U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

Quarterly Report under Section 13 or 15(d)
of the Securities and Exchange Act of 1934

For quarterly period ended December 31, 1998

Commission file number 10039

DYNAMICWEB ENTERPRISES, INC.
(Exact name of registrant as specified in this charter)

New Jersey	22-2267658
(State or other Jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

271 Route 46 West, Building F
Suite 209, Fairfield, New Jersey 07004
(Address of Principal Executive Offices)

(973) 244-3100
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. YES [X] NO [ ]

As of December 31, 1998, there were 2,351,737 shares of common stock, $0.001 par value, of the registrant outstanding.

PART I

FINANCIAL INFORMATION

Item 1. Condensed Financial Statements

Condensed Consolidated Balance Sheets as at December 31, 1998 (unaudited) and September 30, 1998.

Condensed Consolidated Statements of Operations for the three months ended December 31, 1998 and 1997 (unaudited).

Condensed Consolidated Statements of Cash Flows for the three months ended December 31, 1998 and 1997 (unaudited).

Notes to Condensed Financial Statements.

DYNAMICWEB ENTERPRISES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited)

	December 31, 1998 (Unaudited)	September 30, 1998
ASSETS		
Current assets:		
Cash and cash equivalents	$320,000	$290,000
Accounts receivable, less allowance for doubtful accounts $48,000 and $41,000	342,000	271,000
Prepaid expenses and other current assets	48,000	26,000
Total current assets	710,000	587,000
Property and equipment, less accumulated depreciation of $173,000 and $157,000	324,000	450,000
Patents and trademarks, less accumulated amortization of $14,000 and $11,000	33,000	31,000
Software development costs less accumulated amortization of $38,000 and $27,000	115,000	123,000
Customer list, less accumulated amortization of $42,000 and $37,000	58,000	63,000
Cost in excess of fair value of of net assets acquired net of of accumulated amortization of $34,000 and $21,000	474,000	487,000
Other Assets	9,000	9,000
Total Assets	1,723,000	1,750,000
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LIABILITIES		
Current liabilities:		
Accounts payable	489,000	239,000
Accrued expenses	144,000	118,000
Current maturities of long-term debt	4,000	6,000
Deferred revenue	108,000	17,000
Total current liabilities	745,000	380,000
Long-term debt, less current maturities		181,000
Total liabilities	745,000	561,000
STOCKHOLDERS EQUITY		
Preferred stock - par value to be determined with each issue; 5,000,000 shares authorized: Series A - 6% cumulative, convertible preferred stock - aggregate liquidation value $1,787,500 and $1,137,500, respectively; $.001 par value; 1375 and 875 shares issued and outstanding, respectively	563,000	402,000
Common stock - $.0001 par value; 50,000,000 shares authorized; 2,351,737 and 2,255,947 shares issued and outstanding, respectively		
Additional paid-in capital	7,785,000	7,408,000
Unearned portion of compensatory stock options	(180,000)	(89,000)
Accumulated deficit	(7,190,000)	(6,532,000)

Total stockholder's equity	978,000	1,189,000
Total liabilities and stock-holders equity	1,723,000	1,750,000
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The accompanying notes are an integral part of these financial statements.

DYNAMICWEB ENTERPRISES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(unaudited)

	THREE MONTHS ENDED December 31, 1998	1997
Net sales:		
Transaction/Subscription processing revenues	$141,000	$ 95,000
Consulting services	342,000	55,000
Network Development Revenues	57,000	17,000
Total	540,000	167,000
Cost of sales:		
Transaction/Subscription processing revenues	117,000	63,000
Consulting services	200,000	29,000
Network Development Revenues	66,000	14,000
Total	383,000	106,000
Gross profit	157,000	61,000
Expenses:		
Marketing and sales	349,000	142,000
General and administrative	387,000	318,000
Research and development	95,000	62,000
Total	831,000	522,000
Operating (loss)	(674,000)	(461,000)
Interest expense (including $310,000, amortization of deferred financing fee and debt discount for 1997)		(344,000)
Interest income	1,000	
Other Income Sale of Real Estate	15,000	
Net (loss)	(658,000)	(805,000)
Adjustment:		
Dividends on cumulative preferred stock, including $144,000 of imputed dividends	(164,000)	
Net loss attributed to common stockholders	(822,000)	(805,000)
Net loss per common share - basic and diluted	$ (.36)	$ (.43)
Weighted average number of shares outstanding - basic and diluted	2,286,025	1,875,485

The accompanying notes are an integral part of these financial statements.

