

Morgan Stanley

# ***Internet Trends***

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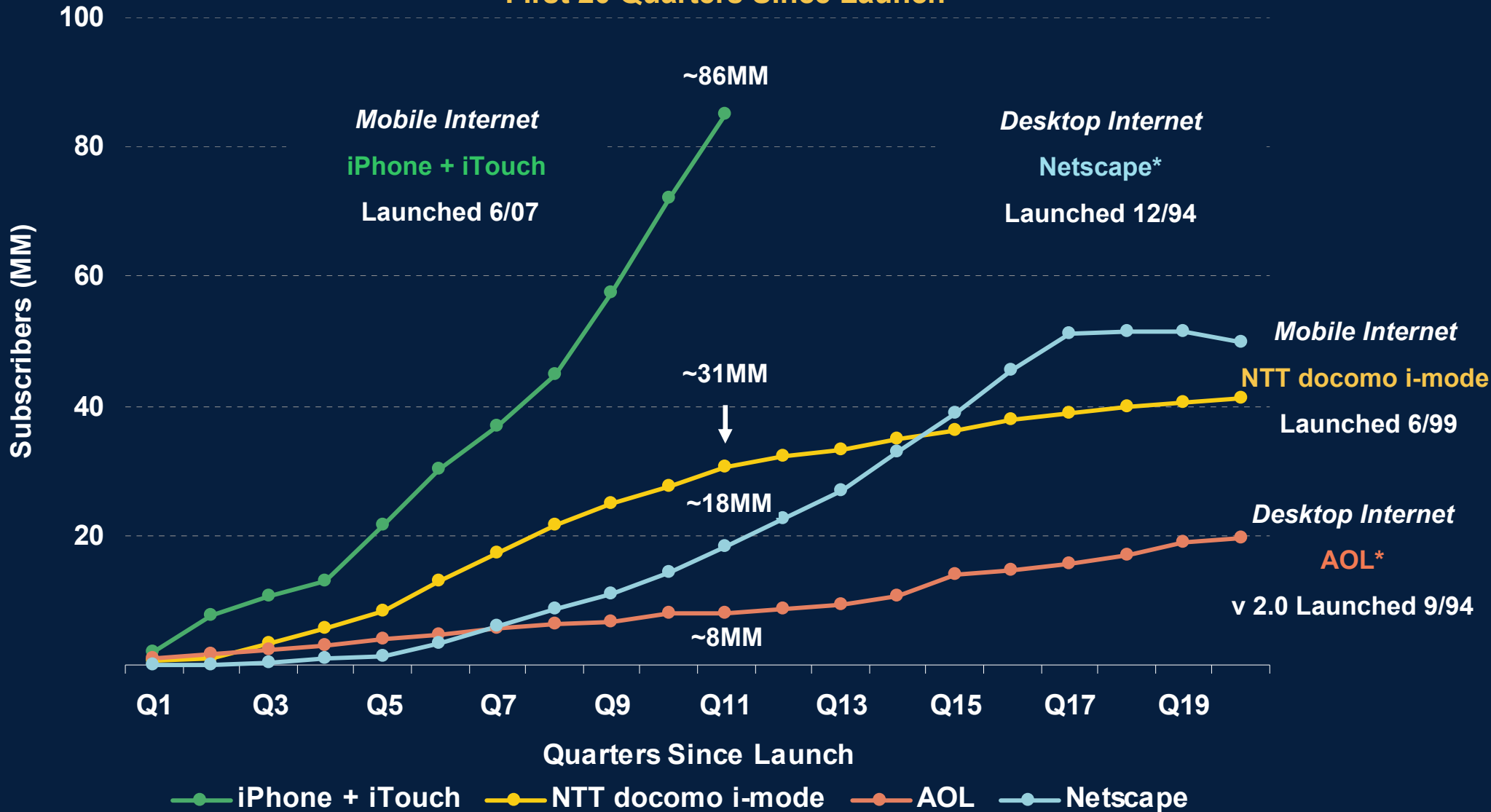
# Internet Trends Outline

