

WIPRO LIMITED AND SUBSIDIARIES

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH U.S. GAAP
AS OF AND FOR THE
THREE MONTHS ENDED JUNE 30, 2005 AND 2006**

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

	As of June 30,			As of March 31,
	2005	2006	2006	2006
	(unaudited)	(unaudited)	Convenience translation into US\$ (unaudited)	
ASSETS				
Current assets:				
Cash and cash equivalents	Rs. 4,661.97	4,347.37	\$ 94.78	Rs. 8,857.70
Investments in liquid and short-term mutual funds	27,195.94	35,978.88	784.37	30,328.42
Accounts receivable, net of allowances	15,088.49	21,739.35	473.93	20,593.11
Costs and earnings in excess of billings on contracts in progress	2,941.73	5,350.59	116.65	4,336.06
Inventories	1,582.44	2,307.37	50.30	2,064.61
Deferred income taxes	202.59	173.89	3.79	168.28
Other current assets	2,952.70	5,656.23	123.31	5,463.04
Total current assets	54,625.86	75,553.68	1,647.13	71,811.22
Property, plant and equipment, net	14,246.14	19,365.11	422.17	17,777.40
Investments in affiliates (Note 6)	825.49	1,108.44	24.16	1,043.09
Deferred income taxes	223.64	182.91	3.99	182.91
Intangible assets, net	363.41	2,248.05	49.01	854.33
Goodwill (Note 3)	5,914.54	11,443.45	249.48	7,480.85
Other assets	857.76	1,342.67	29.27	1,243.98
Total assets	<u>Rs. 77,056.84</u>	<u>111,244.31</u>	<u>\$ 2,425.21</u>	<u>Rs. 100,393.78</u>
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Borrowings from banks and foreign state institutions	Rs. 544.57	725.78	\$ 15.82	Rs. 704.55
Accounts payable	2,944.33	3,945.23	86.01	4,145.96
Accrued expenses	4,366.98	7,305.98	159.28	6,600.63
Accrued employee costs	3,225.34	4,548.26	99.16	4,425.12
Advances from customers	1,430.81	1,648.50	35.94	1,616.26
Other current liabilities	2,262.54	5,657.25	123.33	3,614.42
Total current liabilities	14,774.57	23,831.00	519.53	21,106.94
Deferred income taxes	-	272.84	5.95	127.46
Other liabilities	253.49	480.44	10.47	395.04
Total liabilities	<u>15,028.06</u>	<u>24,584.28</u>	<u>535.96</u>	<u>21,629.44</u>
Minority interest	-	-	-	-
Stockholders' equity:				
Equity shares at Rs. 2 par value: 1,650,000,000 shares authorized; Issued and outstanding: 1,409,742,406 and 1,431,992,871 shares as of June 30, 2005 and 2006	1,409.74	2,863.99	62.44	2,851.51
Additional paid-in capital	10,895.54	16,374.46	356.97	14,318.65
Accumulated other comprehensive income	317.62	119.09	2.60	433.70
Retained earnings	49,405.96	67,302.57	1,467.25	61,160.56
Equity shares held by a controlled Trust: 7,893,060 and 7,869,060 shares as of June 30, 2005 and 2006	(0.08)	(0.08)	(0.00)	(0.08)
Total stockholders' equity	62,028.78	86,660.03	1,889.25	78,764.34
Total liabilities and stockholders' equity	<u>Rs. 77,056.84</u>	<u>111,244.31</u>	<u>\$ 2,425.21</u>	<u>Rs. 100,393.78</u>

See accompanying notes to the unaudited condensed consolidated financial statements.