DYNAMICWEB ENTERPRISES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

THREE MONTHS ENDED

	December 31, 1998	1997
Cash flows from operating activities:		
Net (loss)	(658,000)	(805,000)
Adjustments to reconcile net (loss) to net cash (used in) operating activities:		
Gain on sale of office condo	(15,000)	
Depreciation and amortization	47,000	17,000
Stock options issued for compensation	52,000	29,000
Amortization of deferred financing fee and debt discount		310,000
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(71,000)	18,000
(Increase) decrease in prepaid expenses and other current assets	(22,000)	2,000
Increase in accounts payable	250,000	129,000
Increase in accrued expenses	3,000	67,000
Increase in deferred revenue	91,000	2,000
Net cash (used in) operating activities:	(323,000)	(231,000)
Cash flows from investing activities:		
Acquisition of property and equipment	(14,000)	(4,000)
Acquisition of patents and trademarks	(2,000)	(5,000)
Proceeds from sale of property net of selling expense	189,000	
Increase in capitalized software development costs	(48,000)	(48,000)
Net cash provided by (used in) investing activities:	125,000	(57,000)
Cash flows from financing activities:		
Payment of long-term debt	(187,000)	(2,000)
Proceeds from loan-bank		73,000
Payment of loan - banks		(1,000)
Proceeds from loan - officer		90,000
Refund of deferred registration costs		4,000
Proceeds from issuance of preferred stock and warrants	415,000	
Net cash provided by financing activities	228,000	164,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	30,000	(124,000)
Cash and cash equivalents - beginning of period	290,000	188,000
CASH AND CASH EQUIVALENTS - END OF PERIOD	320,000	64,000
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The accompanying notes are an integral part of these financial statements.

DYNAMICWEB ENTERPRISES, INC. and SUBSIDIARIES

NOTES TO CONDENSED FINANCIAL STATEMENTS
(Unaudited)

(NOTE A) -- Basis of Presentation and the Company:

Basis of presentation:

The accompanying unaudited condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB and of Regulation S-B. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation have been included. Operating results of the three-month period ended December 31, 1998 are not necessarily indicative of the results that may be expected for the year ended September 30, 1999.

The balance sheet at September 30, 1998 has been derived from the audited financial statements at the date but does not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. For further information, refer to the audited financial statements and footnotes thereto included in the annual report on Form 10-KSB.

The Company:

The Company is involved in the business of electronic commerce. The term electronic commerce is a shorthand expression for how businesses use computers to electronically send and receive business documents. Primarily, the Company provides electronic commerce services, including computer equipment and software for customers who want to engage in electronic commerce. We function as the customer's data service center in support of their electronic commerce transactions. Second, the Company provides consulting services in the area of electronic commerce.

[1] Loss per share of common stock:

The Company adopted Statement of Financial Accounting Standards No. 128 "Earnings Per Share" ("SFAS No. 128"), for the year ended September 30, 1998. SFAS No. 128 replaced the calculation of primary and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share excludes any dilutive effects of options, warrants and convertible securities. In addition, contingently issuable shares are included in basic earnings per share when all necessary conditions have been satisfied. Diluted earnings per share is very similar to fully diluted earnings per share and gives effect to all dilutive potential common shares outstanding during the reporting periods.

The Company adopted statement No. 128 and has retroactively applied the effects thereof for all periods presented. The impact on the per share amounts previously reported was not significant. The effects of potential common shares such as warrants, options, and convertible preferred stock has not been included, if the effect will be antidilutive.

[2] Software development costs:

Costs relating to the conceptual formulation and design of software are expensed as research and development. Costs incurred subsequent to establishment of technological feasibility to produce the finished product are generally capitalized. Technological feasibility was established when a product design and a working model were completed. Capitalized software costs are amortized by the straight-line method over a maximum of five years or the expected life of the product, whichever is less.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the financial statements included in this report and in conjunction with the description of the Company's business included in the Company's Form 10-KSB for the year ended September 30, 1998. It is intended to assist the reader in understanding and evaluating the financial position of the Company.

This discussion contains, in addition to historical information, forward looking statements that involve risks and uncertainty. The Company's actual results could differ materially from the results discussed in the forward-looking statements. Factors that could cause or contribute to such differences include those discussed in the Company's Form 10-KSB for the year ended September 30, 1998.

Liquidity and Capital Resources

As of December 31, 1998, the Company had cash and cash equivalents of approximately $320,000 and total current assets of approximately $710,000.

The Company had a net loss of approximately $658,000 for the three months ended December 31, 1998 and negative operating cash flow of $323,000.

The Company's negative cash flow for the three months was funded primarily by proceeds from a private placement transaction with the Shaar Fund, Ltd. ("Shaar Fund"). On August 7, 1998, the Company closed on the first tranche of that private placement. It issued to the Shaar Fund 875 shares of Series A 6% Convertible Preferred Stock and 87,500 Common Stock Purchase Warrants for an aggregate price of $875,000. It received net proceeds of approximately $779,000. On December 3, 1998, the Company closed on the second tranche of that private placement. It issued to the Shaar Fund 625 shares of the Series A 6% Convertible Preferred Stock and 50,000 Common Stock Purchase Warrants for an aggregate price of $500,000. It received net proceeds of approximately $455,000.