- **Mobile Internet** – Unprecedented Early Stage Growth
- **Innovation** – Unprecedented Intensity?
- **Online Advertising** – May Be Entering Golden Age, Finally
- **Online Commerce** – Mobile Should Be Share Gain Accelerator
- **Communications** – Share Shift to Sharing
- **‘Cloud Computing’** – Consumer First, Enterprise Next
- **Technology** – What’s Next...
- **Beyond Technology** – It’s Complicated...

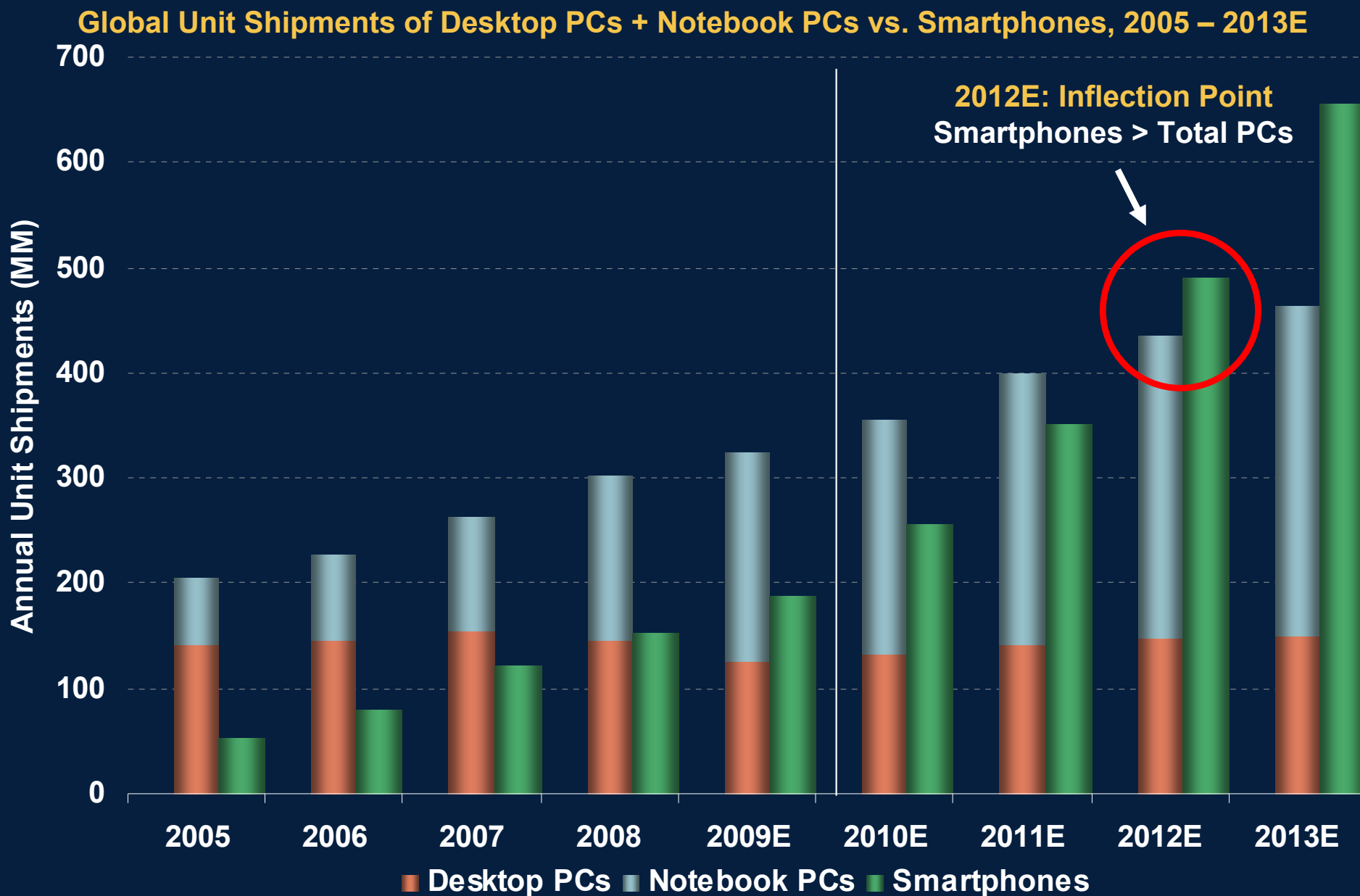
*Mobile Internet –  
Unprecedented Early Stage Growth*

