

FOR IMMEDIATE RELEASE

Investor Contacts:
Barry Erdos
President and COO
Bluefly, Inc.
212- 944-8000 ext. 360
barry.erdos@bluefly.com

Press Contact:
Samantha Kain
Paul Wilmot Communications
212-206-7447 ext. 25
skain@greatpress.com

BLUEFLY REPORTS THIRD QUARTER 2008 RESULTS

10% Growth in Revenue, 36.9% Gross Margin

NEW YORK – November 12, 2008 – Bluefly, Inc. (NASDAQ Capital Market:BFLY), a leading online retailer of designer brands, fashion trends and superior value (www.bluefly.com), today announced growth in revenue and gross profit as well as a reduction in operating loss for the third quarter 2008.

Highlights for the third quarter included:

- Revenue increased by approximately 10% to \$19.8 million from \$18.1 million in the third quarter of 2007.
- Gross profit increased by approximately 28% to \$7.3 million from \$5.7 million in the third quarter of 2007.
- Gross margin increased to 36.9% from 31.7% in the third quarter of 2007.
- Operating loss decreased 5% to \$4.8 million from \$5.1 million in the third quarter of 2007.
- Net loss remained relatively unchanged at \$5.0 million compared to the third quarter of 2007. Loss per share increased to \$0.43 per share (based on 13.3 million weighted average shares outstanding after preferred stock dividends and deemed dividend related to a beneficial conversion feature on the Series F Preferred Stock) from \$0.39 per share (based on 13.1 million weighted average shares outstanding after preferred stock dividends) in the third quarter of 2007.
- Average order size increased to \$292.03 in the third quarter of 2008 compared to \$280.22 in the third quarter of 2007.
- Inventory remained relatively unchanged at \$28 million since December 2007.

“We are pleased that we were able to show growth in sales, a reduction in operating loss and improvement in our overall metrics given the economic environment.” said Melissa Payner, Bluefly’s Chief Executive Officer. “Obviously, these are challenging times for all retailers, and while the economy has worsened in the beginning of the fourth quarter, we believe that these results show that our customers believe in our value proposition.”

The company will host a conference call/webcast to discuss its third quarter today at 5:00 p.m. Investors can access the webcast at <http://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 ability to raise additional capital to support the growth of its business; risks related to the economic downturn; risks associated with the integration of the Company’s 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.

-more-

CONDENSED STATEMENTS OF OPERATIONS – UNAUDITED

	Three Months Ended September 30,	
	2008	2007
Net sales	\$ 19,802,000	\$ 18,079,000
Cost of sales	12,495,000	12,351,000
Gross profit	<u>7,307,000</u>	<u>5,728,000</u>
Gross profit percentage	36.9%	31.7%
Selling and fulfillment expenses	4,933,000	4,583,000
Marketing expenses	4,172,000	2,807,000
General and administrative expenses	<u>3,021,000</u>	<u>3,410,000</u>
Total operating expenses	12,126,000	10,800,000
Operating loss	(4,819,000)	(5,072,000)
Interest income	8,000	99,000
Interest expense	<u>(182,000)</u>	<u>(55,000)</u>
Net loss	(4,993,000)	\$ (5,028,000)
Preferred stock dividends	(12,000)	(11,000)
Deemed dividend related to beneficial conversion feature on Series F Preferred Stock	<u>(712,000)</u>	<u>--</u>
Net loss available to common shareholders	<u>\$ (5,717,000)</u>	<u>\$ (5,039,000)</u>
Basic and diluted net loss per common share	<u>\$ (0.43)</u>	<u>\$ (0.39)</u>
Weighted average common shares outstanding (basic and diluted)	<u>13,309,383</u>	<u>13,050,460</u>

-more-

SELECTED BALANCE SHEET DATA & KEY METRICS

	(Unaudited) September 30, 2008	December 31, 2007
Cash and cash equivalents	\$ 1,920,000	\$ 6,730,000
Inventories, net	28,341,000	28,492,000
Prepaid inventory	982,000	294,000
Other current assets	5,313,000	3,295,000
Property and equipment, net	6,831,000	6,019,000
Current liabilities	21,062,000	17,922,000
Notes payable to related parties	3,050,000	--
Stockholders' equity	19,462,000	27,037,000
	Three Months Ended September 30, (Unaudited)	
	2008	2007
Average Order Size (including shipping & handling)	\$ 292.03	\$ 280.22
New Customers Added during the Period	39,055	37,408

-more-

CONDENSED STATEMENTS OF CASH FLOWS – UNAUDITED

	Three Months Ended	
	September 30,	
	2008	2007
Cash flows from operating activities:		
Net loss	\$ (4,993,000)	\$ (5,028,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	719,000	456,000
Stock based compensation	594,000	1,508,000
Provisions for returns	1,073,000	1,385,000
Bad debt expense	90,000	195,000
Reserve for inventory obsolescence	100,000	850,000
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(755,000)	(608,000)
Inventories	(3,186,000)	(8,114,000)
Prepaid inventory	(876,000)	147,000
Prepaid expenses	(740,000)	(2,933,000)
Other current assets	19,000	112,000
Increase in:		
Accounts payable and other long-term liabilities	2,894,000	3,848,000
Accrued expenses and other current liabilities	1,208,000	667,000
Deferred revenue	896,000	942,000
Net cash used in operating activities	<u>(2,957,000)</u>	<u>(6,573,000)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(714,000)	(884,000)
Net cash used in investing activities	<u>(714,000)</u>	<u>(884,000)</u>
Cash flows from financing activities:		
Proceeds from notes issued to related party shareholders	3,000,000	--
Net proceeds from exercise of stock options	--	3,000
Net cash provided by financing activities	<u>3,000,000</u>	<u>3,000</u>
Net decrease in cash and cash equivalents	(671,000)	(7,454,000)
Cash and cash equivalents – beginning of period	2,591,000	14,626,000
Cash and cash equivalents – end of period	<u>\$ 1,920,000</u>	<u>\$ 7,172,000</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 64,000</u>	<u>\$ 25,000</u>
Deemed dividend related to beneficial conversion feature on Series F Preferred Stock	<u>\$ 712,000</u>	<u>\$ --</u>
Warrants issued to related party shareholders	<u>\$ 173,000</u>	<u>\$ --</u>

-end-