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Margaret M. Smyth
Vice President, Controller

United Technologies

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International Accounting Standards Board
30 Cannon Street
London, EC4M 6XH, United Kingdom

Dear Sir/Madam:

United Technologies Corporation (UTC) welcomes the opportunity to share its views on the International Accounting Standards Board (IASB or the Board) exposure draft *Simplifying Earnings per Share*. UTC is a $60 billion global provider of high technology products and services to the building systems and aerospace industries, operating in 186 countries around the world.

Achieving a converged and appropriate methodology for calculating earnings per share will help improve comparability across industries and international borders. Indeed, the convergence of International Accounting Standard (IAS) 33, *Earnings per Share*, with Statement of Financial Accounting Standards (SFAS) 128, *Earnings per Share*, will help simplify the transition from accounting principles generally accepted in the United States (U.S. GAAP) to International Financial Reporting Standards (IFRS).

We support the IASB's and Financial Accounting Standards Board's (FASB) efforts to converge and simplify the calculation of earnings per share. However, the objective of the short-term convergence project to arrive at the same EPS denominator may not be achieved due to remaining differences in the underlying accounting for certain instruments. We believe that finalizing the other convergence projects around these other instruments is also required to meet the objective of converging the calculation of EPS, and therefore should be focused on and finalized concurrent with the revisions to IAS 33.

In reviewing the exposure draft, we have provided detailed responses to the questions that we believe are most significant to our company in the Attachment. In summary, we recommend the IASB consider the following:

1. Amending the proposed treatment of gross physically settled contracts to repurchase an entity's own shares to apply only when the number of shares to be repurchased is <u>fixed</u>.

2. Keeping the original paragraphs 63 and A10 but amending them whereby they are applicable to written put options and forward purchase contracts other than forward purchase contracts or mandatorily redeemable shares accounted for under the new paragraphs A31 and A32.

3. Elimination of the option to report per share information based on components of the statement of comprehensive income.

We would be happy to further discuss our view on this proposal with the IASB members or its staff.

Sincerely,

Margaret M Smyth

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United Technologies Corporation

ATTACHMENT: Observations and responses on the questions raised by the IASB in this exposure draft:

2. **Do you agree with the proposed treatment of gross physically settled contracts to repurchase an entity's own shares and mandatorily redeemable shares? Why or why not?**

We agree with the Board's position that mandatorily redeemable shares should be excluded from the weighted average ordinary shares outstanding (the denominator) when calculating basic and diluted EPS. However, for gross physically settled contracts to repurchase an entity's own shares, the denominator may be misstated in circumstances where an indefinite number of shares are contracted to be repurchased, or in circumstances where the repurchase of shares is contingent upon another event (such as a predetermined price per share). Therefore, we believe ordinary shares subject to repurchase contracts should be excluded from the denominator only when the number of shares to be repurchased is <u>fixed</u> and after all contingencies are satisfied.

Mandatorily Redeemable Shares

Mandatorily redeemable ordinary shares should be excluded from the denominator as they do not share the same characteristics as normal ordinary equity shares. These financial instruments contain provisions that can require the issuer to deliver cash or other financial assets to settle the shares, resulting in their classification as a financial liability on the financial statements in accordance with IAS 32, *Financial Instruments: Presentation.* As such, we agree with excluding them from the denominator when calculating basic and diluted EPS and note that such revision effectively converges the requirements of IFRS and U.S. GAAP in this area.

Gross Physically Settled Contracts to Repurchase an Entity's Own Shares

We believe that the wording in paragraph A31 should be adjusted to reflect that only mandatorily redeemable shares and forward contracts that require gross physical settlement by repurchase of a <u>fixed</u> amount of the issuer's ordinary equity shares in exchange for cash or other financial assets should be excluded from the denominator when calculating basic and diluted EPS, and written put options and other forward purchase contracts should only be reflected if dilutive. As currently worded, it appears the intention is for all written put options and forward purchase contracts to be reflected in this way, based on the revised paragraph A31 and as the original paragraph 63 was removed, which is inconsistent with U.S. GAAP.

For gross physically settled contracts to repurchase an entity's own shares, the denominator may be misstated in circumstances where an indefinite number of shares are contracted to be repurchased, or in circumstances where the repurchase of shares is contingent upon another event (such as a predetermined price per share). Therefore we believe that such contracts should only be excluded from the denominator when the number of shares to be repurchased is <u>fixed</u> and after all contingencies are satisfied. Other forward purchase contracts and written put options should only be reflected if dilutive, as based on the guidance in the original paragraph 63, which is consistent with the "reverse treasury stock method" as prescribed by

U.S. GAAP and would effectively converge the requirements of IFRS and U.S. GAAP in this area.

4(b). Do you agree that ordinary shares arising from the assumed exercise or settlement of options, warrants and their equivalents should be regarded as issued at the end-of-period market price? Why or why not?

We recalculated our earnings per share figures for each quarter during 2008 though third-quarter ended September 30, 2008 and for year-ended December 31, 2007 and found that utilizing the end-of-period market price for calculating the ordinary shares arising from the assumed exercise or settlement of options and non-vested shares had an insignificant effect on our diluted EPS. This was found even through a period of significant volatility in our stock price during the third-quarter ended September 30, 2008, where our average stock market price during the period was significantly different from our end-of-period market price. We believe this to be the result of our specific capital structure, whereby the amount of ordinary shares arising from the assumed exercise or settlement of options and non-vested shares is not significant as compared to our total outstanding ordinary shares. Therefore, we believe that such change would not significantly affect our company; however certain other companies with a larger percentage of ordinary shares arising from the assumed exercise of options, warrants and their equivalents could be more significantly affected in periods of significant market price volatility.

We note that such change to end-of-period market price from average market price does not significantly simplify the calculation of diluted EPS by preparers, which is the primary basis of conclusion given by the IASB for such change. Therefore, we recommend the IASB and FASB work together to ensure use of the end-of-period market price is preferable and will provide an accurate calculation of diluted EPS for companies of all different types and industries and during periods of significant volatility.

6. Are additional disclosures needed? If so, what additional disclosures should be provided and why?

We do not believe that any additional disclosures are required; however we recommend the elimination of the option to report per share information based on components of the statement of comprehensive income. Such option could result in the presentation of earnings per share based on alternative earnings measures, which may be misleading to investors and analysts and result in disclosures that are not comparable to other companies. Non-IFRS alternative measures should be prohibited as presentation of such non-IFRS measures may be misleading to users of the financial statements. Furthermore, the elimination of this option is consistent with the objective of this short-term convergence project to reduce differences between IFRS and U.S. GAAP that are capable of resolution in a relatively short time.