# Mobile Internet Ramping Faster than Desktop Internet Did – Apple Leading Charge

iPhone + iTouch vs. NTT docomo i-mode vs. AOL vs. Netscape Users  
First 20 Quarters Since Launch

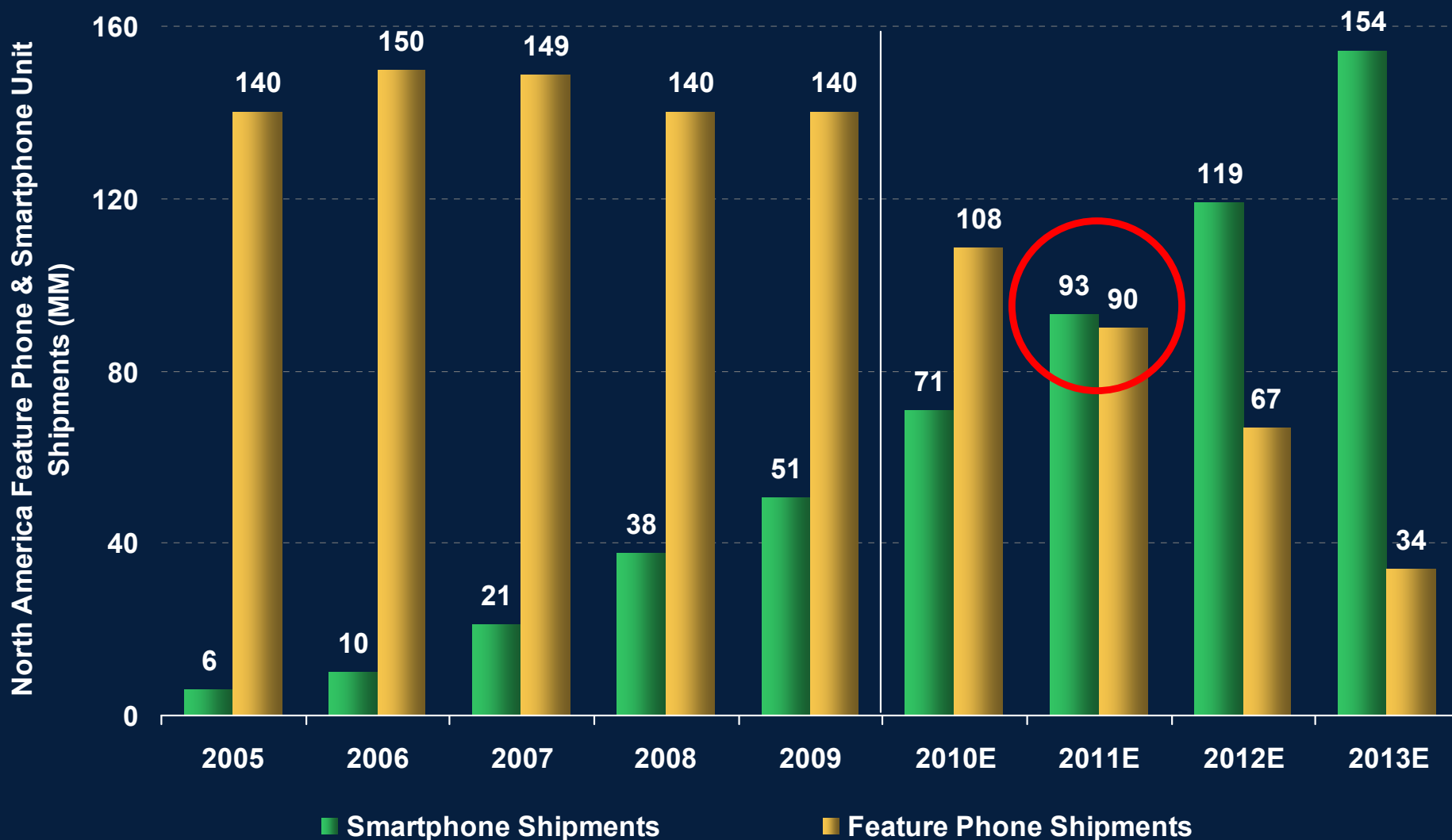


# Smartphone > PC Shipments Within 2 Years, Global – Implies