach to Next Generation Products

- We are currently witnessing **the biggest consumer shift in our history**, with millions of smokers around the world choosing to switch to less harmful Next Generation Products (NGP)
- As a result, we are increasingly focusing our attention on **developing and expanding our NGP portfolio**
- We have **deliberately favoured the vapour opportunity** as it's by far the **largest NGP category** and offers the **greatest potential** for long-term sustainable growth
- Vapour products, which do not contain tobacco, are seen as representing a **less harmful alternative to cigarettes**, thereby creating a huge global public health opportunity

Vaping Could Reach £50 billion by 2025



2018: a Transformative Year for Product Portfolio

<p>Launched</p>	<p>NIXX™ skruf :PULZE</p>
<p>Significant R&D progress over last 6 months</p> <p>3D Flavour Connectivity New Pod Design</p>	<p>Heated Tobacco Pulze Hybrid Nixx</p>

Imperial Brands Targets (consumers in millions)

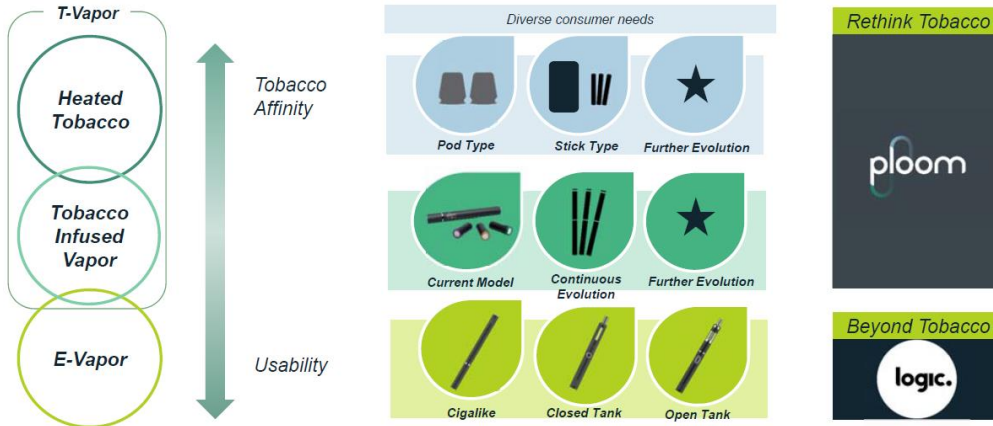


Source: GIMA TT analysis based on Imperial Brands public materials

Japan Tobacco

RRP is now the centerpiece of strategy

Fulfill Diverse Consumer Needs ...



... Creating the most diverse RRP portfolio



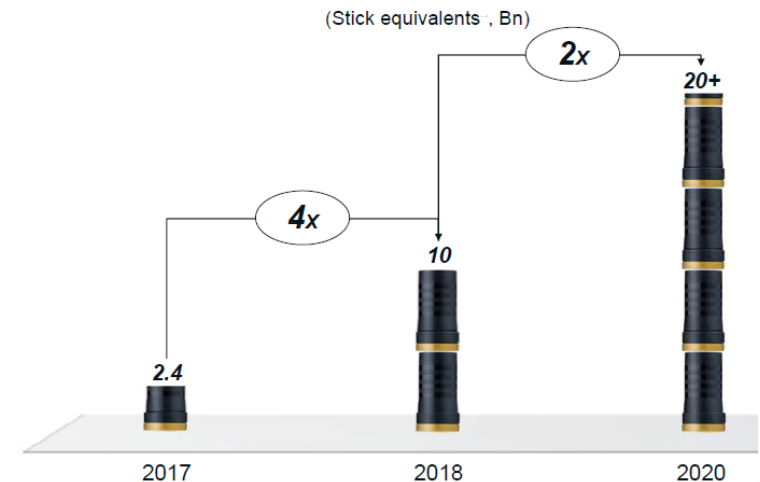
RRP portfolio strategy

Ploom TECH (low-temp. heating type) : Feature high usability, less odor and clear tobacco taste
 Ploom TECH+ (low-temp. heating type) : Offer richer vapor and flavor combined with usability and less odor
 Ploom S (high-temp. heating type) : Gain share from competitors in an already established market