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

	Three months ended June 30,		
	2005	2006	2006
	(unaudited)	(unaudited)	Convenience translation into US\$ (unaudited)
Revenues:			
Global IT Services and Products			
IT Services.....	Rs. 15,601.83	Rs. 22,413.51	\$ 488.63
BPO Services.....	1,828.04	2,099.20	45.76
India and AsiaPac IT Services and Products			
Services.....	1,422.61	1,608.27	35.06
Products.....	1,989.74	2,747.91	59.91
Consumer Care and Lighting.....	1,322.27	1,649.99	35.97
Others.....	700.69	793.42	17.30
Total.....	<u>22,865.18</u>	<u>31,312.30</u>	<u>682.63</u>
Cost of revenues:			
Global IT Services and Products			
IT Services.....	9,842.84	14,617.39	318.67
BPO Services.....	1,472.27	1,493.24	32.55
India and AsiaPac IT Services and Products			
Services.....	850.41	891.19	19.43
Products.....	1,766.20	2,488.10	54.24
Consumer Care and Lighting.....	825.83	1,056.39	23.03
Others.....	524.92	635.46	13.85
Total.....	<u>15,282.47</u>	<u>21,181.77</u>	<u>461.78</u>
Gross profit.....	7,582.71	10,130.53	220.85
Operating expenses:			
Selling and marketing expenses.....	(1,640.05)	(2,036.47)	(44.40)
General and administrative expenses.....	(1,170.96)	(1,478.05)	(32.22)
Research and development expenses.....	(42.55)	(57.33)	(1.25)
Amortization of intangible assets.....	(14.54)	(53.50)	(1.17)
Foreign exchange gains/(losses), net.....	(148.23)	(18.76)	(0.41)
Others, net.....	18.76	22.84	0.50
Operating income.....	4,585.14	6,509.26	141.91
Other income, net.....	213.63	507.51	11.06
Equity in earnings/(losses) of affiliates (Note 6).....	56.25	65.36	1.42
Income before income taxes, minority interest and cumulative effect of change in accounting principle.....	4,855.02	7,082.13	154.40
Income taxes.....	(586.03)	(979.22)	(21.35)
Minority interest.....	(1.40)	-	-
Income before cumulative effect of change in accounting principle.....	4,267.59	6,102.91	133.05
Cumulative effect of change in accounting principle (Note 4).....	-	39.09	0.85
Net income.....	<u>Rs. 4,267.59</u>	<u>Rs. 6,142.00</u>	<u>\$ 133.90</u>
Earnings per equity share:			
Basic.....			
Income before cumulative effect of change in accounting principle.....	3.05	4.30	0.09
Cumulative effect of change in accounting principle.....	-	0.03	0.00
Net Income.....	3.05	4.33	0.09
Diluted.....			
Income before cumulative effect of change in accounting principle.....	3.03	4.24	0.09
Cumulative effect of change in accounting principle.....	-	0.03	0.00
Net Income.....	3.03	4.27	0.09
Weighted-average number of equity shares used in computing earnings per equity share:			
Basic.....	1,399,545,726	1,419,404,399	
Diluted.....	1,410,865,380	1,436,906,272	

See accompanying notes to the unaudited condensed consolidated financial statements.

WIPRO LIMITED AND SUBSIDIARIES
CONDENSED 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		Total stockholders' Equity
	No. of shares	Amount						Controlled Trust		
								No. of shares	Amount	
Balance as of March 31, 2006	<u>1,425,754,267</u>	<u>Rs. 2,851.51</u>	<u>Rs.16,521.07</u>	<u>Rs. (2,202.42)</u>		<u>Rs. 433.70</u>	<u>Rs. 61,160.56</u>	<u>(7,869,060)</u>	<u>Rs.(0.08)</u>	<u>Rs. 78,764.34</u>
Elimination of deferred stock compensator balance on adoption of SFAS 123 No. (R) (Note 4)	-	-	(2,202.42)	2,202.42	-	-	-	-	-	-
Cumulative effect of change in accounting principle (Note 4)	-	-	(39.09)	-	-	-	-	-	-	(39.09)
Issuance of equity shares on exercise of options (unaudited).....	6,238,604	12.48	1895.85	-	-	-	-	-	-	1,908.33
Amortization of compensation cost related to employee stock incentive plan (unaudited) (Note 4).....	-	-	199.05	-	-	-	-	-	-	199.05
Comprehensive income										
Net income (unaudited).....	-	-	-	-	Rs. 6,142.00	-	6,142.00	-	-	6,142.00
Other comprehensive income / (loss)										
Translation adjustments (unaudited).....	-	-	-	-	60.32	-	-	-	-	-
Unrealised gain on investment securities, net (net of tax effect of Rs.21.50) (unaudited).....	-	-	-	-	39.92	-	-	-	-	-
Unrealized gain on cash flow hedging derivatives, net (unaudited).....	-	-	-	-	(414.85)	-	-	-	-	-
Total other comprehensive income / (loss) (unaudited).....	-	-	-	-	<u>(314.61)</u>	(314.61)	-	-	-	(314.61)
Comprehensive income (unaudited).....					<u>Rs. 5,827.39</u>					
Balance as of June 30, 2006 (unaudited).....	<u>1,431,992,871</u>	<u>Rs. 2,863.99</u>	<u>Rs.16,374.46</u>	≡		<u>Rs. 119.09</u>	<u>Rs. 67,302.57</u>	<u>(7,869,060)</u>	<u>Rs.(0.08)</u>	<u>Rs. 86,660.03</u>
Balance as of June 30, 2006 (unaudited) (\$)		<u>\$ 62.44</u>	<u>\$ 356.98</u>	<u>-</u>		<u>\$ 2.60</u>	<u>\$ 1,467.25</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 1,889.25</u>

