

WIPRO LIMITED AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH U.S. GAAP
AS OF AND FOR THE
QUARTER AND NINE MONTHS ENDED DECEMBER 31, 2005 AND 2006

WIPRO LIMITED AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET
(in millions, except share data)

ASSETS	NOTE	As of December 31,			As of March 31,	
		2005	2006	2006	2006	
				Convenience translation into US\$		
		unaudited	unaudited	unaudited		
Current assets:						
Cash and cash equivalents	Rs.	4,279.48	4,751.74	\$ 107.72	Rs.	8,857.70
Investments in liquid and short-term mutual funds		31,122.97	37,608.32	852.60		30,328.42
Accounts receivable, net of allowances		19,025.84	26,904.50	609.94		20,593.11
Costs and earnings in excess of billings on contracts in progress		4,240.63	5,116.96	116.00		4,336.06
Inventories		1,908.89	3,984.53	90.33		2,064.61
Deferred income taxes		91.39	423.26	9.60		168.28
Other current assets		4,459.90	6,699.39	151.88		5,463.04
Total current assets		65,129.10	85,488.69	1,938.08		71,811.22
Property, plant and equipment, net		16,156.80	24,352.29	552.08		17,777.40
Investments in affiliates	5	1,002.23	1,202.64	27.26		1,043.09
Investment securities		-	357.42	8.10		-
Deferred income taxes		230.60	52.90	1.20		182.91
Purchase price pending allocation		1,929.28	-	-		-
Intangible assets, net		342.33	2,621.73	59.44		854.33
Goodwill	3	5,944.94	12,798.53	290.15		7,480.85
Other assets		1,168.09	1,553.81	35.23		1,243.99
Total assets	Rs.	91,903.37	128,428.01	\$ 2,911.54	Rs.	100,393.78
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities						
Borrowings from banks and foreign state institutions	Rs.	1,054.36	2,144.58	\$ 48.62	Rs.	704.55
Bonds issued by subsidiary		272.05	-	-		-
Current portion of long-term debt		-	228.61	5.18		-
Accounts payable		3,168.65	5,417.05	122.81		4,145.96
Accrued expenses		5,820.81	8,050.07	182.50		6,600.63
Accrued employee costs		4,109.12	5,152.58	116.81		4,425.12
Advances from customers		1,836.61	3,114.78	70.61		1,616.26
Other current liabilities		4,290.71	6,047.85	137.11		3,614.41
Total current liabilities		20,552.31	30,155.52	683.64		21,106.94
Long-term debt, excluding current portion		-	800.32	18.14		-
Deferred income taxes		-	462.35	10.48		127.46
Other liabilities		439.81	860.09	19.50		395.04
Total Liabilities		20,992.12	32,278.28	731.77		21,629.44
Stockholders' equity:						
Equity shares at Rs. 2 par value: 1,650,000,000 shares authorized; Issued and outstanding: 1,425,754,267, 1,420,739,099 and 1,439,802,322 shares as of March 31, 2006, December 31, 2005 and 2006		2,841.48	2,879.60	65.28		2,851.51
Additional paid-in capital		15,023.04	19,193.92	435.14		16,521.07
Deferred stock compensation		(2,385.79)	-	-		(2,202.42)
Accumulated other comprehensive income		246.77	483.65	10.96		433.70
Retained earnings		55,185.83	73,592.63	1,668.39		61,160.56
Equity Shares held by a controlled Trust: 7,869,060, 7,869,060 and 7,869,060 shares as of March 31, 2006, December 31, 2005 and 2006		(0.08)	(0.08)	(0.00)		(0.08)
Total stockholders' equity		70,911.25	96,149.73	2,179.77		78,764.34
Total liabilities and Stockholder's equity	Rs.	91,903.37	128,428.01	\$ 2,911.54	Rs.	100,393.78

See accompanying notes to the consolidated financial statements.

WIPRO LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(in millions, except share data)