- Ploom TECH+ and Ploom S launch
 - Both products will be launched by the end of March 2019
 - Prioritize existing Ploom TECH and concentrate our resources on its line-up expansion
 - We will introduce them initially via online shop and flagship stores (Ploom Shops)
 - Strongly supported by marketing investment
 - Sales area to be expanded under a roll-out plan and national launch to be completed within 2019

Ploom TECH capsule manufacturing capacity

2020 Ambition
 40% Share of RRP



Source: GIMA TT analysis based on Japan American Tobacco public materials. RRP: Reduced-Risk Products

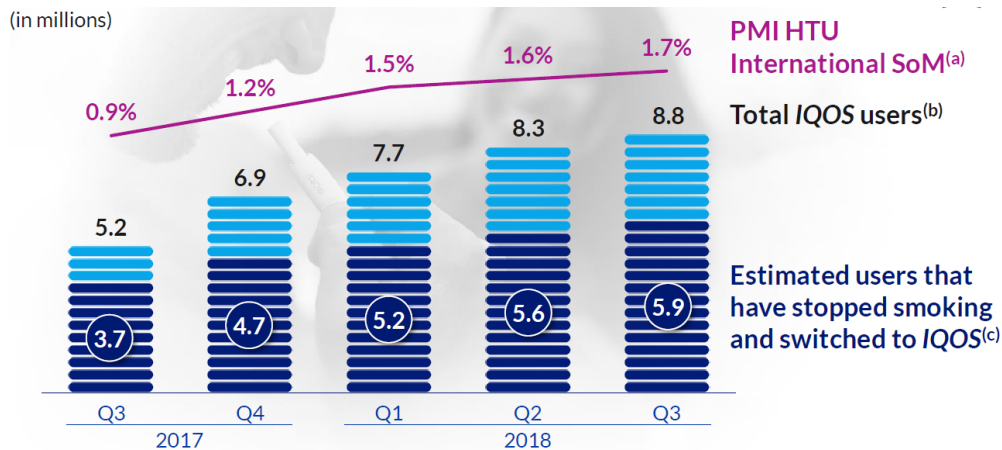
Philip Morris International

Designing a Smoke-Free Future

Strong Portfolio and Innovation Pipeline to Support Sustainable Growth



Continued IQOS User Growth

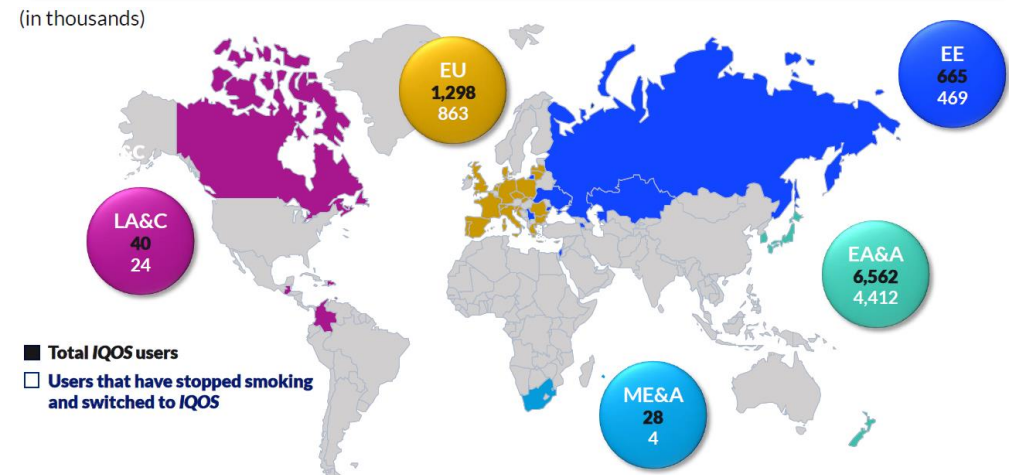


Source: GIMA TT analysis based on Philip Morris International public materials

RRPs: Our Future and Most Promising Growth Opportunity

- **5.9 million** adult smokers have quit smoking and switched to IQOS, with a further **2.9 million** in conversion (Q3 2018):
 - Only **4.5% of the 189 million** directly addressable in current IQOS markets
 - **1+ billion** smokers worldwide
- Each **2 million** new consumers that quit smoking and switch to IQOS equate to an annualized **10 billion HTUs**
- **RRP strong growth will continue but the pace is subject to greater fluctuation:**
 - Diffusion curves vary based on culture, consumer readiness, word-of-mouth, experimentation with competitive offerings
 - Timing of positive regulatory interventions