See accompanying notes to the unaudited condensed consolidated financial statements.

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

	Three Months ended June 30,		
	2005	2006	2006
	(unaudited)	(unaudited)	Convenience translation into US\$ (unaudited)
Cash flows from operating activities:			
Net income.....	Rs. 4,267.59	Rs. 6,142.00	\$ 133.90
Adjustments to reconcile net income to net cash provided by operating activities:			
(Gain)/loss on sale of property, plant and equipment.....	(3.43)	(0.65)	(0.01)
Cumulative effect of change in accounting principle	-	(39.09)	(0.85)
Depreciation and amortization.....	736.49	957.04	20.86
Deferred tax charge/(benefit).....	(19.66)	(7.48)	(0.16)
Unrealised exchange (gain) / loss.....	-	398.24	8.68
(Gain)/loss on sale of investment securities.....	-	(122.08)	(2.66)
Amortization of deferred stock compensation.....	174.76	199.05	4.34
Equity in losses/(earnings) of affiliates,	(56.25)	(65.36)	(1.42)
Minority interest.....	1.40	-	-
Changes in operating assets and liabilities:			
Accounts receivable.....	(282.13)	(373.69)	(8.15)
Costs and earnings in excess of billings on contracts in progress	(202.08)	(942.26)	(20.54)
Inventories.....	186.72	(182.64)	(3.98)
Other assets.....	(108.68)	(348.28)	(7.59)
Accounts payable.....	(768.89)	(374.55)	(8.17)
Accrued expenses and employee costs.....	597.38	715.49	15.60
Advances from customers.....	151.17	32.24	0.70
Other liabilities.....	254.40	326.33	7.11
Net cash provided by operating activities.....	<u>4,928.79</u>	<u>6,314.31</u>	<u>137.66</u>
Cash flows from investing activities:			
Expenditure on property, plant and equipment.....	(1,792.00)	(2,256.28)	(49.19)
Proceeds from sale of property, plant and equipment.....	25.08	28.90	0.63
Purchase of investments in liquid and short-term mutual funds.....	(12,281.74)	(27,841.57)	(606.97)
Proceeds from sale of investments in liquid and short-term mutual funds	8,346.38	22,374.58	487.78
Advance towards business acquisition	=	(54.00)	(1.18)
Payment for acquisitions, net of cash acquired	(852.00)	(4,689.18)	(102.23)
Net cash used in investing activities.....	<u>(6,554.28)</u>	<u>(12,437.55)</u>	<u>(271.15)</u>
Cash flows from financing activities:			
Proceeds from issuance of equity shares.....	635.95	1,866.22	40.69
Proceeds from/(repayments of) short-term borrowing from banks and state financial institutions net ...	(19.40)	(22.50)	(0.50)
Repayment of long-term debt.....	-	(236.25)	(5.15)
Net cash provided by/(used in) financing activities.....	<u>616.55</u>	<u>1,607.47</u>	<u>35.05</u>
Net increase/(decrease) in cash and cash equivalents during the period...	(1,008.94)	(4,515.77)	(98.45)
Effect of exchange rate changes on cash.....	0.15	5.44	0.12
Cash and cash equivalents at the beginning of the period.....	5,670.76	8,857.70	193.10
Cash and cash equivalents at the end of the period.....	<u>Rs. 4,661.97</u>	<u>Rs. 4,347.37</u>	<u>\$ 94.78</u>
Supplementary information:			
Cash paid for interest.....	Rs. 6.52	Rs. 2.44	\$ 0.79
Cash paid for taxes.....	596.15	603.94	102.13

