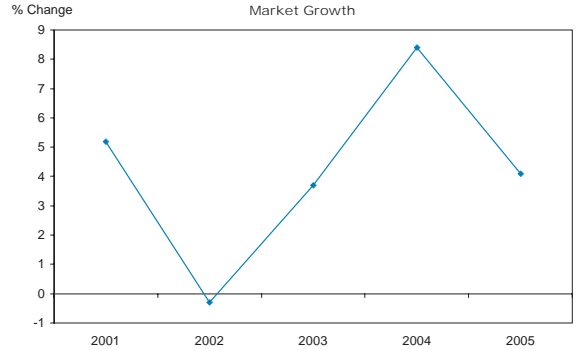


Home Fragrances USA *2005*

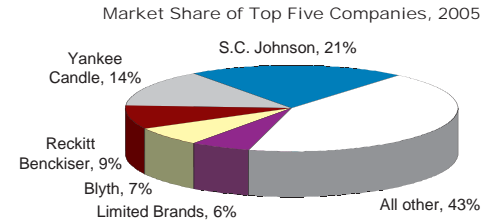
The Market

The U.S. home fragrance market experiences a lower gain in 2005 compared to the blockbuster growth in 2004. The industry registered a 5.8% sales gain to reach \$2.9 billion in sales at the manufacturers' level. Diffusers offer the strongest growth for the market, but not nearly as strong as in 2004, when there was an enormous number of successful new product introductions. Candles, the second largest category, experiences spotty success in the wake of wax supply issues and the rising cost of paraffin. The three largest product categories—candles, diffusers, and room sprays—account for 90% of total market sales.



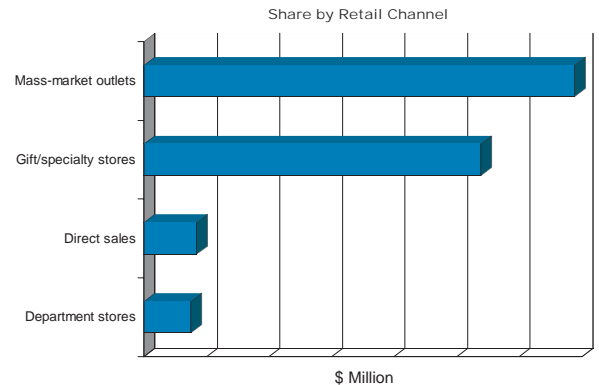
Competitive Landscape

The top five marketers command a 56% share of total market sales. S.C. Johnson continues to pave the way in product innovation with its Glade Scented Oil Candle product introduction. The Yankee Candle Company experiences strong gains and continues to lead the candle category. Procter & Gamble, while not among the top five, steadily secures its place in the room sprays and diffusers categories.



Channels of Distribution

Mass outlets continue to account for one-half of total market sales, based on strong diffuser and room spray products. Growth in specialty stores is not as substantial as in prior years, due to a lackluster performance by major marketers and retailers like Limited Brands and Pier 1 Imports.



Outlook

The U.S. home fragrances market is poised for 5% average annual sales gains through 2010. Growth will be achieved through new product introductions, new store formats, and continued innovation in diffuser delivery systems. The three growth scenarios—worst case, base case, and best case—forecast average sales growth for the home fragrances market ranging from 2.8% to 9.5% annually through 2010.

