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SEC Mail Processing
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Washington, DC
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BLYTH

Robert B. Goergen
Chairman of the Board
CEO

Dear Shareholder,

We entered fiscal year 2010 with a very conservative outlook: sales and profit growth would likely be difficult to achieve given the then-unfolding financial crisis and the expected severity of the economic recession. So, we concentrated our efforts on cash flow generation and protection, making it the top priority for management across all of Blyth. Increased focus on inventory management across all of our business units, and on receivables and collections within our wholesale business, yielded strong operating cash flow of $93 million in fiscal year 2010 compared to $38 million in fiscal year 2009. We ended the fiscal year with over $200 million of cash on our balance sheet even after retiring the remaining portion of our 7.9% bonds in October. We paid a total of $1.8 million in regular semi-annual dividends and repurchased 120,000 shares of our common stock for a total cost of $4.0 million during the fiscal year. At year end, given our projected cash balances, we declared a special cash dividend of $1.00 per share, or $8.9 million, which was paid in February, the first month of our fiscal year 2011. Our financial position remains strong, and we have no net debt.

Financial Performance, Fiscal Year 2010

Our assumption of a challenging sales environment was accurate as net sales declined 9% from fiscal year 2009 to $1.0 billion in fiscal year 2010. Net income for fiscal year 2010 was $17.7 million and included several unusual items: pre-tax non-cash goodwill and other intangibles impairment charges of $16.5 million and costs totaling $2.1 million associated with the Midwest-CBK merger, which were offset by a tax benefit of $9.1 million related to the closure of various tax audits. We reported earnings per share of $1.98, or, excluding the aforementioned unusual items, $2.84 on a normalized basis.

In the Direct Selling segment, fiscal year 2010 sales of $635.2 million were 4% below the prior year. We experienced 5% sales growth in Europe, measured in local currency. For PartyLite U.S., sales declined 14%, as show "bookings" and guest attendance at shows declined as the U.S. economy and consumer discretionary spending slowed substantially. However, we continued to see stable spending per guest at PartyLite shows during the year as we invested in compelling promotional offers to drive activity. By year end, PartyLite's U.S. Consultant base had stabilized, which has been an important goal of our management team.

In the Catalog & Internet segment, fiscal year 2010 sales decreased 13% to $166.0 million due in part to a planned reduction in catalog circulation. We made important progress in several key initiatives this year, an important one of which was optimizing the ERP system that we implemented in 2008. Improved ERP utilization and strong operational performance allowed us to service our customers more efficiently, lowering costs per customer order filled. These savings could not offset the impact of lower consumer discretionary spending, and we were disappointed to report an operating loss in the segment this year given that we firmly believe this business to be capable of growth and positive shareholder returns.

Wholesale segment sales declined 20% to $156.8 largely due to the turmoil in the U.S. housing market as the relatively low rate of home sales negatively impacted home décor sales. We combined our Seasons of Cannon Falls, CBK and Colonial Candle brands into one company, Midwest-CBK, and restructured our distribution and sales model to improve results in this business. Management implemented additional rigorous cost controls and managed working capital tightly, resulting in strong cash flow despite challenging sales conditions. Similarly, management in our Sterno business unit increased profitability and cash flow despite lower sales volume in fiscal year 2010.

We continued to invest in earlier-stage companies in fiscal 2010, including Boca Java, an on-line marketer of premium "fresh roasted-to-order gourmet coffee delivered to your door," and ViSalus, a direct selling company marketing consumable health and wellness products. Both businesses experienced the expected challenges of the economic environment during the fiscal year but focused on conserving cash and managing their working capital requirements.

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

Our outlook for a challenging year notwithstanding, it is disappointing for all of us at Blyth to miss our goals. We chose not to lower our goals at the outset of the fiscal year, recognizing that they are long-term and will require improvement in the North American economic environment to achieve.

While we focused our efforts on cash preservation and generation this year, we also prepared for the eventual upturn in the economy by continuing to strengthen our management team, welcoming new executive talent to PartyLite Worldwide, PartyLite US, the Miles Kimball Company, Sterno, Boca Java and ViSalus. We broadened management's reach in PartyLite Europe by opening Poland and preparing for additional new market entries in fiscal year 2010. The development of Blyth's current and future leadership remains a top priority.

Clearly the events of the past 18 months have tested our resolve, but because of the commitment of our existing team and the addition of new management strength, I believe we are a stronger company today than we were two years ago. Our employees delivered on numerous key objectives under difficult circumstances in fiscal year 2010, and we made the decision to maintain all of our existing employee benefit plans this past year as confirmation of our commitment to their long-term goals.

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 principles 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 13, 2010

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, 2010. In addition, as required by Section303A.12(a) of the New York Stock Exchange (NYSE) Listed Company Manual, on June 11, 2009, 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 Thursday, June 10, 2010
at 8:30 a.m. Eastern Time at
Blyth, Inc.
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