

Blyth, Inc.
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Robert B. Goergen
Chairman of the Board
CEO

BLYTH

Dear Shareholder,

Fiscal year 2009 was extraordinarily challenging for Blyth. As a relatively seasonal business, the general deterioration of economic conditions during the year was concerning even prior to the devastating economic events of the fourth quarter. The “economic tsunami” of the credit crisis, increasing unemployment and declining stock and housing markets altered consumer behavior considerably, further exacerbating the soft sales we experienced early in the year. Nevertheless, our balance sheet remains strong, with cash of nearly \$150 million. We retired \$12 million in debt over the past year, and we have no net debt – or, said differently, we have more cash than debt. Our European PartyLite markets continue to show solid sales growth, largely offsetting declines in PartyLite’s U.S. market. Management within our Sterno business unit increased profits again in fiscal year 2009 despite a substantial fall off in sales late in the year when the current economic crises impacted our customers.

Financial Performance, Fiscal Year 2009

Net sales for the fiscal year ended January 31, 2009 declined 10% to \$1.1 billion and would have declined 7% excluding sales from the Blyth HomeScents International business, which we sold in fiscal year 2008. Net loss for fiscal year 2009 was \$15.5 million and included pre-tax non-cash goodwill and other intangibles impairment charges of \$48.8 million, costs totaling \$1.9 million associated with restructuring charges in the Wholesale segment and a charge of \$5.2 million related to an investment write-off. As we were not able to offset fully the impact of lower consumer discretionary spending, our results were lower than prior year on both a reported and a normalized basis. We reported a loss per share loss of \$1.73, or earnings per share of \$3.28 on a normalized basis.

Blyth generated Cash Flow from Operations of \$38 million during fiscal year 2009. We paid a total of \$19.4 million in dividends and repurchased 812,000 shares of our common stock for a total cost of \$11.1 million during the fiscal year. Capital expenditures of \$8.2 million were invested during the year, with technology initiatives continuing to be a key priority. Our financial position remains very strong.

In the Direct Selling segment, fiscal year 2009 sales of \$664.5 million were 3% below the prior year. PartyLite Europe reported 14% sales growth overall. Double-digit sales growth continued in several of our European markets, which, when combined with results in the larger, more mature markets, netted to 10% sales growth in local currency. Sales in PartyLite Canada, also a mature market, decreased 6% in local currency. For PartyLite U.S., sales declined 23%, with show “bookings” and guest attendance at shows under pressure during our peak selling season as the U.S. economy slowed substantially. However, as we have seen in past, guest spend at PartyLite shows held up reasonably well during this period, demonstrating that PartyLite continues to have compelling products and promotional offers that are embraced when people attend the show – an encouraging position for us to be in when the North American environment improves.

In the Catalog & Internet segment, fiscal year 2009 sales decreased 8% to \$190.1 million. The value-priced everyday merchandise featured in our core catalogs resonated with consumers, and many of our key categories held up better than the competition. Continued increases in postage rates and higher paper costs drove most catalogers to shrink circulation, ourselves included, with lower sales as a result. While these higher costs impacted our profitability again this year, the primary driver of our loss in this segment was a difficult ERP implementation that presented multiple systems challenges throughout the year. Fortunately, we have overcome the most vexing issues, and our operation is running well again. We fully expect our Miles Kimball Company business unit to be profitable going forward.

Wholesale segment sales declined 28% to \$196.2 million partly due to the impact of the first quarter divestiture of BHI, but largely due to the downward pressure being experienced in the U.S. housing market. Our home and seasonal decorations businesses – both of which are market leaders led by seasoned industry veterans – underwent substantial restructuring during fiscal year 2009. Several key competitors closed their doors during the year, which bodes well for our market share in the long term but results in a flood of close-out inventory in the short term, further pressuring margins. In the Sterno business unit, management continued to demonstrate good progress during the year. Despite a substantial fall off in volume late in the year as the economic crisis unfolded, profits at Sterno increased over fiscal year 2008.