	Note	Three months ended December 31,			Nine months ended December 31,		
		2005	2006	2006 Convenience translation into US\$	2005	2006	2006 Convenience translation into US\$
		unaudited	unaudited	unaudited	unaudited	unaudited	unaudited
Revenues:							
Global IT Services and Products							
IT Services.....	Rs.	19,595.02	Rs. 26,501.04	\$ 600.79	Rs. 52,249.00	Rs. 73,790.43	\$ 1,672.87
BPO Services.....		1,933.11	2,371.55	53.76	5,585.17	6,773.76	153.57
India and AsiaPac IT Services and Products							
Services.....		1,490.12	2,222.55	50.39	4,335.46	5,907.80	133.93
Products.....		2,376.45	4,511.26	102.27	6,845.27	10,181.06	230.81
Consumer Care and Lighting.....		1,460.73	1,930.54	43.77	4,141.75	5,451.34	123.59
Others.....		878.36	2,099.07	47.59	2,408.73	3,981.81	90.27
Total.....		27,733.79	39,636.01	898.57	75,565.38	106,086.21	2,405.04
Cost of Revenues:							
Global IT Services and Products							
IT Services.....		12,428.88	17,511.76	397.00	33,337.69	48,596.64	1,101.71
BPO Services.....		1,402.19	1,528.77	34.66	4,264.72	4,520.68	102.49
India and AsiaPac IT Services and Products							
Services.....		834.07	1,148.05	26.03	2,514.34	3,230.68	73.24
Products.....		2,066.29	4,102.44	93.00	6,052.37	9,233.47	209.33
Consumer Care and Lighting.....		919.18	1,259.60	28.56	2,623.45	3,558.63	80.68
Others.....		655.64	1,809.45	41.02	1,794.77	3,242.86	73.52
Total.....		18,306.25	27,360.08	620.27	50,587.34	72,382.97	1,640.97
Gross Profit.....		9,427.54	12,275.93	278.30	24,978.04	33,703.24	764.07
Operating Expenses:							
Selling and marketing expenses.....		(1,712.62)	(2,192.24)	(49.70)	(4,952.12)	(6,388.75)	(144.84)
General and administrative expenses.....		(1,406.00)	(2,068.32)	(46.89)	(3,838.53)	(5,340.25)	(121.07)
Research and development expenses.....		(52.49)	(76.43)	(1.73)	(141.35)	(204.45)	(4.64)
Amortization of intangible assets.....		(10.54)	(89.83)	(2.04)	(35.62)	(231.59)	(5.25)
Foreign exchange gains / (losses), net.....		(407.39)	(210.78)	(4.78)	(500.33)	(227.16)	(5.15)
Others, net.....		13.58	64.96	1.47	45.78	369.81	8.38
Operating Income.....		5,852.08	7,703.28	174.64	15,555.87	21,680.84	491.52
Other income, net.....		366.87	704.67	15.98	874.03	1,683.42	38.16
Equity in earnings/(losses) of affiliates.....	5	93.79	121.36	2.75	232.99	278.73	6.32
Income before income taxes, minority interest and cumulative effect of change in accounting principle.....		6,312.74	8,529.32	193.36	16,662.89	23,643.00	536.00
Income taxes.....		(989.27)	(1,079.54)	(24.47)	(2,366.25)	(3,126.98)	(70.89)
Minority interest.....		-	-	-	(1.40)	-	-
Income before cumulative effect of change in accounting principle		5,323.47	7,449.78	168.89	14,295.24	20,516.02	465.11
Cumulative effect of change in accounting principle.....	4	-	-	-	-	39.09	0.89
Net income.....	Rs.	5,323.47	Rs. 7,449.78	\$ 168.89	Rs. 14,295.24	Rs. 20,555.11	\$ 466.00
Earnings per equity share							
Basic.....							
Income before cumulative effect of change in accounting principle		3.78	5.21	0.12	10.18	14.40	0.33
Cumulative effect of change in accounting principle		-	-	-	-	0.03	0.00
Net income		3.78	5.21	0.12	10.18	14.43	0.33
Diluted.....							
Income before cumulative effect of change in accounting principle		3.74	5.14	0.12	10.07	14.22	0.32
Cumulative effect of change in accounting principle		-	-	-	-	0.03	0.00
Net income		3.74	5.14	0.12	10.07	14.25	0.32
Weighted average number of equity shares used in computing earnings per equity share:							
Basic.....		1,408,963,785	1,428,718,122		1,403,858,212	1,424,271,318	
Diluted.....		1,424,652,106	1,449,669,389		1,419,926,002	1,442,901,237	

See accompanying notes to the consolidated financial statements.

WIPRO LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME
(in millions, except share data)

	Equity Shares		Additional Paid in Capital	Deferred Stock Compensation	Comprehensive Income	Accumulated Other Comprehensive Income/(loss)	Retained Earnings	Equity Shares held by a Controlled Trust		Total Stockholders' Equity
	No of shares	Amount						No of shares	Amount	
Balance as of March 31, 2006	1,425,754,267	Rs. 2,851.52	Rs. 16,521.07	Rs. (2,202.42)		Rs. 433.70	Rs. 61,160.56	(7,869,060.00)	Rs. (0.08)	Rs. 78,764.35
Elimination of deferred stock compensation balance on adoption of SFAS 123 No. (R) (Note 4) (unaudited)			(2,202.42)	2,202.42						-
Cumulative effect of change in accounting principle (Note 4) (unaudited)			(39.09)							(39.09)
Issuance of equity shares on exercise of options (unaudited)	14,048,055	28.08	3,952.22							3,980.32
Amortisation of compensation cost related to employees stock incentive plan (unaudited) (Note 4)			897.61							-
Excess income tax benefit related to employee stock incentive plan (unaudited)			64.53							64.53
Cash dividend (unaudited)							(8,123.04)			(8,123.04)
Comprehensive Income										-
Net income (unaudited)					20,555.11		20,555.11			20,555.11
Other comprehensive income/(loss)										-
Translation adjustments (unaudited)					20.88					
Unrealised gain on investment securities, net (net of tax effect) (unaudited)					116.05					
Unrealised gain on cash flow hedging derivatives, net (unaudited)					(86.98)					
Total other comprehensive income/(loss) (unaudited)					49.95					49.95
Comprehensive income (unaudited)					20,605.06					-
Balance as of December 31, 2006 (unaudited)	1,439,802,322	Rs. 2,879.60	Rs. 19,193.92	Rs. -		Rs. 483.65	Rs. 73,592.63	(7,869,060.00)	Rs. (0.08)	Rs. 96,149.73
Balance as of December 31, 2006 (unaudited) (\$)		\$ 65.28	\$ 435.14	\$ -		\$ 10.96	\$ 1,668.39		\$ (0.00)	\$ 2,179.77

