

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|------------------|------------------------------------|------------------|
| | <u>2004</u> | <u>2003</u> | <u>2004</u> | <u>2003</u> |
| Pre-tax operating income | \$ 9,894 | \$ 17,650 | \$ 42,887 | \$ 41,599 |
| Depreciation and amortization | 6,140 | 4,604 | 17,271 | 13,044 |
| Other non-cash items | 62 | 71 | 132 | 240 |
| Pre-tax operating income adjusted for depreciation, | <u>16,096</u> | <u>22,325</u> | <u>60,290</u> | <u>54,883</u> |
| Income tax provision on operating income | (3,869) | (6,873) | (16,768) | (12,323) |
| Income tax benefit on non-operating loss | 186 | 520 | 414 | 665 |
| Deferred income tax expense | 414 | 928 | 1,022 | 3,481 |
| Tax benefit from stock option and warrant exercises | 23 | 1,778 | 958 | 3,110 |
| Income taxes paid | <u>1,665</u> | <u>3,360</u> | <u>12,851</u> | <u>3,360</u> |
| Decrease (increase) in current income tax payable | (1,581) | (287) | (1,523) | (1,707) |
| Changes in related party receivable and payable, net | (234) | (1,257) | (2,607) | (12,511) |
| Changes in other operating assets and liabilities, net | 7,881 | 3,920 | (4,666) | 3,794 |
| Charitable contribution Re: 9/11 | (340) | (687) | (340) | (687) |
| Net cash provided by operating activities | <u>21,822</u> | <u>24,014</u> | <u>51,154</u> | <u>43,772</u> |
| Purchase of fixed assets | (1,941) | (2,569) | (11,271) | (4,471) |
| Capitalization of software development costs | (5,200) | (3,183) | (13,647) | (9,596) |
| Capitalization of patent defense and registration costs | (1,641) | (1,018) | (4,441) | (3,671) |
| Purchase of investment | - | - | (360) | - |
| Free cash flows | <u>13,040</u> | <u>17,244</u> | <u>21,435</u> | <u>26,034</u> |
| Related party receivable and payable, net | 234 | 1,257 | 2,607 | 12,511 |
| Free cash flows, net of related party activity | <u>\$ 13,274</u> | <u>\$ 18,501</u> | <u>\$ 24,042</u> | <u>\$ 38,545</u> |