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**BLUEFLY REPORTS FOURTH QUARTER AND FULL YEAR 2007 RESULTS AND
ANNOUNCES FINANCING COMMITMENT FROM AFFILIATES OF MAJOR SHAREHOLDERS**

NEW YORK – March 26, 2008 – 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 for the fourth quarter and full year 2007.

Highlights for the fourth quarter included:

- Revenue increased by approximately 10% to \$29.7 million from \$27.1 million in fourth quarter 2006;
- Gross margin decreased by 600 basis points to 34.3% from 40.3% in fourth quarter 2006 primarily as a result of a \$1.5 million inventory charge related to the Company's decision to liquidate certain inventory and remove it from the Company's Web Site, in order to enhance customer experience. This resulted in a decrease in gross margin percentage of 520 basis points.
- Gross profit decreased by 7% as a result of the inventory write-off;
- Operating loss increased to \$5.5 million compared to \$3.7 million primarily as a result of the inventory write off and year-over-year incremental increase of \$2.0 million in spending related to marketing and advertising.
- Average order size increased slightly to \$274.38 in 2007 compared to \$271.98 in 2006.
- Net loss increased to nearly \$5.6 million from \$3.5 million. Loss per share increased to \$0.04 per share from \$0.03 per share (based on 132.1 million weighted average shares outstanding after preferred stock dividends in 2007 and 129.8 million weighted average shares outstanding after preferred stock dividends in 2006).

Highlights for the full year 2007 included:

- Revenue increased by approximately 19% to \$91.5 million from \$77.1 million in 2006;
- Gross margin decreased by 430 basis points to 35.8% from 40.1% in 2006; 170 basis points of this decrease is attributed to the inventory write off described above.
- Gross profit increased by approximately 6%;
- Average order size increased by over 7% to \$276.58 from \$257.64 in 2006.
- Operating loss increased to approximately \$16.0 million compared to an operating loss of \$12.1 million for 2006 primarily as a result of the inventory write off, an incremental \$1.7 million of stock-based compensation expense on a year-over-year basis, an incremental increase of \$721,000 of expenses related to costs associated with the Company's move to a new distribution center, and \$1.9 million in spending related to marketing and advertising.

- Net loss increased to \$15.8 million from \$12.2 million. Loss per share decreased to \$0.12 per share (based on 130.9 million weighted average shares outstanding after preferred stock dividends) from \$0.23 per share (based on 80.2 million weighted average shares outstanding after preferred stock dividends).

In addition, the Company today announced that Bluefly entered into a one year commitment with affiliates of Soros Fund Management LLC and private funds associated with Maverick Capital, Ltd. pursuant to which they agreed to provide up to \$3 million of debt financing to the Company during the next year, provided that the commitment amount will be reduced by the gross proceeds of any equity financing consummated during the year. Draw downs will be evidenced by subordinated convertible notes that have a term expiring on June 30, 2011 and bear interest at the rate of 8% per annum, compounded annually.

“The operational issues that we experienced as a result of our move to our new third party distribution center coupled with the overall slow down in the retail environment led to disappointing fourth quarter results, especially after the strong first half we had in 2007,” said Melissa Payner, Bluefly’s CEO. “While the inventory write-off had a negative impact on gross margin during the fourth quarter and for the full year, we believe that it better positions our business for 2008. We are pleased to have the support and financial backing of two of our largest shareholders. In the coming months, we will continue to evaluate the results of our existing strategy to maximize the growth of the business.”

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.

CONDENSED STATEMENTS OF OPERATIONS - UNAUDITED

	<u>Three Months Ended</u> <u>December 31,</u>			<u>Year Ended</u> <u>December 31,</u>		
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Net sales	\$29,698,000	\$27,071,000	\$21,235,000	\$91,493,000	\$77,062,000	\$58,811,000
Cost of sales	<u>19,524,000</u>	<u>16,158,000</u>	<u>12,351,000</u>	<u>58,754,000</u>	<u>46,153,000</u>	<u>35,816,000</u>
Gross profit	10,174,000	10,913,000	8,884,000	32,739,000	30,909,000	22,995,000
Gross margin	34.3%	40.3%	41.8%	35.8%	40.1%	39.1%
Selling and fulfillment expenses	5,370,000	4,656,000	3,747,000	18,898,000	15,808,000	12,880,000
Marketing expenses	6,933,000	4,940,000	3,423,000	16,063,000	14,196,000	6,961,000
General and administrative expenses	<u>3,398,000</u>	<u>4,982,000</u>	<u>1,583,000</u>	<u>13,848,000</u>	<u>13,001,000</u>	<u>6,299,000</u>
Operating income (loss)	(5,527,000)	(3,665,000)	131,000	(16,070,000)	(12,096,000)	(3,145,000)
Interest income(expense), net and other income	(29,000)	122,000	(186,000)	241,000	(97,000)	(675,000)
Net income (loss)	<u>\$(5,556,000)</u>	<u>\$(3,543,000)</u>	<u>\$(55,000)</u>	<u>\$(15,829,000)</u>	<u>\$(12,193,000)</u>	<u>\$(3,820,000)</u>
Deemed dividend related to beneficial conversion feature on Series F Preferred Stock	--	--	--	--	(3,857,000)	--
Preferred Stock Dividends	<u>(11,000)</u>	<u>(15,000)</u>	<u>(1,287,000)</u>	<u>(44,000)</u>	<u>(2,252,000)</u>	<u>(4,958,000)</u>
Basic and diluted net loss per share (which includes preferred stock dividends)	<u>\$ (0.04)</u>	<u>\$ (0.03)</u>	<u>\$ (0.07)</u>	<u>\$ (0.12)</u>	<u>\$ (0.23)</u>	<u>\$ (0.54)</u>
Weighted average shares outstanding	<u>132,118,116</u>	<u>129,755,334</u>	<u>18,041,960</u>	<u>130,911,295</u>	<u>80,170,532</u>	<u>16,153,020</u>

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CONDENSED STATEMENTS OF CASH FLOWS (Unaudited)

	Three Months Ended December 31, 2007	Three Months Ended December 31, 2006
Cash flows from operating activities:		
Net income	\$(5,556,000)	\$(3,543,000)
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	434,000	407,000
Reserve for inventory obsolescence	1,483,000	110,000
Non-cash expense related to warrants issued to supplier	--	6,000
Provisions for returns	(434,000)	1,480,000
Allowance for doubtful accounts	176,000	110,000
Stock-based compensation	1,459,000	2,634,000
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Inventories	370,000	2,472,000
Accounts receivable	485,000	60,000
Other current assets	(1,212,000)	(201,000)
Prepaid expenses	3,130,000	2,447,000
(Decrease) increase in:		
Accounts payable	233,000	(1,803,000)
Accrued expenses and other current liabilities	1,583,000	(67,000)
Deferred revenue	(268,000)	336,000
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Net cash provided by operating activities	1,883,000	4,448,000
Cash flows from investing activities:		
Purchase of property and equipment	(1,055,000)	(1,301,000)
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Net cash (used in) investing activities	(1,055,000)	(1,301,000)
Cash flows from financing activities:		
Purchase of treasury stock	(1,270,000)	--
Repayment of capital lease obligation	--	(14,000)
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Net cash provided by financing activities	(1,270,000)	(14,000)
Net increase (decrease) in cash and cash equivalents	(442,000)	3,133,000
Cash and cash equivalents - beginning of period	7,172,000	17,055,000
Cash and cash equivalents - end of period	\$ 6,730,000	\$ 20,188,000