WIPRO LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in million)

	Nine Months ended December 31,					
	2005		2006		2006	
	(unaudited)		(unaudited)		Convenience translation into US\$ (unaudited)	
Cash flows from operating activities:						
Net income.....	Rs.	14,295.24	Rs.	20,555.11	\$	466.00
Adjustments to reconcile net income to net cash provided by operating activities:						
Gain on sale of property, plant and equipment.....		(4.48)		(7.61)		(0.17)
Cumulative effect of change in accounting principle.....		-		(39.09)		(0.89)
Depreciation and amortization.....		2,291.08		3,169.94		71.86
Deferred tax charge/(benefit).....		42.09		(40.04)		(0.91)
Unrealised exchange (gain) / loss.....		-		234.55		5.32
(Gain)/loss on sale of investment securities.....		(163.67)		(316.45)		(7.17)
Amortization of stock compensation.....		498.03		962.15		21.81
Equity in losses/(earnings) of affiliates.....		(232.99)		(278.73)		(6.32)
Minority interest.....		1.40		-		-
Changes in operating assets and liabilities:						
Accounts receivable.....		(4,073.20)		(4,891.98)		(110.90)
Costs and earnings in excess of billings on contracts in progress.....		(1,500.98)		(780.90)		(17.70)
Inventories.....		(139.73)		(769.43)		(17.44)
Other assets.....		(1,213.13)		(1,060.34)		(24.04)
Accounts payable.....		(559.57)		1,057.50		23.97
Accrued expenses and employee costs.....		2,895.16		2,176.90		49.35
Advances from customers.....		556.97		1,498.52		33.97
Other liabilities.....		1,756.93		135.88		3.08
Net cash provided by operating activities.....		<u>14,449.15</u>		<u>21,605.98</u>		<u>489.82</u>
Cash flows from investing activities:						
Expenditure on property, plant and equipment.....		(5,155.55)		(8,228.24)		(186.54)
Proceeds from sale of property, plant and equipment.....		108.31		118.30		2.68
Purchase of investments.....		(40,924.19)		(84,092.49)		(1,906.43)
Proceeds from sale of investments.....		33,307.65		77,082.66		1,747.51
Payment for acquisitions, net of cash acquired.....		(2,576.44)		(7,713.12)		(174.86)
Net cash used in investing activities.....		<u>(15,240.22)</u>		<u>(22,832.88)</u>		<u>(517.64)</u>
Cash flows from financing activities:						
Proceeds from issuance of equity shares.....		3,166.75		3,905.45		88.54
Proceeds from/(repayments of) short-term borrowing, net.....		230.08		1,274.94		28.90
Repayment of long-term debt.....		-		89.52		2.03
Payment of cash dividends.....		(3,997.74)		(8,123.04)		(184.15)
Net cash provided by/(used in) financing activities.....		<u>(600.91)</u>		<u>(2,853.13)</u>		<u>(64.68)</u>
Net increase/(decrease) in cash and cash equivalents during the period.....		(1,391.98)		(4,080.03)		(92.50)
Effect of exchange rate changes on cash.....		0.70		(25.95)		(0.59)
Cash and cash equivalents at the beginning of the period.....		5,670.76		8,857.70		200.81
Cash and cash equivalents at the end of the period.....	Rs.	<u>4,279.48</u>	Rs.	<u>4,751.72</u>	\$	<u>107.72</u>
Supplementary information:						
Cash paid for interest.....	Rs.	27.88	Rs.	84.42	\$	1.91
Cash paid for taxes.....		3,128.29		3,235.68		73.35

See accompanying notes to the consolidated financial statements.

WIPRO LIMITED AND SUBSIDIARIES
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS
(in millions, except share data and where otherwise stated)

NOTE 1: BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of Wipro Limited ("Wipro" or "the Company") have been prepared in accordance with accounting principles generally accepted in the United States.

Interim information presented in the consolidated financial statements has been prepared by the management without audit and, in the opinion of management, includes all adjustments of a normal recurring nature that are necessary for the fair presentation of the financial position, results of operations and cash flows for the periods shown, and is in accordance with US GAAP. These financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company's annual report on Form 20-F for the fiscal year ended March 31, 2006.

The accompanying unaudited condensed consolidated financial statements have been prepared in Indian rupees, the national currency of India. Solely for the convenience of the readers, the financial statements as of and for the three months and nine months ended December 31, 2006 have been translated into United States dollars at the noon buying rate in New York City on December 29, 2006 for cable transfers in Indian rupees, as certified for customs purposes by the Federal Reserve Bank of New York of \$1= Rs. 44.11. No representation is made that the Indian rupee amounts have been, could have been or could be converted into United States dollars at such a rate or any other rate.

NOTE 2: DERIVATIVE AND HEDGE ACCOUNTING

The Company is exposed to foreign currency fluctuations on foreign currency assets and forecasted cash flows denominated in foreign currency. The Company limits the effects of foreign exchange rate fluctuations by following established risk management policies including the use of derivatives. The Company enters into forward exchange and option contracts, where the counterparty is a bank. The Company considers the risks of non-performance by the counterparty as remote.

