

eSpeed, Inc. & Subsidiaries
COMPUTATION OF CONSOLIDATED FREE CASH FLOWS (unaudited)
(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Pre-tax operating income	\$ 14,988	\$ 13,864	\$ 32,993	\$ 23,949
Depreciation and amortization	5,755	4,477	11,131	8,440
Other non-cash items	69	36	70	169
Pre-tax operating income adjusted for depreciation, amortization and other	<u>20,812</u>	<u>18,377</u>	<u>44,194</u>	<u>32,558</u>
Income tax provision on operating income	(5,860)	(5,545)	(12,899)	(5,450)
Income tax benefit on non-operating loss	55	145	228	145
Deferred income tax expense	545	2,553	608	2,553
Tax benefit from stock option and warrant exercises	144	1,332	935	1,332
Income taxes paid	<u>9,585</u>	<u>63</u>	<u>11,186</u>	<u>63</u>
Decrease (increase) in current income tax payable	4,469	(1,452)	58	(1,357)
Changes in related party receivable and payable, net	1,124	9,686	(2,373)	(11,254)
Changes in other operating assets and liabilities, net	<u>(11,868)</u>	<u>3,148</u>	<u>(12,547)</u>	<u>(189)</u>
Net cash provided by operating activities	<u>14,537</u>	<u>29,759</u>	<u>29,332</u>	<u>19,758</u>
Purchase of fixed assets	(2,104)	(1,266)	(9,330)	(1,902)
Sale of fixed assets	-	-	-	2,752
Capitalization of software development costs	(4,551)	(3,209)	(8,447)	(6,413)
Capitalization of patent defense and registration costs	(1,923)	(2,367)	(2,800)	(2,653)
Purchase of investment	-	-	(360)	-
Free cash flows	<u>5,959</u>	<u>22,917</u>	<u>8,395</u>	<u>11,542</u>
Related party receivable and payable, net	<u>(1,124)</u>	<u>(9,686)</u>	<u>2,373</u>	<u>11,254</u>
Free cash flows, net of related party activity	<u>\$ 4,835</u>	<u>\$ 13,231</u>	<u>\$ 10,768</u>	<u>\$ 22,796</u>