See accompanying notes to the unaudited condensed 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 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 ended June 30, 2006 have been translated into United States dollars at the noon buying rate in New York City on June 30, 2006 for cable transfers in Indian rupees, as certified for customs purposes by the Federal Reserve Bank of New York of \$1= Rs. 45.87. 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 June 30, 2006, a loss of Rs.212.33 Million 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 Million. mPower Software Services Inc. is a US based Company engaged in providing IT services in the payments space.

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

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

<u>Description</u>	<u>Fair value</u>
Net tangible assets	Rs. 185.23
Customer related intangibles.....	356.96
Deferred tax liabilities.....	(124.94)
Goodwill	<u>857.32</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 includes upfront consideration of Rs. 1,156.54 Million, subject to working capital adjustments, and an earn-out of Euro 26.70 Million to be determined and paid in the future based on financial targets being achieved over a 3 year period. During the three months ended June 30, 2006, the Company paid an additional consideration of Rs. 82.63 Million towards the working capital adjustment. The Company has determined that a portion of the earn-out, up to a maximum of Euro 2.50 million 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.

Wipro 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 preliminarily allocated to the acquired assets and liabilities as follows:

<u>Description</u>	<u>Fair value</u>
Net tangible assets	Rs. 307.00
Customer-related intangibles.....	146.52
Technology-related intangibles.....	66.60
Deferred tax liabilities	(53.00)
Goodwill	<u>772.18</u>
Total	<u>Rs. 1,239.17</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) includes cash payment of Rs. 884.25 Million (out of which an amount of Rs.149.63 Million is payable as of June 30, 2006) and an earn-out of USD 12.00 Million to be determined and paid in the future based on specific financial metrics being achieved over a two year period. The earn-out will be recorded as additional purchase price when the contingency is resolved.

Wipro 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 includes cash payment of Rs. 2,425.47 Million (out of which an amount of Rs. 220.35 Million is payable as of June 30, 2006) and an earn-out of Euro 11.00 Million to be determined and paid in the future based on specific financial metrics 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 Wipro 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. 386.28
Customer-related intangibles.....	242.55
Deferred tax liability	(84.89)
Goodwill	<u>1,881.53</u>
Total	<u>Rs. 2425.47</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. 975.22 Million (out of which an amount of Rs. 245.62 Million is payable as of June 30, 2006). In addition the company would pay earn outs of Euro 7 Million to be determined based on financial targets being achieved over a period of 18 months.

Through this acquisition the Company aims to expand its 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. (173.82)
Goodwill	<u>1,149.04</u>
Total	<u>Rs. 975.22</u>

For all the above acquisitions, 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.

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 (MCBs) under the trademark/

brand name “North-West”. The consideration (including direct acquisition costs) amounted to Rs 1,131.66 Million and an earn-out of Rs. 200.00 Million to be determined and paid in the future based on achievement of a specified revenue levels. 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 Wipro by certain assets and employee retained by the seller. The manufacturing agreement is for a period of five years.

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 trademark/brand name North-West.

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

<u>Description</u>	<u>Fair value</u>
Brand - related intangibles	Rs. 1,067.91
Net tangible assets	33.75
Non-Compete fee.....	30.00
Total	<u>Rs. 1,131.66</u>

Based on the performance of various other established brands in the market of similar products, and based on future economic benefits using reasonable and supportable assumptions the Company estimates that the useful life of the brand is 20 years. Accordingly the value of intangible trademark/brand name is amortized over 20 years. Non-compete fees is amortised over the period of the non-compete agreement.

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

On April 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123 (revised 2004), “Share-Based Payment,” (“SFAS 123(R)”) which requires the measurement and recognition of compensation expense for all stock-based payment awards made to employees under employee stock options based on estimated fair values.