Forward contracts/options in respect of forecasted transactions, which meet the hedging criteria, are designated as cash flow hedges. Changes in the derivative fair values that are designated as effective cash flow hedges, under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, are deferred and recorded as a component of accumulated other comprehensive income until the hedged transactions occur and are then recognized in the consolidated statements of income. The ineffective portion of a hedging derivative is immediately recognized in the consolidated statements of income.

The Company also designates zero-cost collars, which qualify as net purchased options, to hedge the exposure to variability in expected future foreign currency cash inflows due to exchange rate movements beyond a defined range. The range comprises an upper and lower strike price. At maturity, if the exchange rate remains within the range the Company realizes the cash inflows at spot rate, otherwise the Company realizes the inflows at the upper or lower strike price.

As of December 31, 2006, a gain of Rs. 115.37 relating to changes in fair value of forward contracts/options, designated as hedge of forecasted transactions, is included as a component of other comprehensive income/loss within stockholders' equity.

NOTE 3: ACQUISITIONS

mPower Software Services Inc. and subsidiaries

In December 2005, the Company acquired 100% equity of mPower Software Services Inc. and subsidiaries (mPower) including the minority shareholding held by MasterCard International in MPact India, a joint venture between MasterCard International and mPower Inc, for an aggregate cash consideration of Rs.1,274.57 . mPower Software Services Inc. is a US based Company engaged in providing IT services in the payments service sector.

As a part of this acquisition, the Company plans to provide MasterCard a wide range of services including application development and maintenance, infrastructure services, package implementation, BPO and testing. The Company believes that through this acquisition, it will be able to expand domain expertise in the payment service sector and increase the addressable market for IT services.

The total purchase price has been allocated to the acquired assets and liabilities as follows:

Description	Fair value
Net tangible assets	Rs. 185.39
Customer-related intangibles.....	513.13
Deferred tax liabilities.....	(177.50)
Goodwill.....	<u>753.55</u>
Total	<u>Rs. 1,274.57</u>

BVPENTE Beteiligungsverwaltung GmbH and subsidiaries

On December 28, 2005, the Company acquired 100% equity of BVPENTE Beteiligungsverwaltung GmbH and subsidiaries (New Logic). New Logic is a European system-on-chip design company. The consideration included a upfront consideration of Rs. 1,156.54, subject to working capital adjustments, and an earn-out of Euro 26.70 to be determined and paid in the future based on financial targets being achieved over a 3 year period. During the nine months ended December 31, 2006, the Company paid an additional consideration of Rs. 68.76 towards the working capital adjustment. The Company has determined that a portion of the earn-out, up to a maximum of Euro 2.50 is linked to the continuing employment of one of the selling shareholders. The balance earn-out will be recorded as additional purchase price when the contingency is resolved.

The Company believes that through this acquisition, it has acquired strong domain expertise in semiconductor Intellectual Property (IP) cores and complete system-on-chip solutions with digital, analog mixed signal and Radio Frequency (RF) design services. The acquisition also enables the Company to access over 20 customers in the product engineering space.

The purchase price has been allocated to the acquired assets and liabilities as follows:

Description	Fair value
Net tangible assets	Rs. 307.15
Customer-related intangibles.....	117.40
Technology-related intangibles.....	95.72
Deferred tax liabilities	(53.00)
Goodwill	<u>758.03</u>
Total	<u>Rs. 1,225.30</u>

cMango Inc. and subsidiaries

In April 2006, the Company acquired 100% equity of cMango Inc. and subsidiaries (cMango). cMango is a provider of Business Service Management (BSM) solutions. The consideration (including direct acquisition costs) included a cash payment of Rs. 884.25 and an earn-out of USD 12.00 to be determined and paid in the future based on specific financial targets being achieved over a two year period. The earn-out will be recorded as additional purchase price when the contingency is resolved.

The Company believes that through this acquisition it will expand its operations in the Business Management Services sector. This acquisition also enables the Company to access over 20 customers in the Business Management services sector.

The purchase price has been preliminarily allocated to the acquired assets and liabilities as follows:

Description	Fair value
Net tangible assets/(liabilities).....	Rs. (23.08)
Customer-related intangibles.....	132.64
Deferred tax liabilities.....	(46.42)
Goodwill	<u>821.11</u>
Total	<u>Rs. 884.25</u>

RetailBox BV and subsidiaries

In June 2006, the Company acquired 100% equity of RetailBox BV and subsidiaries (Enabler). Enabler is in the business of providing comprehensive IT solutions and services. The consideration (including direct acquisition costs) included a cash payment of Rs. 2,442.12 and an earn-out of Euro 11.00 to be determined and paid in the future based on specific financial targets being achieved over a two year period. The earn-out will be recorded as additional purchase price when the contingency is resolved.

Through this acquisition the Company aims to provide a wide range of services including Oracle retail implementation, digital supply chain, business optimization and integration. Further, through this acquisition, the Company aims to expand domain expertise both in the retail and technology sectors and obtain a presence in five different geographical locations.

