

BLUEFLY REPORTS THIRD QUARTER 2006 RESULTS

- *Revenues Increase by 35.5%*
- *Gross Margin Remains Strong at 37.4%*

New York, NY November 14, 2006 – Bluefly, Inc. (NASDAQ Capital Market: BFLY), a leading online retailer of designer brands, fashion trends and superior value (www.bluefly.com) today announced strong growth in revenue and margin levels for the third quarter of 2006.

Highlights for the third quarter of 2006 include the following:

- Revenues increased by approximately 35.5% to \$16.3 million from \$12.0 million in the third quarter of 2005.
- Gross profit increased by 33.6% to \$6.1 million from \$4.6 million in the third quarter of 2005.
- Operating loss increased to \$3.6 million from \$1.5 million primarily as a result of a \$597,000 of expense reported in connection with employee stock options as a result of the adoption of SFAS123(R), and a year-over-year incremental increase of \$1.7 million in spending related to marketing and advertising.
- Average order size increased by nearly 14% to \$260.58 from \$228.72 in the third quarter of 2005.
- The cash balance was approximately \$17 million, up from \$9.4 million at year end 2005, as a result of the Company's recently announced financing.
- Net loss increased to \$3.5 million from \$1.7 million. Loss per share decreased to \$0.03 per share (based on 129 million weighted average shares outstanding after preferred stock dividends) from \$0.20 per share (based on 15.8 million weighted average shares outstanding after preferred stock dividends).
- Weighted average shares increased to 129 million from 15.8 million as a result of the financing and the conversion of the Company's preferred stock into common stock in connection with the financing. Total shares outstanding at September 30, 2006 were 129.2 million.

“We are extremely pleased with our third quarter results and with the momentum that we have been able to generate leading into the Holiday season,” said Melissa Payner, Bluefly's Chief Executive Officer. “Once again, we were able to generate impressive revenue growth, while maintaining strong margins. Our advertising campaign continued to have a positive impact on the business, helping us to increase the number of new customers acquired in the quarter by over 25%. At the same time, our merchandise strategy and continuous improvement of our web site contributed to approximately 35% increase from existing Bluefly customers. While the broader retail markets are seeing mixed results, we continue to see strong growth coupled with healthy margins. We have laid the groundwork with our advertising and marketing, and with an appropriate level of inventory in place, we believe we are well positioned for a strong fourth quarter.”

The company will host a conference call webcast to discuss its third quarter results today at 5:00 p.m. EDT. Investors can access the webcast at www.bluefly.com.

About Bluefly, Inc.

Founded in 1998, Bluefly, Inc. (NASDAQ SmallCap: BFLY) is a leading online retailer of designer brands, fashion trends and superior value. Bluefly is headquartered at 42 West 39th Street in New York City, in the heart of the Fashion District. For more information, please call 212-944-8000 or visit www.bluefly.com.

Forward-looking statements inherently involve risks and uncertainties that could cause actual results to differ materially from the forward-looking statements. The risks and uncertainties are detailed from time to time in reports filed by the company with the Securities and Exchange Commission, including Forms 8-K, 10-Q and 10-K. These risks and uncertainties include, but are not limited to, the company's ability to execute on, and gain additional revenue from, its marketing initiatives; the company's history of losses and anticipated future losses; the potential failure to forecast revenues and/or to make adjustments to operating plans necessary as a result of any failure to forecast accurately; unexpected changes in fashion trends; cyclical variations in the apparel and e-commerce market; the availability of merchandise; the need to further establish brand name recognition; management of potential growth; and risks associated with our ability to handle increased traffic and/or continued improvements to its Web site.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS – UNAUDITED

	Three Months Ended	
	<u>September 30,</u> <u>2006</u>	<u>September 30,</u> <u>2005</u>
Net sales	\$ 16,322,000	\$ 12,045,000
Cost of sales	<u>10,211,000</u>	<u>7,470,000</u>
Gross profit	6,111,000	4,575,000
Gross profit percentage	37.4%	38.0%
Selling, marketing and fulfillment expenses	7,367,000	4,568,000
General and administrative expenses	<u>2,369,000</u>	<u>1,528,000</u>
Operating loss	(3,625,000)	(1,521,000)
Interest and other income	199,000	65,000
Interest expense	<u>(59,000)</u>	<u>(247,000)</u>
Net loss	<u>\$(3,485,000)</u>	<u>\$(1,703,000)</u>
Preferred stock dividends	(16,000)	(1,387,000)
Net loss available to common shareholders	<u>\$(3,501,000)</u>	<u>\$(3,090,000)</u>
Basic and diluted net loss per share (after preferred stock dividends)	<u>\$(0.03)</u>	<u>\$(0.20)</u>
Weighted average shares outstanding	<u>129,007,488</u>	<u>15,823,602</u>

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**SELECTED BALANCE SHEET DATA & KEY METRICS-
UNAUDITED**

	<u>September 30,</u> <u>2006</u>	<u>December 31,</u> <u>2005</u>
Cash	\$17,055,000	\$9,408,000
Inventories, net	26,777,000	16,893,000
Prepaid Inventory	1,111,000	485,000
Other Current Assets	5,534,000	3,051,000
Property & Equipment, net	2,664,000	2,895,000
Current Liabilities—excluding related party liabilities below	14,699,000	11,936,000
Notes Payable to Related Party Shareholders (including interest payable)	--	5,217,000
Shareholders' Equity	38,708,000	15,865,000
	<u>Three Months</u> <u>Ended</u> <u>September 30,</u> <u>2006</u>	<u>Three Months</u> <u>Ended</u> <u>September 30,</u> <u>2005</u>
Average Order Size (including shipping & handling revenue)	\$260.58	\$228.72
Customers Added During Period	35,970	28,762

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Three Months Ended September 30, 2006	Three Months Ended September 30, 2005
Cash flows from operating activities:		
Loss from operations	\$(3,485,000)	\$(1,703,000)
Adjustments to reconcile loss from operations to net cash used in operating activities:		
Depreciation and amortization	396,000	291,000
Non-cash expense related to warrants issued to supplier	14,000	80,000
Provisions for returns	638,000	916,000
Allowance for doubtful accounts	85,000	57,000
Stock options expense	597,000	8,000
Reserve for inventory obsolescence	275,000	170,000
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Inventories	(5,936,000)	(2,786,000)
Accounts receivable	(855,000)	(288,000)
Prepaid inventory	(496,000)	(286,000)
Prepaid expenses	(1,829,000)	(1,172,000)
Other current assets	176,000	(109,000)
Other assets	--	(187,000)
(Decrease) increase in:		
Accounts payable	3,094,000	565,000
Accrued expenses and other current liabilities	386,000	220,000
Interest payable to related party shareholders	--	142,000
Deferred revenue	230,000	63,000
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Net cash used in operating activities	(6,710,000)	(4,019,000)
Cash flows from investing activities:		
Cash Collateral in connection with Rosenthal Pledge Agreement	--	1,250,000
Purchase of property and equipment	(255,000)	(403,000)
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Net cash used in investing activities	(255,000)	847,000
Cash flows from financing activities:		
Net proceeds from exercise of Stock Options	36,000	92,000
Payment of capital lease obligation	(13,000)	(15,000)
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Net cash (used in) provided by financing activities	23,000	77,000
Net increase (decrease) in cash and cash equivalents	(6,942,000)	(3,095,000)
Cash and cash equivalents - beginning of period	23,997,000	8,215,000
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Cash and cash equivalents - end of period	\$ 17,055,000	\$ 5,120,000

FOR IMMEDIATE RELEASE

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