Very Rapid Evolution of Internet Access



# Smartphone > Feature Phone Shipments Within 1 Year, N. Amer. – Implies Very Rapid Evolution of Internet Access

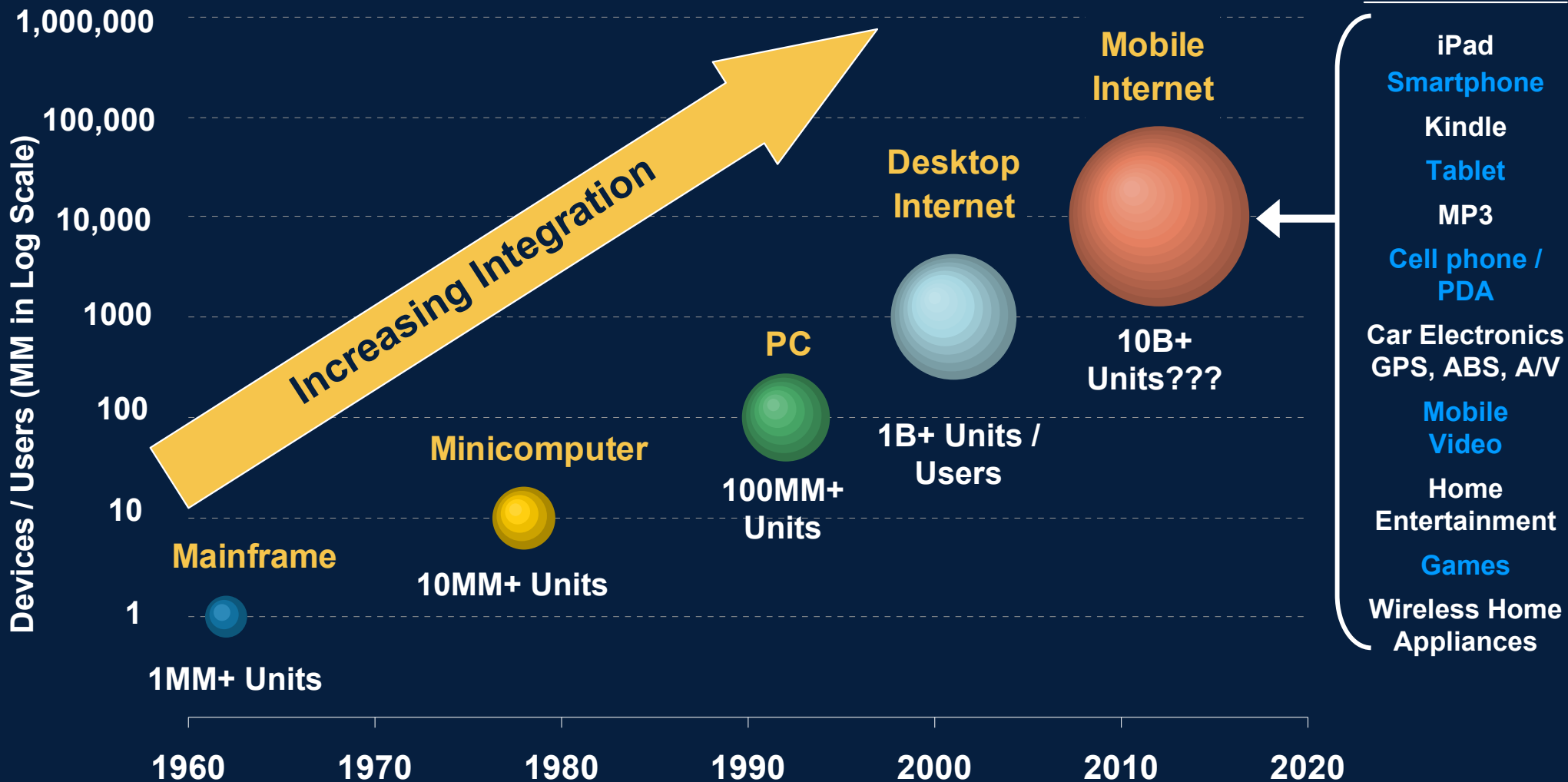
## North America Unit Shipments of Smartphones vs. Feature Phones, 2005 – 2013E