Total IQOS Users by Region

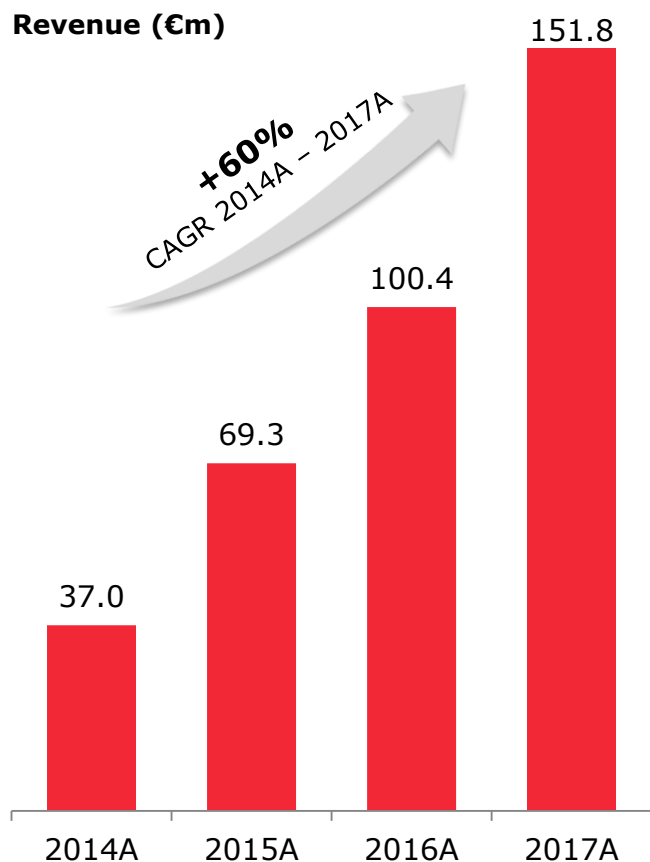


2014 – 2017 financial highlights



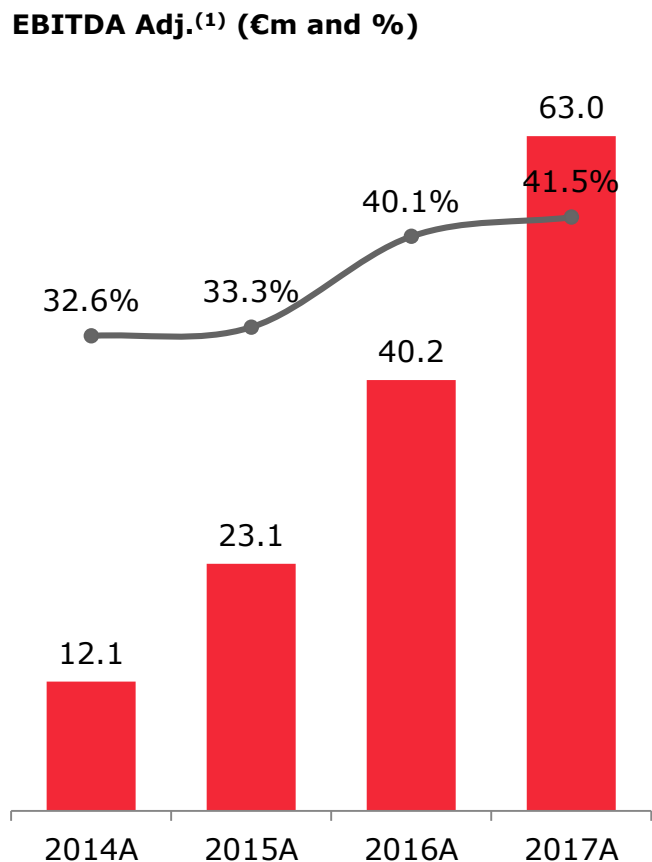
High Revenue growth

Revenue (€m)



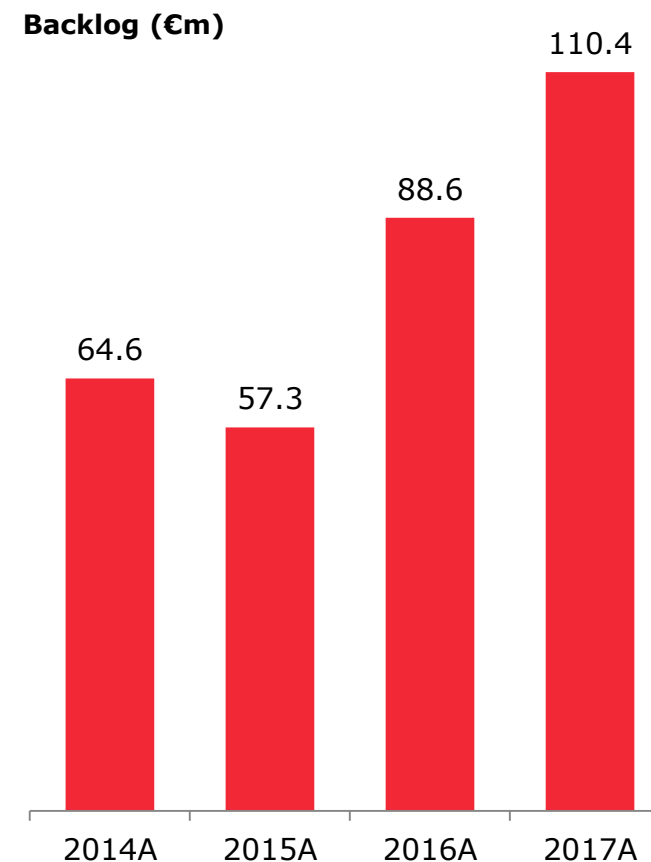
Strong profitability

EBITDA Adj.⁽¹⁾ (€m and %)



Solid backlog visibility

Backlog (€m)



Asset light business model (~0.6% capex⁽²⁾ as % of revenue in 2017), supported by **strong order intake** (€173.6m in 2017 versus €131.7m in 2016A)

(1) Adjusted for non-recurring IPO costs in 2017

(2) Investments in Property, plant and equipment

Source: Company information

2016 – 2017 Profit & Loss

(€ '000s)	2017	%	2016	%
Revenue	151,761		100,394	
Cost of sales	(77,868)	51.3	(52,576)	52.4
Industrial gross profit	73,893	48.7	47,818	47.6
R&D costs	(2,299)	(1.5)	(2,221)	(2.2)
Sales costs	(3,249)	(2.1)	(2,455)	(2.4)
General and administrative costs	(7,114)	(4.7)	(3,383)	(3.4)
EBIT	61,231	40.3	39,759	39.6
Finance income/(expense)	(117)	(0.1)	(14)	(0.0)
EBT	61,115	40.3	39,745	39.6
Taxes	(16,997)	(11.2)	(12,512)	(12.5)
Net income	44,117	29.1	27,233	27.1
EBITDA before non-recurring items	62,957	41.5	40,228	40.1
EBITDA	61,698	40.7	40,228	40.1
Backlog	110,421		88,603	
Order intake	173,579		131,657	