Previously, the Company used the intrinsic value based method of APB Opinion No. 25, Accounting for Stock issued to Employees, to account for its employee stock-based compensation plans. The Company had adopted the pro-forma disclosure provisions of SFAS No. 123, Accounting for Stock-Based Compensation as amended by SFAS No. 148, Accounting for Stock-Based Compensation – Transition and Disclosure, an amendment of SFAS No. 123.

Under the intrinsic value method, no stock-based compensation expense had been recognized in the Company’s consolidated statement of income for the stock options granted where the exercise price equaled the fair market value of the underlying stock at the date of grant.

The Company adopted SFAS No. 123(R) using the modified prospective transition method. The Company’s consolidated financial statements as of and for the three months ended June 30, 2006 reflects the impact of adopting SFAS No. 123(R).

SFAS No. 123(R) requires companies to estimate the fair value of share-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in the Company’s Consolidated Statements of Income.

The additional compensation expense recognized pursuant to SFAS No. 123(R) for the three months ended June 30, 2006 was Rs. 41.25 Million.

Stock-based compensation expense recognized in the Company’s consolidated statement of income for June 30, 2006 includes 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.

SFAS No. 123R requires that the deferred stock-based compensation on the date of adoption be eliminated against additional paid-in capital. Accordingly, balance of Rs. 2,202.42 Million of deferred stock-based compensation was eliminated against additional paid-in capital on April 1, 2006.

The company has also adopted an accounting policy of attributing value of stock-based compensation to expense on a straight line basis.

For certain option grants, the Company previously accounted for forfeitures as they occurred. Upon adoption of SFAS No. 123 (R), the effect of estimating forfeitures and recognizing compensation cost only for awards ultimately expected to vest previously recognized as a cumulative effect of change in accounting principle.

Had compensation cost 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:

	Three months ended June 30, 2005	
Net income, as reported	Rs.	4,267.59
Add: Stock-based employee compensation expense included in reported net income, net of tax effects		161.63
Less: Stock-based employee compensation expense determined under fair value based method, net of tax effects.....		(353.20)
Pro-forma net income		<u>4,076.02</u>
Earnings per share: Basic		
As reported.....		<u>3.05</u>
Pro-forma		<u>2.91</u>
Earnings per share: Diluted		
As reported.....		<u>3.03</u>
Pro-forma		<u>2.90</u>

NOTE 5: STOCK DIVIDEND

In July 2005, the members of the Company approved a stock dividend, effective August 24, 2005, in the ratio of 1 additional equity shares or ADS for every equity share or ADS held. Accordingly, the Company issued 705,893,574 additional shares and has transferred an amount of Rs. 1,161.75 Million from additional paid in capital and Rs. 250.04 Million from retained earnings to equity shares. Share and per share data for all periods reported have been adjusted to reflect the stock split effected in the form of stock dividend.

NOTE 6: 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 June 30, 2005, March 31, 2006 and June 30, 2006 was Rs. 636.16 Million, Rs. 841.57 Million and Rs. 915.79 Million, respectively. The Company's equity in the income of Wipro GE for three months ended June 30, 2005 and 2006 was Rs. 53.75 Million and Rs.74.22 Million, respectively.

In March 2004 and 2005, Wipro GE had received tax demands aggregating Rs. 714.19 Million, 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 2001 and 2002) resulting in additional tax demands of Rs. 421.46 Million. 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.

WeP Peripherals

The Company has accounted for its 37.7%, 36.9% and 36.9% interest as of June 30, 2005, March 31, 2006 and June 30, 2006 respectively in WeP Peripherals by the equity method. The carrying value of the equity investment in WeP Peripherals as of June 30, 2005, March 31, 2006 and June 30, 2006, was Rs. 189.33 Million, Rs. 201.52 Million and Rs. 192.66 Million respectively. The Company's equity in the income of WeP Peripherals for three months ended June 30, 2005 was Rs. 2.5 Million and company's equity in losses of WeP Peripherals for the three months ended June 30, 2006 was Rs. 8.86 Million.

NOTE 7: 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 Million. 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 will vacate a substantial portion of the demands for these years.