The purchase price has been preliminarily allocated to the acquired assets and liabilities as follows:

Description	Fair value
Net tangible assets	Rs. 388.88
Customer-related intangibles.....	242.55
Deferred tax liabilities	(84.89)

Description	Fair value
Goodwill	1,895.58
Total	<u>Rs. 2,442.12</u>

Saraware Oy

In June 2006, the Company acquired 100% equity of Saraware Oy (Saraware) a Company involved in providing design and engineering services to telecom companies. The Company acquired Saraware for an aggregate consideration of Rs. 947.25 and an earn-out of Euro 7 to be determined and paid in future based on financial targets being achieved over a period of 18 months. In addition, amounts collected against certain specific reward/ incentive assets at the acquisition date are payable to the sellers. Out of this, the Company has paid Rs 68.66 during the period ended 31 December 2006. The earn-out and the additional payments will be recorded as additional purchase price when the related contingencies are resolved.

Through this acquisition the Company aims to expand it's presence in the engineering services space in Finland and the Nordic region.

The purchase price has been preliminarily allocated to the acquired assets and liabilities as follows:

Description	Fair value
Net tangible assets /(liabilities).....	Rs. 186.98
Customer-related intangibles.....	189.45
Deferred tax liabilities	(66.31)
Goodwill	705.79
Total	<u>Rs. 1,015.91</u>

Northwest Switchgear Limited

In May 2006, the Company acquired a substantial portion of the business of North-west Switchgear Limited a manufacturer and distributor of switches, sockets and miniature circuit breakers (collectively 'the products') under the trademark/ brand name "North-West". The consideration (including direct acquisition costs) included a cash payment of Rs 1,131.66 and an earn-out of Rs. 200.00 to be determined and paid in the future based on achievement of a specified revenue levels over a period of four years. Further, the Company has entered into a non-compete and manufacturing agreement with the sellers. Under the manufacturing agreement, the seller will manufacture the products for the Company by certain assets and employee retained by the seller. The manufacturing agreement is for a period of five years. Amounts paid by the Company for such manufacturing services will be recorded through the income statement. The earn-outs which are not linked to any post-acquisition services by the seller will be recorded as additional purchase consideration when the contingency is resolved.

Based on the guidance in EITF Issue No. 98-3, Determining Whether a Non-monetary Transaction Involves Receipt of Productive Assets of a Business, the Company has accounted for this transaction as an acquisition of a business. A significant portion of the consideration has been allocated to the trademark/brand name North-West.

The purchase price has been preliminarily allocated to the acquired assets and liabilities as follows:

Description	Fair value
Net tangible assets	Rs. 33.75
Marketing-related intangibles	<u>1,097.91</u>
Total	<u>Rs. 1,131.66</u>

Quantech Global Services

In July 2006, the Company acquired 100% equity of Quantech Global Services LLC and Quantech Global Services Ltd (Quantech). Quantech provides computer aided design and engineering services. The consideration includes upfront cash payment of Rs. 142.00, a deferred cash payment of USD 300 and an earn-out to be determined and paid in the future based on financial targets being achieved over a period of 36 months.

Through this acquisition, the Company aims to strengthen its presence in the mechanical engineering design and analysis service sector.

The purchase price has been preliminarily allocated to the acquired assets and liabilities as follows:

Description	Fair value
Net tangible assets/(liabilities)	Rs. (230.33)
Customer-related intangibles	45.92
Deferred tax liabilities	(16.07)
Goodwill	<u>481.77</u>
Total	<u>Rs. 281.29</u>

Hydrauto Group

In November 2006, the Company acquired 100% equity of Hydrauto Group AB (Hydrauto). Hydrauto is engaged in the production, marketing and development of customized hydraulic cylinders solution for mobile applications such as mobile cranes, excavator, dumpers and trucks. The consideration (including direct acquisition cost) included cash payment of Rs. 1,412.17. Through this acquisition the Company aims to gain an entry into Europe, access to a customer base built over the past few decades and complementary engineering skills.

The purchase price has been preliminarily allocated to the acquired assets and liabilities as follows:

Description	Fair value
Net tangible assets/(liabilities)	Rs. 201.81
Customer-related intangibles	73.57
Deferred tax liabilities	(24.76)
Goodwill	<u>1,161.55</u>
Total	<u>Rs. 1,412.17</u>

3D Networks

In November 2006, the Company acquired 100% equity of the India, Middle East and SAARC operations of 3D Networks and Planet PSG. 3D Networks provides business communication solutions that include consulting, voice, data and converged solutions, and managed services. These specialized solutions are deployed in the ITES/IT, Telecom, Banking and Finance, Government and Service verticals. Planet PSG provides professional services on voice and speech platforms in the Asia Pacific region. The consideration (including direct

acquisition cost) included upfront cash payment of Rs. 908.27 and a maximum earn-out of USD 43.78 to be determined and paid in the future based on achieving certain agreed financial targets over a 24 months period. The Company believes that this acquisition is a strategic fit as it complements Wipro's existing practice capabilities and differentiates Wipro as the most comprehensive IT Solutions provider across verticals.

The purchase price has been preliminarily allocated to the acquired assets and liabilities as follows:

Description	Fair value
Net tangible assets/(liabilities).....	Rs. 528.65
Customer-related intangibles.....	136.24
Deferred tax liabilities	(45.86)
Goodwill	<u>289.24</u>
Total	<u>Rs. 908.27</u>

For all the above acquisitions except New Logic and mPower, the purchase consideration has been allocated on a preliminary basis based on management's estimates. The Company is in the process of making a final determination of the carrying value of assets and liabilities, which may result in changes in the carrying value of net assets recorded. Finalization of the purchase price allocation may result in certain adjustments to the above allocations.