# New Computing Cycles – 10x More Devices

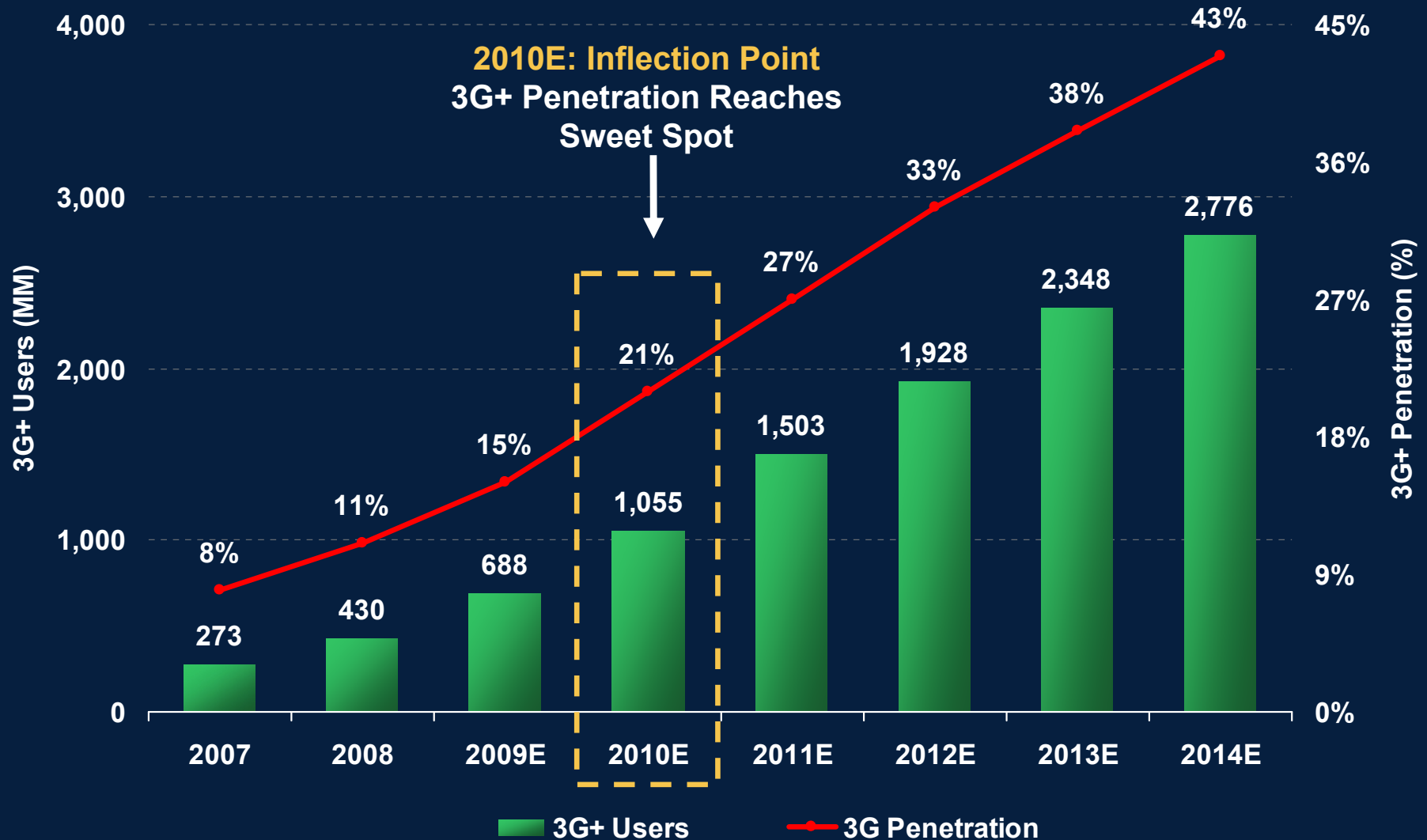
New = Reduce Usage Friction Via Better Processing Power + Improved User Interface + Smaller Form Factor + Lower Prices + Expanded Services

