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BLUEFLY REPORTS FIRST QUARTER 2008 RESULTS
14% Growth in Revenue

NEW YORK – May 7, 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 first quarter 2008.

Highlights for the first quarter included:

- Revenue increased by approximately 14% to \$25.2 million from \$22.1 million in first quarter 2007;
- Gross profit increased by approximately 7% to \$8.9 million from \$8.4 million in the first quarter of 2007;
- Gross margin decreased by 250 basis points to 35.4% from 37.9% in first quarter 2007;
- Operating loss decreased to \$2.9 million compared to \$3.2 million;
- Average order size increased to \$273.65 in 2008 compared to \$269.21 in 2007;
- Net loss decreased to \$2.9 million from \$3.1 million. Loss per share decreased to \$0.22 per share from \$0.24 per share (based on 13.3 million weighted average shares outstanding after preferred stock dividends in 2008 and 12.9 million weighted average shares outstanding after preferred stock dividends in 2007, both adjusted for the 1 for 10 reverse stock split).

“I am encouraged by the first quarter results, given the softness of the overall retail environment,” said Melissa Payner, Bluefly’s CEO. “Although we made the decision to be somewhat promotional in the early part of the first quarter, we were encouraged by the growth we saw in the margin once we launched our spring collection.”

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

CONDENSED STATEMENTS OF OPERATIONS – UNAUDITED

	Three Months Ended	
	<u>March 31,</u> <u>2008</u>	<u>March 31,</u> <u>2007</u>
Net sales	\$ 25,245,000	\$ 22,108,000
Cost of sales	<u>16,309,000</u>	<u>13,734,000</u>
Gross profit	8,936,000	8,374,000
Gross profit percentage	35.4%	37.9%
Selling and fulfillment expenses	5,069,000	4,399,000
Marketing expenses	3,522,000	3,611,000
General and administrative expenses	<u>3,247,000</u>	<u>3,586,000</u>
Operating loss	(2,902,000)	(3,222,000)
Interest and other income	36,000	195,000
Interest expense	<u>(72,000)</u>	<u>(76,000)</u>
Net loss	<u>\$(2,938,000)</u>	<u>\$(3,103,000)</u>
Preferred stock dividends	(11,000)	(11,000)
Net loss available to common shareholders	<u>\$(2,949,000)</u>	<u>\$(3,114,000)</u>
Basic and diluted net loss per share (after preferred stock dividends)	<u>\$(0.22)</u>	<u>\$(0.24)</u>
Weighted average shares outstanding	<u>13,251,101</u>	<u>12,962,949</u>

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

	<u>March 31,</u> <u>2008</u>	<u>December 31,</u> <u>2007</u>
Cash	\$5,514,000	\$6,730,000
Inventories, net	26,680,000	28,492,000
Prepaid Inventory	140,000	294,000
Other Current Assets	4,693,000	3,295,000
Property & Equipment, net	6,236,000	6,019,000
Current Liabilities	18,389,000	17,922,000
Shareholders' Equity	25,049,000	27,037,000
	<u>Three Months</u> <u>Ended</u> <u>March 31,</u> <u>2008</u>	<u>Three Months</u> <u>Ended</u> <u>March 31,</u> <u>2007</u>
Average Order Size (including shipping & handling revenue)	\$273.65	\$269.21
Customers Added During Period	56,855	49,385

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CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
Cash flows from operating activities:		
Net Loss from operations	\$(2,938,000)	\$(3,103,000)
Adjustments to reconcile loss from operations to net cash used in operating activities:		
Depreciation and amortization	409,000	423,000
Warrant issued to related party shareholder	173,000	--
Provisions for returns	761,000	(663,000)
Allowance for doubtful accounts	166,000	155,000
Stock options expense	799,000	1,721,000
Reserve for inventory obsolescence	--	302,000
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Inventories	1,812,000	(2,246,000)
Accounts receivable	(1,316,000)	(1,060,000)
Prepaid expenses	130,000	(387,000)
Other current assets	(246,000)	(93,000)
Other assets	(35,000)	--
(Decrease) increase in:		
Accounts payable	(281,000)	509,000
Accrued expenses and other current liabilities	238,000	(224,000)
Deferred revenue	(256,000)	(250,000)
Net cash used in operating activities	(584,000)	(4,916,000)
Cash flows from investing activities:		
Purchase of property and equipment	(610,000)	(850,000)
Net cash used in investing activities	(610,000)	(850,000)
Cash flows from financing activities:		
Employee taxes settled with stock	(22,000)	(160,000)
Net proceeds from exercise of stock options	--	6,000
Payment of capital lease obligation	--	(14,000)
Net cash (used in) provided by financing activities	(22,000)	(168,000)
Net increase (decrease) in cash and cash equivalents	(1,216,000)	(5,934,000)
Cash and cash equivalents - beginning of period	6,730,000	20,188,000
Cash and cash equivalents - end of period	\$ 5,514,000	\$ 14,254,000