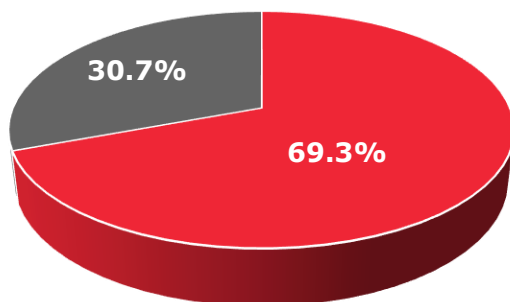
Source: Company Information

2016 – 2017 Revenue breakdown

Strong growth of After-Sales revenue and Export (as % of total revenue)

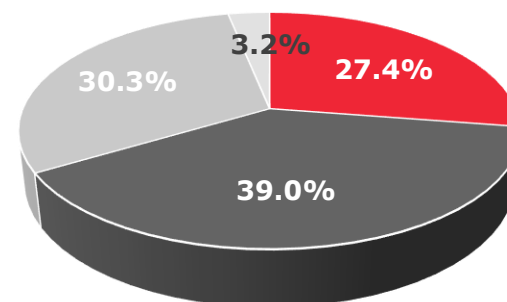


By Product family



■ Original Equipment ■ After-Sales

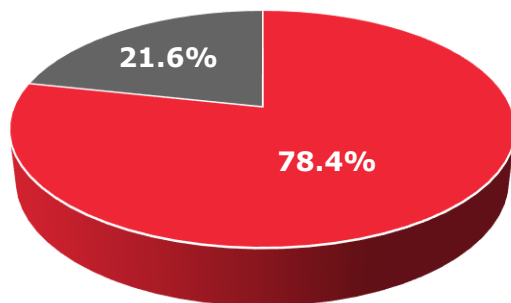
By Geography



■ Italy ■ Rest of Europe ■ Asia ■ Rest of world

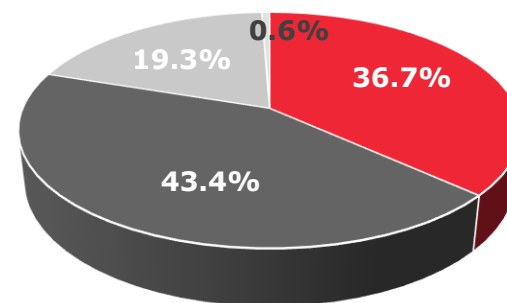


By Product family



■ Original Equipment ■ After-Sales

By Geography



■ Italy ■ Rest of Europe ■ Asia ■ Rest of world

Source: Company Information

2016 – 2017 Balance sheet

(€ '000s)	12.31.2017	12.31.2016	Delta
Trade receivables	30,905	24,068	6,837
Inventories	21,372	18,171	3,201
Trade payables	(56,876)	(53,419)	(3,458)
Other, net ^(*)	(928)	(8,249)	7,321
Working capital	(5,527)	(19,429)	13,902
Property, plant & equipment	1,361	658	703
Intangible assets	2,507	581	1,926
Other	1,072	567	505
Non-current assets	4,940	1,806	3,134
Severance obligations and other payables	(592)	(130)	(461)
Net capital employed	(1,179)	(17,754)	16,575
Net financial position (A)	45,788	45,249	539
Equity (B)	44,609	27,495	17,114
Total sources of financing (B) - (A)	(1,179)	(17,754)	16,575