We continued to invest in organic strategic initiatives in fiscal 2009, including Boca Java, an on-line marketer of premium “fresh roasted-to-order gourmet coffee delivered to your door,” and Two Sisters Gourmet, a direct selling company that “brings gourmet to everyday” with its variety of sauces, dips, condiments and mixes. At year end, we integrated Two Sisters Gourmet into our PartyLite direct selling business, bringing our PartyLite and TSG independent sales Consultants a new product line to offer to their customers and leveraging PartyLite’s infrastructure.

Corporate Goals

Each year, we evaluate ourselves against three long-term corporate financial goals:

- Annual sales and earnings growth
- 7% to 9% operating margins
- 15%+ return on average equity

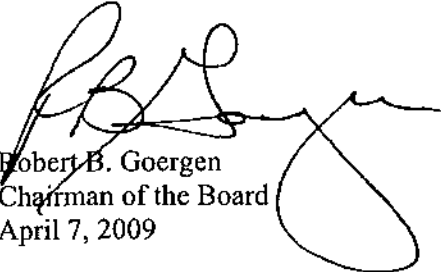
Despite the magnitude of the decline in consumer discretionary spending, missing each of our target goals this year was a major disappointment for all of us at Blyth. Moreover, while each of these goals is of critical importance to me and Blyth’s senior management team, as important to me is the culture I have strived to build over the 30+ years that I have led the Company. The significant restructuring we undertook in fiscal year 2009 resulted in our separation from many long-tenured colleagues. These unfortunate steps are contrary to our long-term vision of growth but were necessitated by the current economic crisis. I extend my personal thanks to our former employees for their service and commitment to Blyth.

Major Accomplishments

We took 2 important strategic steps in fiscal year 2009, building on our direct-to-consumer strategy. Both initiatives are small and are not expected to impact our results in the near term. ViSalus is a direct seller of nutritional supplements, energy drinks and weight management products sold to consumers in the United States one-on-one by independent distributors, approximately half of whom are men. We made an initial investment in this exciting young company, with an option to acquire it fully over the next few years. Visit ViSalus at www.visalus.com.

As We Change, the assets of which we acquired and are now part of the Miles Kimball Company, is the first national mail-order catalog to focus exclusively on the needs and preferences of women age 40+, providing a convenient place to turn for products and solutions. *As We Change* offers a variety of high-quality, well-researched products in categories that include nutrition, beauty, skin care, exercise, lifestyle, and personal care. The brand is a strategic fit, builds on our growing presence in the health and wellness category and more fully leverages the Miles Kimball Company infrastructure. Visit *As We Change* at www.aswechange.com.

As Blyth continues to evolve, our senior management team and Board of Directors remain committed to the values upon which I built this company: offer superior products and customer service, operate under uncompromised ethical principals and support the entrepreneurial spirit that drives innovation and leadership development throughout Blyth. Together, we work to ensure that these values remain an integral part of our organization's culture.



Robert B. Goergen
Chairman of the Board
April 7, 2009

Shareholder Information

COMMON STOCK

Listed on the New York Stock Exchange
Trading Symbol: BTH

MANAGEMENT CERTIFICATIONS

The Company's Chief Executive Officer and Chief Financial Officer provided certifications to the Securities and Exchange Commission as required by Section 302 of the Sarbanes-Oxley Act of 2002 and these certifications are included as Exhibits 31.1 and 31.2 in the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2009. In addition, as required by Section 303A.12(a) of the New York Stock Exchange (NYSE) Listed Company Manual, on July 18, 2008, the Company's Chief Executive Officer submitted to the NYSE the annual CEO certification regarding the Company's compliance with the NYSE's corporate governance listing standards.

ANNUAL MEETING OF SHAREHOLDERS

will be held on Wednesday, June 10, 2009
at 8:30 a.m. Eastern Time at
Blyth, Inc.
One East Weaver Street
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CORPORATE OFFICES

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