In March 2006, the Company received additional tax demand on similar grounds as 2001 and 2002, for the financial year ended March 31, 2003 aggregating Rs 2,868.77 Million (including interest of Rs.750.38 Million). The Company will file an appeal against the demand for the year ended March 31, 2003, 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 favor of the Company and there should not be any material impact on the financial statements.

NOTE 8: 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.

Until June 30, 2005, the Company reported Global IT Services and Products as an integrated business segment. Effective July 2005, the company reorganized the management structure of Global IT Services and Products Segment. Pursuant to this reorganization, the Company identified new operating segments. 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 now qualify as reportable segments. Segment data for previous periods have been reclassified to conform to the current period presentation.

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.

In December 2005, the Company acquired mPower, a company engaged in providing IT services in the payments space and New Logic, a European system-on-chip design company. In April 2006 the Company acquired cMango, a company engaged in providing Business Service Management (BSM) solutions, in June 2006 the Company acquired Enabler, a company engaged in providing IT services in the retail space and Saraware Oy, a company engaged in providing engineering services to Companies in the telecommunication sector.

The operations of mPower, New Logic, cMango, Enabler and Saraware OY, 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:

Three Months ended June 30, 2005 (unaudited)

	Global IT Services and Products			India and AsiaPac IT Services and Products	Consumer Care and Lighting	Others	Reconciling Items	Entity Total
	IT Services	BPO Services	Total					
Revenues.....	Rs. 15,601.83	Rs. 1,828.04	Rs. 17,429.87	Rs. 3,412.35	Rs. 1,322.27	Rs. 700.69	Rs. -	Rs. 22,865.18
Exchange rate fluctuations.....	(140.16)	(2.15)	(142.31)	(8.84)	(0.87)	3.79	148.23	-
Total revenues.....	15,461.67	1,825.89	17,287.56	3,403.51	1,321.40	704.48	148.23	22,865.18
Cost of revenues.....	(9,842.84)	(1,472.27)	(11,315.11)	(2,616.61)	(825.83)	(524.92)	-	(15,282.47)
Selling and marketing expenses ...	(966)	(23.10)	(989.10)	(307.22)	(283.75)	(57.27)	(2.71)	(1,640.05)
General and administrative expenses.....	(675.90)	(195.16)	(871.06)	(223.15)	(23.75)	(26.89)	(26.11)	(1,170.96)
Research and development expenses.....	(42.55)	-	(42.55)	-	-	-	-	(42.55)
Amortization of intangible assets.....	(8)	(1.24)	(9.24)	-	(5.30)	-	-	(14.54)
Exchange rate fluctuations.....	-	-	-	-	-	-	(148.23)	(148.23)
Others, net.....	7.68	-	7.68	1.11	3.05	3.35	3.57	18.76
Operating income of segment	<u>Rs. 3,934.06</u>	<u>Rs. 134.12</u>	<u>Rs. 4,068.18</u>	<u>Rs. 257.64</u>	<u>Rs. 185.82</u>	<u>Rs. 98.75</u>	<u>Rs. (25.25)</u>	<u>Rs. 4,585.14</u>
Total assets of segment (2).....	Rs. 27,641.97	Rs. 9,602.36	Rs. 37,244.33	Rs. 5,645.33	Rs. 1,682.16	Rs. 2,122.04	Rs. 30,362.98	Rs. 77,056.84
Capital employed (2).....	19,280.04	8,972.50	28,252.54	2,164.94	737.66	1,498.52	30,174.88	62,828.54
Return on capital employed (2),(3).....	78%	6%	56%	55%	89%	-	-	-
Accounts receivable.....	11,235.28	690.73	11,926.01	2,336.66	332.49	493.33	-	15,088.49
Cash and cash equivalents and investments in liquid and short-term mutual funds.....	2,083.25	2,049.08	4,132.33	135.60	60.75	536.68	26,992.55	31,857.91
Depreciation.....	503.03	153.48	656.51	24.76	16.58	12.93	11.17	721.95

Three Months ended June 30, 2006 (unaudited)

