

SIFY LIMITED and Subsidiaries
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands, except share data and as otherwise stated)

	Quarter ended June 30,		
	2005	2006	2006
	Rs.	Rs.	\$
Net profit / (loss)	Rs.(98,149)	Rs. 62,423	\$ 1,361
Adjustments to reconcile net loss to net cash provided by / (used in) operating activities:			
Depreciation, impairment and amortization of intangible assets and deferred stock compensation	123,007	147,476	3,215
Equity in profit of affiliate	(10,882)	(15,788)	(344)
(Gain) / Loss on sale of property, plant and equipment	940	(61)	(1)
Provision for doubtful receivables and advances	16,218	23,085	502
Unrealized (gain) / loss on account of exchange differences	-	(1,418)	(31)
Translation (gain) / loss on cash and cash equivalents	750	(13,379)	(292)
<i>Changes in assets and liabilities:</i>			
Accounts receivable	(89,360)	(77,313)	(1,685)
Due from employees	(1,908)	29,060	634
Due from related parties	(62,348)	-	-
Inventories	(42,863)	(4,534)	(99)
Prepaid expenses	3,351	1,502	33
Other assets	12,105	(13,109)	(286)
Net investment in leases	501	(509)	(11)
Trade accounts payable and accrued liabilities	159,363	(74,962)	(1,634)
Deferred revenue	70,446	12,191	266
Advances from customers	64,252	(48,926)	(1,067)
Other liabilities	(7,220)	21,007	458
Net cash provided by operating activities	Rs. 138,203	Rs. 46,745	\$1,019
Cash flows from investing activities:			
Expenditure on property, plant and equipment	(164,463)	(301,351)	(6,571)
Proceeds from sale of property, plant and equipment	296	1,286	28
Expenditure on intangible assets	(6,390)	(2,509)	(55)
Business acquisition	-	(92,934)	(2,025)
Net movement in cash – restricted	483	-	-
Net cash used in investing activities	Rs.(170,074)	Rs.(395,508)	\$(8,623)
Cash flows from financing activities:			
Principal payments under capital lease obligations	(1,702)	(1,422)	(31)
Net proceeds from issuance of common stock	-	48,623	1,060
Net cash provided by financing activities	Rs.(1,702)	Rs. 47,201	\$1,029
Effect of exchange rate changes on cash and cash equivalents	(750)	13,379	292
Net increase / (decrease) in cash and cash equivalents	(34,323)	(288,183)	\$(6,283)
Cash and cash equivalents at the beginning of the year	1,323,912	2,822,501	61,533
Cash and cash equivalents at the end of the year	Rs. 1,289,589	Rs. 2,534,318	\$55,250
Supplementary Information			
Cash paid towards interest	1,225	2,874	63
Cash paid / (refund received) towards income taxes	(37,341)	7,183	157
Additions to property, plant and equipment represented by capital lease obligations	-	776	17

See accompanying notes to unaudited condensed consolidated financial statements