

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

	Quarter ended June 30,		
	2006	2007	2007
	Rs.	Rs.	Convenience translation into US\$ (Note 2) \$
<b>Net profit / (loss)</b>	<b>Rs.62,423</b>	<b>Rs.(55,026)</b>	<b>\$ (1,355)</b>
Adjustments to reconcile net Profit / (loss) to net cash provided by / (used in) operating activities:			
Income taxes	-	14,406	355
Depreciation	95,036	110,151	2,714
Amortization of intangible assets	16,497	10,205	251
Employee stock compensation expense	35,943	13,965	344
Equity in net profit of affiliate	(15,788)	(22,676)	(559)
(Gain) / loss on sale of property, plant and equipment	(61)	205	5
Provision for doubtful receivables and advances	23,085	51,030	1,258
Minority interest	-	5,678	140
Unrealized (gain) / loss on account of exchange differences	(14,797)	30,966	762
<i>Changes in assets and liabilities:</i>			
Accounts receivable	(77,313)	(386,940)	(9,535)
Due from employees	29,060	429	11
Inventories	(7,675)	393	10
Prepaid expenses	1,502	(8,705)	(215)
Other assets	(13,109)	(52,775)	(1,301)
Trade accounts payable and accrued liabilities	(74,962)	161,355	3,976
Deferred revenue	12,191	9,063	223
Advances from customers	(48,926)	13,362	329
Other liabilities	21,007	17,585	433
<b>Net cash provided/(used) by operating activities</b>	<b>Rs. 44,113</b>	<b>Rs.(87,329)</b>	<b>(2,154)</b>
<b>Cash flows from investing activities:</b>			
Expenditure on property, plant and equipment	(300,575)	(263,732)	(6,499)
Proceeds from sale of property, plant and equipment	1,286	84	2
Expenditure on intangible assets	(2,509)	(6,551)	(161)
Business acquisition (net of cash)	(92,934)	-	-
Receipts in respect of assets given on sale - type leases	2,632	4,270	105
Net movement in cash – restricted	-	(190,777)	(4,701)
<b>Net cash used in investing activities</b>	<b>Rs.(392,100)</b>	<b>Rs.(456,706)</b>	<b>Rs.(11,254)</b>
<b>Cash flows from financing activities:</b>			
Repayments of short-term borrowings from Banks, net	-	(628,331)	(15,484)
Payments under capital lease obligations	(2,198)	(711)	(17)
Net proceeds from issuance of common stock	48,623	2,047	50
<b>Net cash provided by financing activities</b>	<b>Rs. 46,425</b>	<b>Rs.(626,995)</b>	<b>Rs.(15,451)</b>
Effect of exchange rate changes on cash and cash equivalents	13,379	(24,750)	(608)
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(288,183)</b>	<b>(1,195,780)</b>	<b>(29,467)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>2,822,501</b>	<b>3,070,157</b>	<b>75,657</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>Rs. 2,534,318</b>	<b>Rs. 1,874,377</b>	<b>Rs. 46,190</b>
<b>Supplementary Information</b>			
Cash paid towards interest	2,874	4,786	118
Cash paid / (refund received) towards income taxes	7,183	24,859	613
Additions to property, plant and equipment represented by capital lease obligations	776	1,915	47

See accompanying notes to unaudited condensed consolidated financial statements