Computing Growth Drivers Over Time, 1960 – 2020E



# 3G = A Key to Success of Mobile Internet – 2010E 'Mainstream' Inflection Point, 3G Penetration >20%

Global 3G+ Subscribers & Penetration, 2007 – 2014E





# Wireless Options Growing Rapidly – Creating Broad-Based Wireless Infrastructure



- **GPS** – 421MM+ chipsets sold in 2008E, +57% Y/Y; Cell Phones / PDAs = 60% of GPS shipments.



- **3G** – 485MM global users, +46% Y/Y in CQ2, >11% mobile user penetration, rising to 44% by 2013E...Japan / W. Europe / USA already >30% penetration.



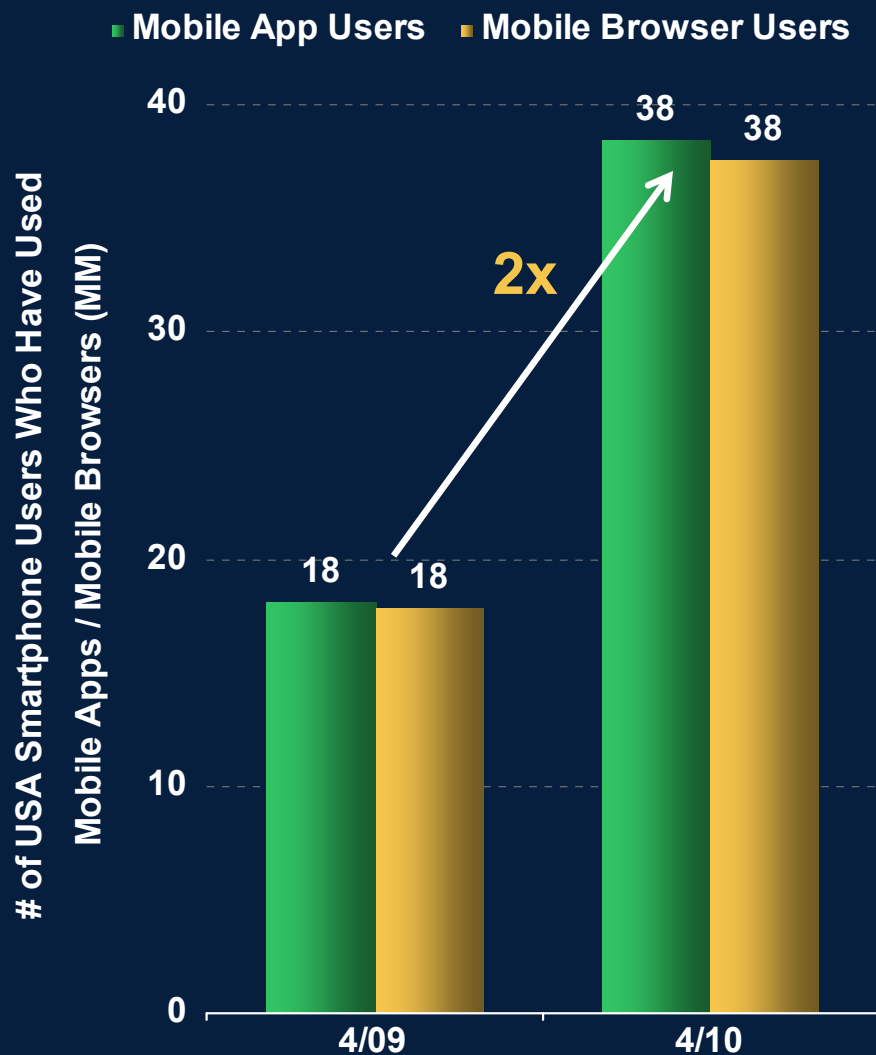
- **Wi-Fi** – 319MM chipsets sold in 2008E, +42%Y/Y with 862MM installed base; estimate 60% of iPhone / iTouch usage may be on Wi-Fi, providing a crucial (and ~10x faster) offload to stressed 3G networks.