Management believes that the above resources will be adequate to finance the Company's activities only until March 1999. The Company is presently experiencing operating cash flow deficiencies of approximately $200,000 per month. Management expects that the Company's operating cash flow deficiency will continue during 1999. Therefore, the Company will require substantial additional financing during the 1999 calendar year to continue its operations. There is no assurance that the Company will receive the required additional financing.

Results of Operations

The Company had revenues of approximately $540,000 for the quarter ended December 31, 1998, compared to approximately $167,000 during the quarter ended December 31, 1997 for an increase of $373,000 or 223%. Revenue classifications include Consulting Services, Network Development Revenues, and Transaction/Subscription Processing Revenues. Previously, the Company classified revenues as Transaction Processing, Consulting Services, or Other. Accordingly, some revenues have been reclassified from where they were previously reflected which is reflected in the following analysis.

Consulting Services revenues represent fees from contract computer programming. Revenues for the quarter ended December 31, 1998 were approximately $342,000 an increase of $287,000 or 522% from the $55,000 earned for the quarter ended December 31, 1997. Approximately, $79,000 or 144% of the increase is attributable to Design Crafting, Inc., which was acquired on May 1, 1998. The remaining increase of approximately $208,000 resulted from additional customers coupled with an increase in the average amount billed per programmer.

Network Development revenues primarily relate to the development of EDI maps and to the custom development of EDIxchange, or EDIxchangeBuy and EDIxchangeSell (extranets) from which the Transaction/Subscription Processing revenues are derived. Revenues for the quarter ended December 31, 1998 were approximately $57,000 an increase of $40,000 or 235% from the $17,000 earned for the quarter ended December 31, 1997. This increase is attributable to maps developed for customers using the Company's EDIxchange Suite of Services.

Transaction/subscription processing revenues include the initial subscription fees, as well as monthly transaction fees. Revenues for the quarter ended December 31, 1998 were approximately $141,000 an increase of $46,000 or 48% from the $95,000 earned for the quarter ended December 31, 1997. The increase from the prior period is primarily attributable to both the initial subscription fees from customers who use the EDIxchange Suite of Services, as well as the subsequent monthly transaction fees.

Overall, Cost of Sales increased to approximately $383,000 from approximately $106,000 in the preceding year's quarter, an increase of approximately $277,000 or 261%. A portion of the increase in Cost of Sales for both groups is attributable to salary increases that took effect in the second and third quarters of fiscal 1998. The aggregate salary increased consists of the salary expense of the addition of three new employees and normal course of business pay raises for all other employees. In order to remain competitive, the Company has committed to compensating its employees at prevailing market rates. In addition, certain amounts previously recorded as operating expenses in the quarter ending December 31, 1997 have been reclassified as Cost of Sales.

Cost of Consulting Services were approximately $200,000 for the three months ended December 31, 1998 compared to approximately $29,000 for the prior year's quarter resulting in gross margins of 41.5% and 47.3% for the quarter ending December 31, 1998 and December 31, 1997 respectively. The gross margin decrease is primarily attributable to the higher compensation noted above.

Costs of Network Development revenues were approximately $66,000 for the three months ended December 31, 1998 compared to approximately $14,000 for the prior year's quarter resulting in gross margins of (15.7%) and 17.6% for the quarter ending December 31, 1998 and December 31, 1997 respectively. The gross margin is primarily attributable to the development of additional staff and the higher compensation noted above. The Company incurred the higher expenses for the conversion effort to convert existing maps to comply with revised Year 2000 compliant EDI Transaction sets.

Transaction/subscription processing costs were approximately $117,000 for the three months ended December 31, 1998 compared to approximately $63,000 for the prior year's quarter resulting in gross margins of 17% and 33.7% for the quarter ending December 31, 1998 and December 31, 1997 respectively. The gross margin decrease from fiscal 1998's is primarily attributable to a major upgrade of the company's Network Infrastructure resulting in higher fixed costs. The installation of additional equipment increased the system's salability and reliability that is needed for continued revenue growth.

Quarterly marketing and sales expenses increased by approximately $207,000 from approximately $142,000 for the three months ending December 31, 1997 to approximately $349,000 in the first quarter of fiscal 1999. The increase is attributable to attendance at trade shows by more Company personnel, an increase in advertising expenses and the addition of two telemarketing employees. A portion of the increase is also attributable to salary increases that took effect on June 1, 1998.