NOTE 4: ADOPTION OF FAS 123 No. (R)

Effective April 1, 2006, the Company adopted SFAS No. 123 (revised 2004), Share-Based Payment, (SFAS No. 123 (R)), which requires the measurement and recognition of compensation expense for all stock-based payment awards based on the grant-date fair value of those awards. Previously, the Company used the intrinsic value based method, permitted by Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock issued to Employees, to account for its employee stock-based compensation plans and had adopted the pro-forma disclosure provisions of SFAS No. 123, Accounting for Stock-Based Compensation.

The Company adopted SFAS No.123(R) using the modified prospective application method. Under this approach the Company has recognized compensation expense for share-based payment awards granted prior to, but not yet vested as of April 1, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123. Pursuant to adoption of SFAS No. 123(R) the Company recognized additional compensation expense of Rs. 123.75 for the nine months ended December 31, 2006.

SFAS No. 123(R) requires that deferred stock-based compensation previously recorded under APB Opinion No. 25 and outstanding on the date of adoption be eliminated against additional paid-in capital. Accordingly, the deferred compensation balance of Rs. 2,202.42 was eliminated against additional paid-in capital on April 1, 2006.

Under APB Opinion No. 25, the Company had a policy of recognizing the effect of forfeitures only as they occurred. Accordingly, as required by SFAS No. 123 (R), on April 1, 2006, the Company estimated the number of outstanding instruments, which are not expected to vest and recognized a gain of Rs. 39.09 representing the reversal of compensation cost for such instruments previously recognized in income.

Had compensation cost, for nine months ended December 31, 2005, been determined in a manner consistent with the fair value approach described in SFAS No. 123, the Company's net income and earnings per share as reported would have been reduced to the pro-forma amounts indicated below:

	Nine months ended December 31, 2005
Net income, as reported	Rs. 14,295.24
Add: Stock-based employee compensation expense included in reported net income, net of tax effects	465.17
Less: Stock-based employee compensation expense determined under fair value based method, net of tax effects.....	(938.27)
Pro-forma net income	<u>13,822.14</u>
Earnings per share: Basic	
As reported.....	<u>10.18</u>
Pro-forma	<u>9.85</u>
Earnings per share: Diluted	
As reported.....	<u>10.07</u>
Pro-forma	<u>9.76</u>

NOTE 5: INVESTMENTS IN AFFILIATES

Wipro GE Medical Systems ("Wipro GE")

The Company has accounted for its 49% interest in Wipro GE by the equity method. The carrying value of the investment in Wipro GE as of March 31, 2006, December 31, 2005 and 2006 was Rs. 841.57, Rs. 797.81 and Rs. 1,071.25 respectively. The Company's equity in the income of Wipro GE for nine months ended December 31, 2005 and 2006 was Rs. 215.40 and Rs. 253.87 respectively.

In March 2004 and 2005, Wipro GE had received tax demands aggregating Rs. 714.19, including interest, from the Indian income tax authorities for the financial years ended March 31, 2001 and 2002 respectively. The tax demands were primarily on account of transfer pricing adjustments and denial of export benefits and tax holiday benefits claimed by Wipro GE under the Indian Income Tax Act 1961 (Act). Wipro GE has appealed against the said demands before the first appellate authority. Considering the facts and nature of disallowance and based on the opinion of the external legal counsel, Wipro GE believes that the final outcome of the dispute should be in favor of Wipro GE and will not have any material adverse effect on the financial position and overall trends in results of operations. Additionally, in March 2006, Wipro GE received intimation from the Indian income tax authorities for the financial year ended March 31, 2003, proposing transfer pricing adjustments (similar to the claims made for financial year 2001 and 2002) resulting in additional tax demands of Rs. 421.46. Wipro GE has contested the proposed transfer pricing adjustments. Considering the facts and nature of adjustments proposed Wipro GE believes that the ultimate outcome of this intimation will not have any material adverse effect on the financial position and overall trends in results of operations. The range of loss due to this contingency is between zero and the amount of demand raised.

WeP Peripherals (WeP)

The Company previously accounted for its 36.9% interest as of March 31, 2006 in WeP Peripherals by the equity method. The carrying value of the equity investment in WeP Peripherals as of March 31, 2006 was Rs. 201.52.

In December 2006, the Company sold a portion of its interest in WeP Peripherals for a consideration of Rs. 160.00 and recorded a gain of Rs 47.61. Subsequent to this sale, the Company's ownership interest in WeP Peripherals is reduced to 15% and the Company does not have the ability to exercise significant influence over the operating and financial policies of WeP Peripherals. As a part of the sales transaction, the Company has also acquired a put option to sell the balance shares at the same price at any time between January 2008 and December 2009.

WM Net Serv

The Company has accounted for its 80.1% ownership interest in WM NetServ by the equity method as the minority shareholders in the investee has substantive participative rights as specified in EITF Issue No. 96-16, Investor's Accounting for an Investee When the Investor Has a Majority of the Voting Interest but the Minority Shareholder or Shareholders Have Certain Approval or Veto Rights. The carrying value of the equity investment in WM Net Serv as of December 31, 2006 was Rs. 131.24. The Company's equity in the loss of WM Net Serv for nine months ended December 31, 2006 was Rs. 15.40 respectively.