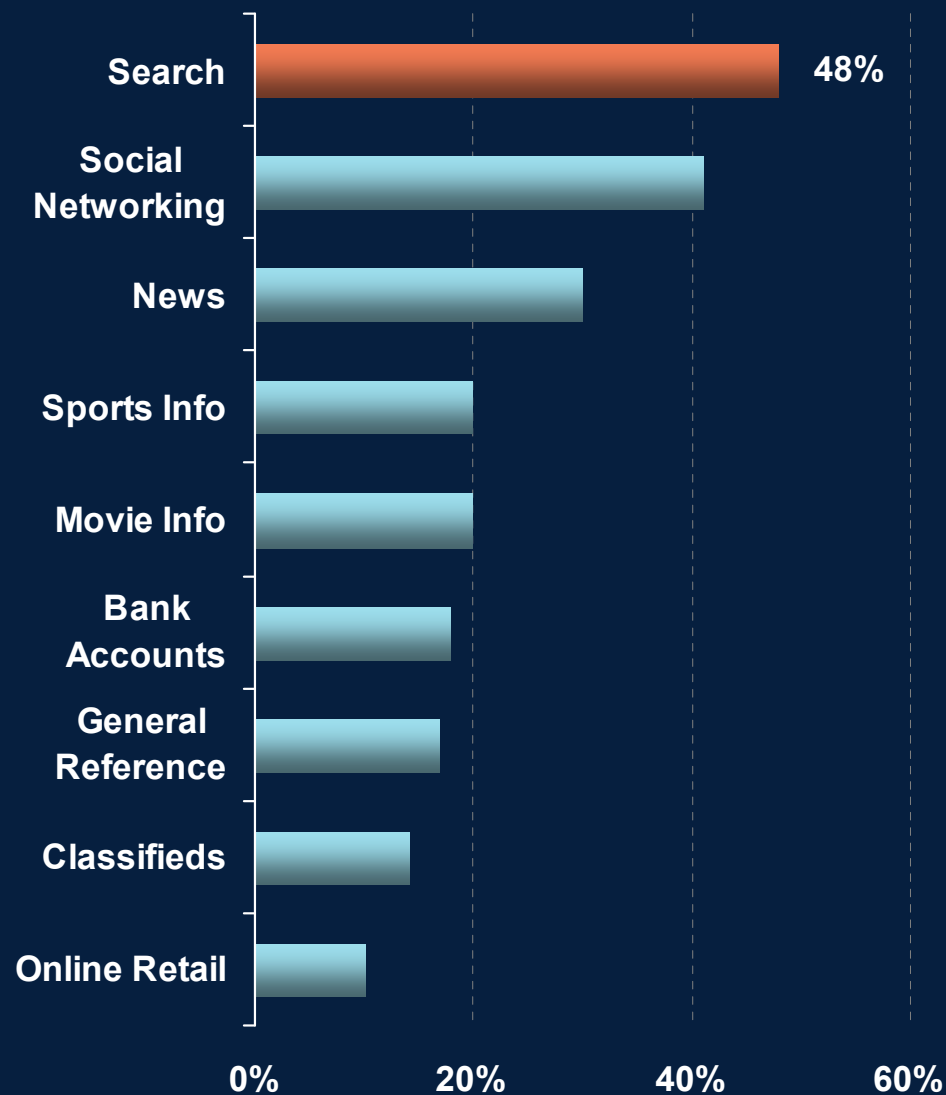
- **Bluetooth** – 1.3B Bluetooth-enabled units shipped in 2008, +45% Y/Y; 2B+ Bluetooth devices in use.

