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BLYTH

Robert B. Goergen
Chairman of the Board
CEO

Dear Shareholder,

Blyth is in a much better position at the end of fiscal year 2008 than we were at the end of fiscal year 2007, demonstrated by our improved earnings. Our balance sheet is as strong as ever, with cash and short-term investments of nearly \$200 million. We retired \$57 million in debt over the past year, and we have no net debt. While sales at PartyLite U.S. have declined, PartyLite Europe continues to show double digit sales growth. Our Miles Kimball Company continues to hold its own in a tough consumer spending environment, and the turnarounds of our Sterno and Midwest businesses are well underway.

During the first quarter of fiscal 2008, we divested Blyth HomeScents International (BHI), our mass channel wholesale home fragrance business, for \$25 million, completing our exit from the food/drug/mass marketplace. BHI was the original base from which we built our leadership position in home fragrance, which continues today with our PartyLite and Colonial Candle brands. Nevertheless, with our focus on the Direct-to-Consumer and premium Wholesale channels, as well as the Sterno business, BHI had become less of a strategic fit for Blyth going forward. Thus, when conversations arose with a strong and growing competitor interested in increasing its mass channel presence, we were receptive to a dialog and ultimately sold them the business.

Financial Performance, Fiscal Year 2008

Net sales for the fiscal year ended January 31, 2008 declined 5% to \$1,165 million but were even with prior year excluding sales from the divested BHI. Net income for the fiscal year was \$11.1 million, which was a significant improvement from last year on both a reported and normalized basis. Non-cash goodwill and intangibles impairment charges associated with the Miles Kimball Company and restructuring of our remaining wholesale candle operations negatively impacted profitability, but continued growth in PartyLite Europe and turnarounds at Midwest and Sterno, along with favorable tax adjustments, resulted in reported earnings per share of \$0.28, or \$1.61 on a normalized basis—representing a significant improvement over last year.

Blyth continued to generate strong Cash Flow From Operations of \$92 million during the fiscal year, which supported the decision by our Board of Directors to increase our dividend to \$0.54 per share in fiscal 2008, an increase of 8% over the total dividend paid in fiscal 2007. We paid a total of \$20.9 million in dividends during fiscal 2008, representing a 2.8% yield based on our current share price. Moreover, in fiscal 2008, we repurchased 3.2 million shares of our common stock for a total cost of \$64.2 million. Capital expenditures of \$9 million were invested during the year, with web-based initiatives being a key priority. Our financial position remains very strong.

In the Direct Selling segment, fiscal year 2008 sales of \$686.8 million were nearly even with the prior year. PartyLite Europe reported 16% sales growth overall. Sales increased double-digit in many European markets, which, when combined with results in the large and more mature German market, netted to mid single-digit sales growth in local currency. Sales in PartyLite Canada, also a mature

market, increased low single digit in local currency. Sales in PartyLite U.S. declined 15%, and stabilizing this market continues to be a top priority for senior management.

In the Catalog & Internet segment, fiscal year 2008 sales increased 4% to \$206.8 million. Sales for the Miles Kimball Company grew slightly over prior year, which we believe is a respectable accomplishment given the difficult consumer environment. An increase in postage rates and higher paper costs drove most catalogers to shrink circulation in an effort to retain profits—an unsuccessful endeavor for many competitors, who either exited the channel or filed for bankruptcy protection this year.

Wholesale segment sales declined 17% to \$271.4 million due to the impact of the first quarter divestiture of BHI. Sales for our remaining Wholesale businesses declined only modestly as sales growth of premium seasonal decorations and candles, along with higher foodservice sales, was more than offset by sales declines of home décor, which has experienced the negative impact of a declining housing market.

Also of note within our segment performance is our commitment to organic strategic initiatives. Two Sisters Gourmet is a small direct selling company that “brings gourmet to everyday” with its variety of sauces, dips, condiments and mixes, and Boca Java is an on-line marketer of premium “fresh roasted-to-order gourmet coffee delivered to your door.” We continued to invest in these young enterprises during fiscal year 2008, believing in the growth opportunity of each.

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

Profitable sales growth continued to be very challenging in fiscal 2008 as consumer spending on discretionary items has been impacted by the downturn in the economy. Nevertheless, operating management successfully grew gross margins across many of Blyth’s businesses, resulting in a 38% increase in net earnings excluding unusual items even as sales were flat compared to last year. Our normalized operating margin of 8% improved from prior year. Return on average equity, also improved over last year, was 15.8%, surpassing our goal.

Major Accomplishments

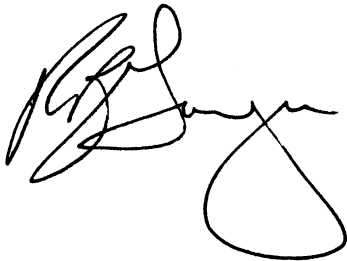
We welcomed a new President to PartyLite Worldwide during fiscal 2008. Anne Butler, who had ably headed PartyLite’s European, Mexican and Australian markets since joining the Company in 1999, was promoted from her position of President, PartyLite International into the top job. Anne brought a wealth of executive experience to PartyLite, having worked for over 25 years at leading direct selling companies. In addition to her extensive knowledge and experience, Anne is committed to PartyLite’s culture and values, and supporting our Field and Employees to lead the company to new heights.

We also bid farewell to a long-time board member and welcomed new talent to this group. Roger Anderson retired in January, having served on Blyth’s board since we went public in 1994. Most recently, he served as Chairman of the Nominating and Corporate Governance Committee, as a member of the Audit Committee and as lead outside director. I extend my personal thanks to Roger for his service to the Company and our stockholders.

Anne Busquet joined our board in August. She is currently Principal of AMB Advisors, LLC, an executive strategy and business development advisory firm and investor in start-up companies. She has served as Chief Executive Officer of IAC Local and Media Services, a division of InterActiveCorp, and as a division executive at American Express Company. Anne served on the Audit Committee during fiscal year 2008 and was also recently appointed to the Nominating & Corporate Governance Committee.

Anne joins three other capable women serving on Blyth's Board of Directors. In recognition of the attention to the importance of gender diversity in our board, the Boston Club, an organization for high-achieving executive and professional women, honored Blyth in November 2007 with its *Corporate Salute* award. Blyth's slate of corporate executives reflects similar diversity, with three of our nine corporate officers being women.

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.

A handwritten signature in black ink, appearing to read 'R. Goergen', with a large, stylized loop at the end.

Robert B. Goergen
Chairman of the Board
April 9, 2008