NOTE 6: CONTINGENCIES

The Company had received tax demands from the Indian income tax authorities for the financial years ended March 31, 2001 and 2002 aggregating to Rs. 5,231.72. The tax demands were primarily on account of denial of deduction claimed by the Company under Section 10A of the Indian Income Tax Act 1961 (Act), in respect of profits earned by its undertakings in Software Technology Park at Bangalore. The Company had appealed against the demands. In March 2006, the first income tax appellate authority substantially upheld the deductions claimed by the Company under Section 10A of the Act, which vacates a substantial portion of the demands for these years.

In March 2006 and December 2006, the Company received additional tax demands on similar grounds as 2001 and 2002, for the financial year ended March 31, 2003 and March 31, 2004 respectively. The aggregate demand is Rs. 5,895.96 (including interest of Rs. 1,503.71). The Company has filed an appeal against the demand for the year ended March 31, 2003 and will file an appeal against the demand for the year ended March 31, 2004 within the prescribed statutory time.

Considering the facts and nature of disallowance, the order of the appellate authority upholding the claims of the Company for financial year ended March 31, 2001 and 2002, the Company believes that the final outcome of the dispute should be in favour of the Company and there should not be any material impact on the financial statements.

The range of loss relating to these contingencies is between zero and the amount of the demand raised.

NOTE 7: SEGMENT INFORMATION

The Company is currently organized by segments, including Global IT Services and Products (comprising of IT Services and BPO Services segments), India and AsiaPac IT Services and Products, Consumer Care and Lighting and 'Others'.

The Chairman of the Company has been identified as the Chief Operating Decision Maker ("CODM") as defined by SFAS No. 131, Disclosure about Segments of an Enterprise and Related Information. The Chairman of the Company evaluates the segments based on their revenue growth, operating income and return on capital employed.

Operating segments with similar economic characteristics and complying with other aggregation criteria specified in SFAS No. 131 have been combined to form the Company's new reportable segments. Consequently, IT Services and BPO services qualify as reportable segments under the Global IT Services and Products business.

The IT Services segment provides research and development services for hardware and software design to technology and telecommunication companies, software application development services to corporate enterprises. The BPO services segment provides Business Process Outsourcing services to large global corporations.

As discussed in note 3, between December 2005 and December 2006, the Company acquired mPower, New Logic, cMango, Enabler, Saraware Oy and Quantech. The operations of mPower, New Logic, cMango, Enabler, Saraware Oy and Quantech, which are a component of IT Services and Products, are currently reviewed by the CODM separately and have accordingly been reported separately as 'Acquisitions'.

The India and AsiaPac IT Services and Products segment focuses primarily on addressing the IT and electronic commerce requirements of companies in India, MiddleEast and AsiaPacific region.

The Consumer Care and Lighting segment manufactures, distributes and sells soaps, toiletries, lighting products and hydrogenated cooking oils for the Indian market.

'Others' consist of business segments that do not meet the requirements individually for a reportable segment as defined in SFAS No. 131. Corporate activities such as treasury, legal and accounting, which do not qualify as operating segments under SFAS No. 131 have been considered as reconciling items.

Segment data for previous periods has been reclassified on a comparable basis.

Information on reportable segments is as follows:

Nine Months ended December 31, 2005 (unaudited)

	Note	Global IT Services and Products				India and AsiaPac IT Services and Products		Consumer Care and Lighting	Others	Reconciling Items	Entity Total
		IT Services	Acquisitions	BPO Services	Total						
Revenues.....	Rs.	52,190.13	Rs. 58.87	Rs. 5,585.17	Rs. 57,834.17	Rs. 11,180.73	Rs. 4,141.75	Rs. 2,408.73	Rs. -	Rs. 75,565.38	
Exchange rate fluctuations.....		(371.34)	(0.50)	(52.38)	(424.22)	0.24	(0.99)	4.50	420.47	-	
Total revenues.....		51,818.79	58.37	5,532.79	57,409.95	11,180.97	4,140.76	2,413.23	420.47	75,565.38	
Cost of revenues.....		(33,307.01)	(30.68)	(4,264.72)	(37,602.41)	(8,566.71)	(2,623.45)	(1,794.77)	-	(50,587.34)	
Selling and marketing expenses		(2,850.36)	(5.27)	(42.45)	(2,898.08)	(1,015.62)	(848.86)	(173.58)	(15.98)	(4,952.12)	
General and administrative expenses.....		(2,417.14)	(7.25)	(576.44)	(3,000.83)	(627.17)	(75.89)	(81.57)	(53.07)	(3,838.53)	
Research and development expenses.....		(141.35)	-	-	(141.35)	-	-	-	-	(141.35)	
Amortization of intangible assets.....		(8.00)	-	(3.71)	(11.71)	(8.00)	(15.91)	-	-	(35.62)	
Exchange rate fluctuations.....		-	-	-	-	-	-	-	(500.33)	(500.33)	
Others, net.....		(3.04)	0.40	-	(2.64)	4.20	10.02	11.84	22.36	45.78	
Operating income of segment.....	1	Rs. 13,091.89	15.57	Rs. 645.47	Rs. 13,752.93	Rs 967.67	Rs. 586.67	Rs. 375.15	Rs. (126.55)	Rs. 15,555.87	
Total assets of segment.....	3	Rs. 32,899.54	Rs. 3,282.86	Rs. 10,786.32	Rs. 46,968.72	Rs 6,536.40	Rs. 2,106.88	Rs. 2,327.46	Rs. 33,963.91	Rs. 91,903.37	
Capital employed.....	3	20,894.73	2,760.92	9,840.82	33,496.47	2,525.11	1,065.22	1,634.53	33,684.15	72,405.48	
Return on capital employed.....	2,3	82%	-	10%	58%	63%	78%	-	-	-	
Accounts receivable.....		13,862.30	223.35	891.18	14,976.83	2,756.66	551.68	740.65	-	19,025.82	
Cash and cash equivalents and investments in liquid and short-term mutual funds.....		915.08	604.41	3,224.78	4,744.27	125.22	62.40	435.56	30,035.00	35,402.45	
Depreciation.....		1,604.10	2.16	439.86	2,046.12	83.14	55.54	42.67	27.99	2,255.46	