Source: Company Information

(*) This item mainly includes tax receivables and payables, provisions for risks and charges and other payables

2016 – 2017 Cash flow statement

(€ '000s)	2017	2016
Net profit for the period	44,117	27,233
Income taxes	16,997	12,512
Other non-monetary changes	2,430	951
Sub Total	63,545	40,696
(Increase) or decrease in trade and other receivables	(15,680)	(20,681)
(Increase) or decrease in inventories	(3,201)	(7,349)
Increase or (decrease) in trade and other payables	3,988	21,775
Taxes paid	(17,861)	(10,711)
CASH FLOW PROVIDED BY OPERATING ACTIVITIES (A)	30,791	23,730
Additions to property, plant and equipment	(941)	(187)
Additions to intangible assets	(2,200)	(305)
Decrease in financial receivables from the parent company	7,624	30,576
CASH FLOW PROVIDED BY INVESTING ACTIVITIES (B)	4,483	30,084
Dividends paid	(27,001)	(20,108)
Other changes	(109)	3
CASH FLOW USED IN FINANCING ACTIVITIES (C)	(27,110)	(20,105)
NET CHANGE IN CASH AND CASH EQUIVALENTS	8,164	33,709

Source: Company Information

New Generation Products glossary

New Generation Products	New Generation Products are distinguished from traditional combustible tobacco products by their production of vapour through a process of heating rather than burning. They usually include an electronic circuitry and a power source supplying energy to the heating mechanism. While the majority of current devices (e-cigarettes) are intended for use with a non-tobacco nicotine containing liquid, the category includes tobacco products where tobacco is heated and not combusted. The category excludes licensed nicotine replacement therapy products
Closed Vaping Systems	Closed vaping systems refer to products composed of the aggregation of vaporizing devices and compatible only cartridges. They are split between cig-a-likes and non cig-a-like closed systems
▪ Cig-a-likes	It is the aggregation of single use and rechargeable e-cigarettes. They are intended to mimic traditional rolled manufactured cigarettes and contain a battery and an enclosed flavour cartridge
– Single Use Cig-a-likes	<i>Single use cig-a-likes are non-reusable products which are intended for single use (until either the battery or flavour cartridge depletes fully) and of which no part is detachable or replaceable</i>
– Rechargeable Cig-a-likes	<i>Rechargeable cig-a-likes are products of which the battery can be recharged and interchanged and for which replacement nicotine-containing cartridges can be purchased separately (usually bought pre-filled in packs of 3 or 5)</i>
▪ Non cig-a-likes	It is the aggregation of non cig-a-like closed systems (including starter kits) and non cig-a-like cartridges. Often referred to as pod mods, they are proprietary in nature and are not intended to be refillable with alternative capsules or bottled e-liquid
Open Vaping Systems	Open vaping systems refer to products composed of the aggregation of a power source (battery), an integrated refillable tank (which allows the use of different types of liquids and different brands) and e-liquid. They are often referred to as 2nd, 3rd and 4th generation products (in contrast with 1st generation cig-a-likes)
▪ Charging and Vapourising Devices	Charging and vapourising devices includes any product related to the powering (e.g. batteries) or the charging (e.g. cables) of open vaping systems and any product forming part of the heating and inhalation mechanism (e.g. clearomisers, tank units, atomisers, drip tips)
▪ E-liquids	Nicotine and non-nicotine bottled liquids which are decanted by the consumer into a tank for heating and inhalation
Heated Tobacco Products	It is the aggregation of tobacco heating devices and heated tobacco. It includes sales of products which heat rather than combust tobacco to produce a tobacco vapour, rather than smoke
▪ Heating Devices	Tobacco heating devices are any piece of technology or equipment which allow the consumer to heat rather than combust a tobacco product
▪ Heated Tobacco	Heated tobacco is the consumable element of tobacco vapour products and can come in the form of tobacco pods / capsules or in specially designed cigarettes