General and administration expenses increased by approximately $69,000 from approximately $318,000 for the three months ending December 31, 1997 to approximately $387,000 for the period ending December 31, 1998. The increase is attributable to salary increases that took effect in the second and third quarters of fiscal 1998, as well as the addition of an administrative person to support the new hires in other departments and compensation expense for options issued to consultants.

Research and development expenses increased by approximately $33,000 for the quarter, from approximately $62,000 for the three months ending December 31, 1997 to approximately $95,000 for the corresponding period in fiscal 1999. The increase is attributable to expanded development of existing services, and ongoing development of new services such as EDIxchangeConnect, EDIxchangeEnabler, EDIxchangeASN as well as the salary increases noted above. The amounts referred to in the above analysis are net of the reclassifications among the operating expense categories and cost of sales discussed earlier.

As a result of the public offering in March of 1998, the company repaid its outstanding borrowings, thereby eliminating interest expense. Accordingly, Interest Income reflects earnings on the company's cash and cash equivalents. Additionally, in November 1998 the Company sold property that was previously used by its Consulting Services group. The gain reflected in the accompanying financial statements is net of all transaction related costs. The employees are now located at the company's headquarters.

PART II

OTHER INFORMATION

Item 1. Legal Proceedings

Not applicable

Item 2. Changes in Securities

(a) Private Placement. On December 3, 1998, the Company issued 625 shares of Series A 6% Convertible Preferred Stock, par value $0.001 per share (the "Series A Preferred Stock") together with 50,000 Common Stock Warrants (the "Warrants"), to the Shaar Fund, Ltd., an institutional investor, in a private placement. The total offering price was $500,000, and the Company received net proceeds of approximately $455,000. This private placement transaction did not involve an underwriter, although the Malachi Group, Inc. and Zazoff Associates, L.L.C. acted as placement agents and received fees of $24,000 and common stock purchase warrants as compensation in connection therewith.

This transaction was deemed to be exempt from registration under the Securities Act of 1933, as amended, by virtue of Section 4(2) or Regulation D promulgated thereunder. The purchaser represented its intention to acquire the securities for investment only and not with a view to the distribution thereof. Required disclosure was provided, or access to information in lieu of disclosure was present. Required legends are affixed to the securities issued in such transaction.

The terms of exercise and conversion are as follows: The Warrants have a term of three years and an exercise price of $6.00 per share. The Series A Preferred Stock has a conversion value of $1,000 per share. That conversion value is credited towards the purchase of shares of common stock at an agreed-upon purchase or conversion price. The applicable purchase or conversion price is a discount to the "market price" of the common stock at the time of conversion. For these purposes, the "market price" is the average of the lowest 3 days closing bid prices of the common stock for the 20 trading days immediately preceding the conversion.

Therefore, the higher the market price of DynamicWeb common stock at the time of conversion, the fewer number of shares will be acquired; and the lower the market price of DynamicWeb common stock at the time of conversion, the greater number of shares will be acquired. Except for the conversion price falling to one cent per share, there is no ceiling on the maximum number of shares that the Shaar Fund might acquire upon conversion of the Series A Preferred Stock.

The applicable purchase or conversion prices are as follows:

(1) For preferred stock converted up to 180 days after purchase, the lesser of $5.50 per share or 85% of the market price of DynamicWeb common stock.

(2) For preferred stock converted between 180-360 days after purchase, 80% of the market price of DynamicWeb common stock.

(3) For preferred stock converted 360 days or more after purchase, 78% of the market price of DynamicWeb common stock.

The Shaar Fund may elect when to convert the Series A preferred stock, except that all the remaining shares will be converted automatically on August 7, 2000.

(b) Conversion of Preferred Stock. Also on December 3, 1998, the Shaar Fund converted 125 shares of the Series A 6% Convertible Preferred Stock into 95,420 shares of common stock. This transaction was deemed to be exempt from registration under the Securities Act of 1933, as amended, by virtue of Section 4(2) or Regulation D promulgated thereunder. The purchaser represented its intention to acquire the underlying common stock for investment only and not with a view to the distribution thereof. Required legends are affixed to the common stock issued in such transaction.

Item 3. Defaults Upon Senior Securities

Not applicable

Item 4. Submission of Matters to a Vote of Securities Holders

Not applicable

Item 5. Other Information

Not applicable

Item 6. Exhibits and Reports on Form 8 -K

(a) Exhibits

27 Financial Data Schedule

(b) Reports on Form 8-K

The Company filed Form 8-K/A No. 1 on November 11, 1998 to report a change in accounting method for the acquisition of Design Crafting, Inc., and to provide restated financial information.

SIGNATURES

In accordance with the requirements of the Securities Exchange of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DynamicWeb Enterprises, Inc.
(Registrant)

February 16, 1998 By:/s/Steven L. Vanechanos, Jr.

Steven L. Vanechanos, Jr.
Chief Executive Officer

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