

FOR IMMEDIATE RELEASE

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BLUEFLY REPORTS RECORD FOURTH QUARTER AND FULL YEAR 2006 REVENUE

NEW YORK – February 28, 2007 – Bluefly, Inc. (NASDAQ SmallCap:BFLY), a leading online retailer of designer brands, fashion trends and superior value (www.bluefly.com), today announced strong growth in revenue and continued strong margin levels for the fourth quarter and full year 2006.

Highlights for the fourth quarter included:

- Revenue increased by approximately 28% to \$27.1 million from \$21.2 million in fourth quarter 2005;
- Gross margin decreased by 150 basis points to 40.3% from 41.8% in fourth quarter 2005;
- Gross profit increased by nearly 23%;
- Operating loss increased to \$3,665,000 compared to operating income of \$131,000 primarily as a result of \$2.6 million of stock-based compensation and a year-over-year incremental increase of \$1.3 million in spending related to marketing and advertising.
- Average order size increased by over 17% to \$271.98 from \$232.23 in the fourth quarter of 2005.
- Net loss increased to \$3.5 million from \$55,000. Loss per share decreased to \$0.03 per share (based on 129.8 million weighted average shares outstanding after preferred stock dividends) from \$0.07 per share (based on 18.0 million weighted average shares outstanding after preferred stock dividends).

Highlights for the full year 2006 included:

- Revenue increased by approximately 31% to \$77.1 million from \$58.8 million in 2005;
- Gross margin increased by 100 basis points to 40.1% from 39.1% in 2005;
- Gross profit increased by approximately 34%;
- Average order size increased by nearly 17% to \$257.64 from \$220.17 in the fourth quarter of 2005.
- Operating loss increased to approximately \$12.1 million compared to an operating loss of \$3.1 million for 2005 primarily as a result of: \$4.5 million of stock-based compensation a year-over-year incremental increase of \$6.4 million in spending related to marketing and advertising and executive bonuses in the amount of \$675,000 paid in connection with the recent financing.
- Net loss increased to \$12.2 million from \$3.8 million. Loss per share decreased to \$0.23 per share (based on 80.2 million weighted average shares outstanding after preferred stock

dividends) from \$0.54 per share (based on 16.1 million weighted average shares outstanding after preferred stock dividends).

“We are pleased by the company’s record revenue for the year,” said Melissa Payner, Bluefly’s CEO. “Our strong growth in the face of slow cold-weather product sales throughout the industry is a testament to our continued progress and to the investment we have made in growing our customer file through our increased marketing efforts.”

The company will host a conference call webcast to discuss its fourth quarter and full year results today at 5:00 p.m. EDT. Investors can access the webcast at www.investor.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.

This press release may include statements that constitute “forward-looking statements,” usually containing the words “believe,” “project,” “expect” or similar expressions. These statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. 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.

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Bluefly, Inc.

CONDENSED STATEMENTS OF OPERATIONS - UNAUDITED

	Three Months Ended <u>December 31,</u>			Year Ended <u>December 31,</u>		
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Net sales	\$27,071,000	\$21,235,000	\$14,515,000	\$77,062,000	\$58,811,000	\$43,799,000
Cost of sales	<u>16,158,000</u>	<u>12,351,000</u>	<u>8,664,000</u>	<u>46,153,000</u>	<u>35,816,000</u>	<u>27,393,000</u>
Gross profit	10,913,000	8,884,000	5,851,000	30,909,000	22,995,000	16,406,000
Gross margin	40.3%	41.8%	40.3%	40.1%	39.1%	37.5%
Selling and fulfillment expenses	4,656,000	3,747,000	3,455,000	15,808,000	12,880,000	11,783,000
Marketing expenses	4,940,000	3,423,000	730,000	14,196,000	6,961,000	2,120,000
General and administrative expenses	<u>4,982,000</u>	<u>1,583,000</u>	<u>1,526,000</u>	<u>13,001,000</u>	<u>6,299,000</u>	<u>6,408,000</u>
Operating income (loss)	(3,665,000)	131,000	140,000	(12,096,000)	(3,145,000)	(3,905,000)
Interest (expense), net and other income	122,000	(186,000)	(133,000)	(97,000)	(675,000)	114,000
Net income (loss)	<u>\$(3,543,000)</u>	<u>\$(55,000)</u>	<u>\$7,000</u>	<u>\$(12,193,000)</u>	<u>\$(3,820,000)</u>	<u>\$(3,791,000)</u>
Deemed dividend related to beneficial conversion feature on Series F Preferred Stock	--	--	--	(3,857,000)	--	--
Preferred Stock Dividends	<u>(15,000)</u>	<u>(1,287,000)</u>	<u>(1,099,000)</u>	<u>(2,252,000)</u>	<u>(4,958,000)</u>	<u>(4,275,000)</u>
Basic and diluted net loss per share (which includes preferred stock dividends)	<u>\$ (0.03)</u>	<u>\$ (0.07)</u>	<u>\$ (0.07)</u>	<u>\$ (0.23)</u>	<u>\$ (0.54)</u>	<u>\$ (0.55)</u>
Weighted average shares outstanding	<u>129,755,334</u>	<u>18,041,960</u>	<u>14,819,235</u>	<u>80,170,532</u>	<u>16,153,020</u>	<u>14,586,752</u>

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CONDENSED STATEMENTS OF CASH FLOWS**(Unaudited)**

	Three Months Ended December 31, 2006	Three Months Ended December 31, 2005
Cash flows from operating activities:		
Net income	\$(3,543,000)	\$(55,000)
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	407,000	328,000
Reserve for inventory obsolescence	110,000	36,000
Non-cash expense related to warrants issued to supplier	6,000	132,000
Provisions for returns	1,480,000	924,000
Allowance for doubtful accounts	110,000	71,000
Stock-based compensation	2,634,000	7,000
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Inventories	2,472,000	155,000
Accounts receivable	60,000	155,000
Other current assets	(201,000)	120,000
Prepaid expenses	2,447,000	328,000
(Decrease) increase in:		
Accounts payable	(1,803,000)	1,198,000
Accrued expenses and other current liabilities	(67,000)	113,000
Interest payable to related party	--	150,000
Deferred revenue	336,000	(179,000)
Net cash (used in) provided by operating activities	4,448,000	3,483,000
Cash flows from investing activities:		
Purchase of property and equipment	(1,301,000)	(183,000)
Net cash (used in) investing activities	(1,301,000)	(183,000)
Cash flows from financing activities:		
Proceeds from exercise of Employee Stock Options	--	1,001,000
Repayment of capital lease obligation	(14,000)	(13,000)
Net cash provided by financing activities	(14,000)	988,000
Net increase (decrease) in cash and cash equivalents	3,133,000	4,288,000

Cash and cash equivalents - beginning of period	<u>17,055,000</u>	<u>5,120,000</u>
Cash and cash equivalents - end of period	<u>\$ 20,188,000</u>	<u>\$ 9,408,000</u>