

FOR IMMEDIATE RELEASE

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BLUEFLY REPORTS SECOND QUARTER 2008 RESULTS

8% Growth in Revenue

NEW YORK – August 13, 2008 – 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 continued strong gross profit for the second quarter 2008.

Highlights for the second quarter included:

- Revenue increased by approximately 8% to \$23.3 million from \$21.6 million in the second quarter 2007.
- Gross profit increased by approximately 8% to \$9.1 million from \$8.5 million in the second quarter 2007.
- Gross margin remained relatively unchanged at 39.0% from 39.2% in second quarter 2007, however the gross margin dollars per order increased to \$68.11 in the second quarter of 2008 compared to \$66.53 in the second quarter of 2007.
- Operating loss decreased to \$1.9 million compared to \$2.2 million.
- Net loss decreased to \$2.0 million from \$2.1 million. Loss per share decreased to \$0.15 per share (based on 13.3 million weighted average shares outstanding after preferred stock dividends) from \$0.16 per share (based on 13.1 million weighted average shares outstanding after preferred stock dividends).
- Average order size remained relatively unchanged at \$285.14 in 2008 compared to \$284.01 in 2007.
- Inventory declined by \$3.2 million since December 2007.

“We are pleased with the solid first half growth that we have experienced, especially in the second quarter.” said Melissa Payner, Bluefly’s Chief Executive Officer. “We continue to see strength in the business as a result of better operational flow attributed to the warehouse move and increased traffic to the Site with the launch of Project Runway Season 5. Given the challenges that retailers are facing in this macro-economic environment, we believe we are well positioned for a strong second half.”

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

About Bluefly, Inc.

Founded in 1998, Bluefly, Inc. (NASDAQ Capital Market: 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 Company’s need to raise additional capital to grow its business; the risk associated with the Company’s transition to a new technology platform; 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 Company’s dependence on one supplier for a material portion of its inventory; risks associated with the acquisition of inventory from foreign markets, including currency fluctuations; the need to further establish brand name recognition; management of potential growth; and risks associated with the Company’s ability to handle increased traffic and/or continued improvements to its Web site.

CONDENSED STATEMENTS OF OPERATIONS – UNAUDITED

	Three Months Ended	
	<u>June 30,</u> <u>2008</u>	<u>June 30,</u> <u>2007</u>
Net sales	\$23,334,000	\$21,608,000
Cost of sales	<u>14,236,000</u>	<u>13,145,000</u>
Gross profit	9,098,000	8,463,000
Gross profit percentage	39.0%	39.2%
Selling and fulfillment expenses	4,523,000	4,546,000
Marketing expenses	2,926,000	2,712,000
General and administrative expenses	<u>3,590,000</u>	<u>3,454,000</u>
Total operating expenses	11,039,000	10,712,000
Operating loss	(1,941,000)	(2,249,000)
Interest income	13,000	169,000
Interest expense	<u>(108,000)</u>	<u>(62,000)</u>
Net loss	<u>\$(2,036,000)</u>	<u>\$(2,142,000)</u>
Preferred stock dividends	(11,000)	(11,000)
Deemed dividends related to beneficial conversion feature on Series F Preferred Stock	----- --	----- --
Net loss available to common shareholders	<u>\$(2,047,000)</u>	<u>\$(2,153,000)</u>
Basic and diluted net loss per share (after preferred stock dividends)	<u>\$(0.15)</u>	<u>\$(0.16)</u>
Weighted average shares outstanding	<u>13,269,123</u>	<u>13,050,890</u>

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SELECTED BALANCE SHEET DATA & KEY METRICS- UNAUDITED

	<u>June 30, 2008</u>	<u>December 31, 2007</u>
Cash	\$2,591,000	\$6,730,000
Inventories, net	25,255,000	28,492,000
Prepaid Inventory	106,000	294,000
Other Current Assets	3,976,000	3,295,000
Property & Equipment, net	6,784,000	6,019,000
Current Liabilities	15,041,000	17,922,000
Shareholders' Equity	23,861,000	27,037,000

	<u>Three Months</u>	<u>Three Months</u>
	<u>Ended</u>	<u>Ended</u>
	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Average Order Size (including shipping & handling revenue)	\$285.14	\$284.01
Customers Added During Period	45,674	45,102

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CONDENSED STATEMENTS OF CASH FLOWS

	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007
	(Unaudited)	(Unaudited)
Cash flows from operating activities:		
Loss from operations	\$(2,036,000)	\$(2,142,000)
Adjustments to reconcile loss from operations to net cash used in operating activities:		
Depreciation and amortization	494,000	413,000
Provisions for returns	(1,622,000)	(1,128,000)
Bad debt expense	142,000	143,000
Stock options expense	848,000	1,506,000
Reserve for inventory obsolescence	200,000	100,000
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Inventories	1,225,000	2,952,000
Accounts receivable	618,000	1,131,000
Prepaid inventory	34,000	(191,000)
Prepaid expenses	(31,000)	(120,000)
Other current assets	(61,000)	(100,000)
(Decrease) increase in:		
Accounts payable and other long-term liabilities	(624,000)	(892,000)
Accrued expenses and other current liabilities	(917,000)	(187,000)
Deferred revenue	(218,000)	(48,000)
Net cash provided by (used in) operating activities	(1,948,000)	1,677,000
Cash flows from investing activities:		
Purchase of property and equipment	(975,000)	(1,321,000)
Net cash (used in) investing activities	(975,000)	(1,321,000)
Cash flows from financing activities:		
Net proceeds from exercise of Stock Options	--	16,000
Net cash provided by provided by financing activities	--	16,000
Net increase in cash and cash equivalents	(2,923,000)	372,000

Cash and cash equivalents - beginning of period	<u>5,514,000</u>	<u>14,254,000</u>
Cash and cash equivalents - end of period	<u>\$ 2,591,000</u>	<u>\$ 14,626,000</u>