Information on reportable segments is as follows:

Nine Months ended December 31, 2006 (unaudited)

	Note	Global IT Services and Products				Total	India and AsiaPac IT Services and Products	Consumer Care and Lighting	Others	Reconciling Items	Entity Total
		IT Services	Acquisitions	BPO Services							
Revenues.....		Rs. 70,497.05	Rs. 3,293.39	Rs. 6,773.76	Rs. 80,564.20	Rs. 16,088.86	Rs. 5,451.34	Rs. 3,981.81	Rs. -	Rs. 106,086.21	
Exchange rate fluctuations.....		(209.31)	(11.05)	(20.84)	(241.20)	1.78	3.07	9.21	227.15	-	
Total revenues.....		70,287.74	3,282.33	6,752.92	80,322.99	16,090.65	5,454.41	3,991.02	227.15	106,086.21	
Cost of revenues.....		(45,688.80)	(2,907.84)	(4,520.68)	(53,117.32)	(12,464.15)	(3,558.63)	(3,242.81)	(0.06)	(72,382.97)	
Selling and marketing expenses		(3,476.17)	(87.47)	(65.82)	(3,629.46)	(1,422.30)	(1,036.09)	(275.91)	(25.00)	(6,388.75)	
General and administrative expenses.....		(3,003.58)	(373.08)	(694.11)	(4,070.77)	(884.35)	(94.25)	(206.20)	(84.72)	(5,340.25)	
Research and development expenses.....		(204.45)	-	-	(204.45)	-	-	-	-	(204.45)	
Amortization of intangible assets.....		0.00	(163.02)	(3.71)	(166.73)	(17.59)	(44.21)	(3.07)	-	(231.59)	
Exchange rate fluctuations.....		-	-	-	-	-	-	-	(227.15)	(227.16)	
Others, net.....		261.23	2.20	0.10	263.53	9.56	19.96	52.52	24.24	369.81	
Operating income of segment.....	1	Rs. 18,175.97	Rs. (246.88)	Rs. 1,468.69	Rs. 19,397.78	Rs. 1,311.82	Rs. 741.18	Rs. 315.55	Rs. (85.53)	Rs. 21,680.84	
Total assets of segment.....	3	Rs. 47,059.57	Rs. 11,309.08	Rs. 7,410.39	Rs. 65,779.04	Rs. 10,197.82	Rs. 4,075.21	Rs. 6,462.43	Rs. 41,913.49	Rs. 128,428.01	
Capital employed.....	3	30,456.54	10,216.54	6,048.37	46,721.45	3,970.28	2,628.06	4,589.36	41,412.82	99,323.23	
Return on capital employed.....	2,3	83%	-5%	24%	59%	54%	50%			32%	
Accounts receivable.....		18,777.94	1,074.03	1,056.64	20,908.61	4,214.33	718.88	1,062.67	-	26,904.50	
Cash and cash equivalents and investments in liquid and short-term mutual funds.....		2,099.94	2,410.94	57.20	4,568.07	261.36	66.91	45.05	37,418.66	42,360.06	
Depreciation.....		1,967.74	146.45	466.98	2,581.17	123.05	77.48	70.69	10.95	2,863.33	

- (1) Operating income of IT Services, BPO Services, India and AsiaPac IT Services and Products, Consumer Care and Lighting, Others and Reconciling Items is after Rs. 773.16, Rs. 35.10, Rs. 51.61, Rs. 15.39, Rs. 8.66 and Rs. 13.47 respectively, of amortization of deferred stock compensation cost arising from the grant of options.
- (2) Return on capital employed is computed based on the average of the capital employed at the beginning and at the end of the period.
- (3) The total assets, capital employed and return on capital employed for the India and AsiaPac IT Services and Products segment excludes the impact of certain acquisition-related goodwill relating to the segment. This goodwill of Rs. 656.24 as of December 31, 2005 and 2006 has been reported as a component of reconciling items.

The Company has four geographic segments: India, United States, Europe and Rest of the world.

Revenues from the geographic segments based on domicile of the customer are as follows:

	<u>Nine months ended December 31,</u>	
	<u>2005</u>	<u>2006</u>
	(Unaudited)	
India.....	Rs. 15,938.85	Rs. 21,353.29
United States.....	37,805.29	53,214.47
Europe.....	17,290.39	25,093.80
Rest of the world.....	<u>4,530.85</u>	<u>6,424.65</u>
	<u>Rs. 75,565.38</u>	<u>Rs. 106,086.21</u>