	Global IT Services and Products			
	IT Services	Acquisitions	BPO Services	Total
Revenues.....	Rs. 21,848.60	Rs. 564.91	Rs. 2,099.20	Rs. 24,512.71
Exchange rate fluctuations.....	(38.78)	0.05	1.54	(37.19)
Total revenues.....	21,809.82	564.96	2,100.74	24,475.52
Cost of revenues.....	(14,038.12)	(579.27)	(1,493.24)	(16,110.63)
Selling and marketing expenses.....	(1,186.65)	(15.78)	(6.22)	(1,208.65)
General and administrative expenses.....	(886.71)	(64.02)	(201.49)	(1,152.22)
Research and development expenses.....	(57.33)	-	-	(57.33)
Amortization of intangible assets.....	(0.00)	(35.55)	(1.24)	(36.79)
Exchange rate fluctuations.....	-	-	-	-
Others, net.....	0.94	0.64	-	1.58
Operating income of segment (1)	<u>Rs. 5,641.95</u>	<u>Rs. (129.02)</u>	<u>Rs. 398.55</u>	<u>Rs. 5,911.48</u>
Total assets of segment (2).....	Rs. 40,931.72	Rs. 7,366.41	Rs. 12,192.58	Rs. 60,448.41
Capital employed (3).....	27,082.14	6,161.29	11,004.11	44,245.24
Return on capital employed (2),(3).....	82%	-11%	15%	55%
Accounts receivable.....	15,397.15	641.69	851.26	16,890.10
Cash and cash equivalents and investments in liquid and short-term mutual funds.....	2,083.15	1,158.09	4,920.75	8,161.99
Depreciation.....	596.16	53.56	158.22	807.94

Three ended June 30, 2006 (unaudited)

	India and AsiaPac IT Services and Products	Consumer Care and Lighting	Others	Reconciling Items	Entity Total
Revenues	Rs. 4,356.18	Rs. 1,649.99	Rs. 793.43	Rs. -	Rs. 31,312.31
Exchange rate fluctuations.....	17.58	0.85	-	18.76	-
Total revenues	4,373.76	1,650.84	793.43	18.76	31,312.31
Cost of revenues	(3,379.30)	(1,056.39)	(601.60)	(33.86)	(21,181.78)
Selling and marketing expenses ...	(393.25)	(329.53)	(91.22)	(13.81)	(2,036.46)
General and administrative expenses.....	(246.49)	(29.39)	(35.86)	(14.10)	(1,478.06)
Research and development expenses.....	-	-	-	-	(57.33)
Amortization of intangible assets	(3.34)	(13.37)	-	-	(53.50)
Exchange rate fluctuations.....	-	-	-	(18.76)	(18.76)
Others, net.....	2.04	8.43	7.75	3.05	22.85
Operating income of segment (1)	<u>Rs. 353.42</u>	<u>Rs. 230.59</u>	<u>Rs. 72.50</u>	<u>Rs. (58.72)</u>	<u>Rs. 6,509.27</u>
Total assets of segment (2).....	Rs. 8,096.37	Rs. 3,575.01	Rs. 2,495.08	Rs. 36,589.45	Rs. 111,244.31
Capital employed (3).....	3,297.17	2,286.44	1,818.82	36,601.43	88,249.09
Return on capital employed (2),(3)	49%	51%			
Accounts receivable.....	3,632.12	587.40	629.74	-	21,739.36
Cash and cash equivalents and investments in liquid and short-term mutual funds.....	283.42	70.09	420.13	31,390.64	40,326.27
Depreciation.....	34.97	23.75	16.80	4.28	887.74

(1) Operating income of IT Services, BPO Services, India and AsiaPac IT Services and Products, Consumer Care and Lighting, Others is after Rs. 174.12 Million, Rs. 8.18 Million, Rs. 8.76 Million, Rs. 2.68 Million, Rs. 5.31 Million respectively, of amortization of 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. 655.69 Million as of June 30, 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:

	Three Months ended June 30,	
	2005	2006
		(unaudited)
India.....	Rs. 5,318.59	Rs. 5,892.30
United States.....	11,564.19	16,325.95
Europe.....	5,102.23	7,515.64
Rest of the world.....	880.17	1,578.41
	<u>Rs. 22,865.18</u>	<u>Rs. 31,312.30</u>