# Mobile Apps & Mobile Search – Users of Both Up 2x Y/Y...Search = Most Used Browser Feature, USA

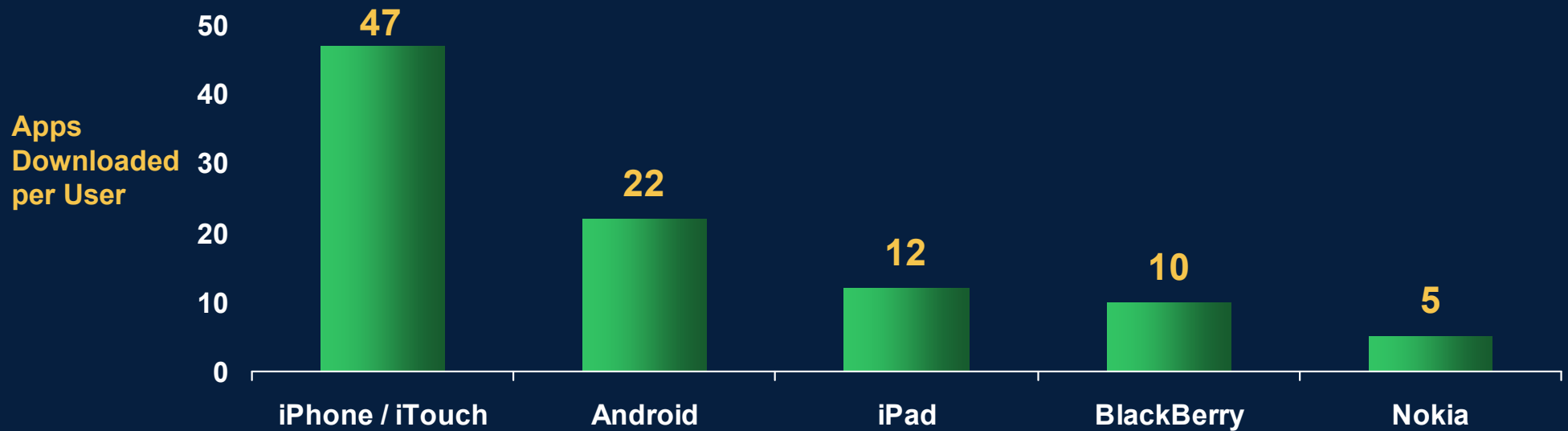
Number of USA Smartphone App & Browser Users  
4/09 vs. 4/10



% of Mobile Browser Users Who Have Done  
the Following Activities, 4/10



# Mobile App Usage Ramp = Unprecedented

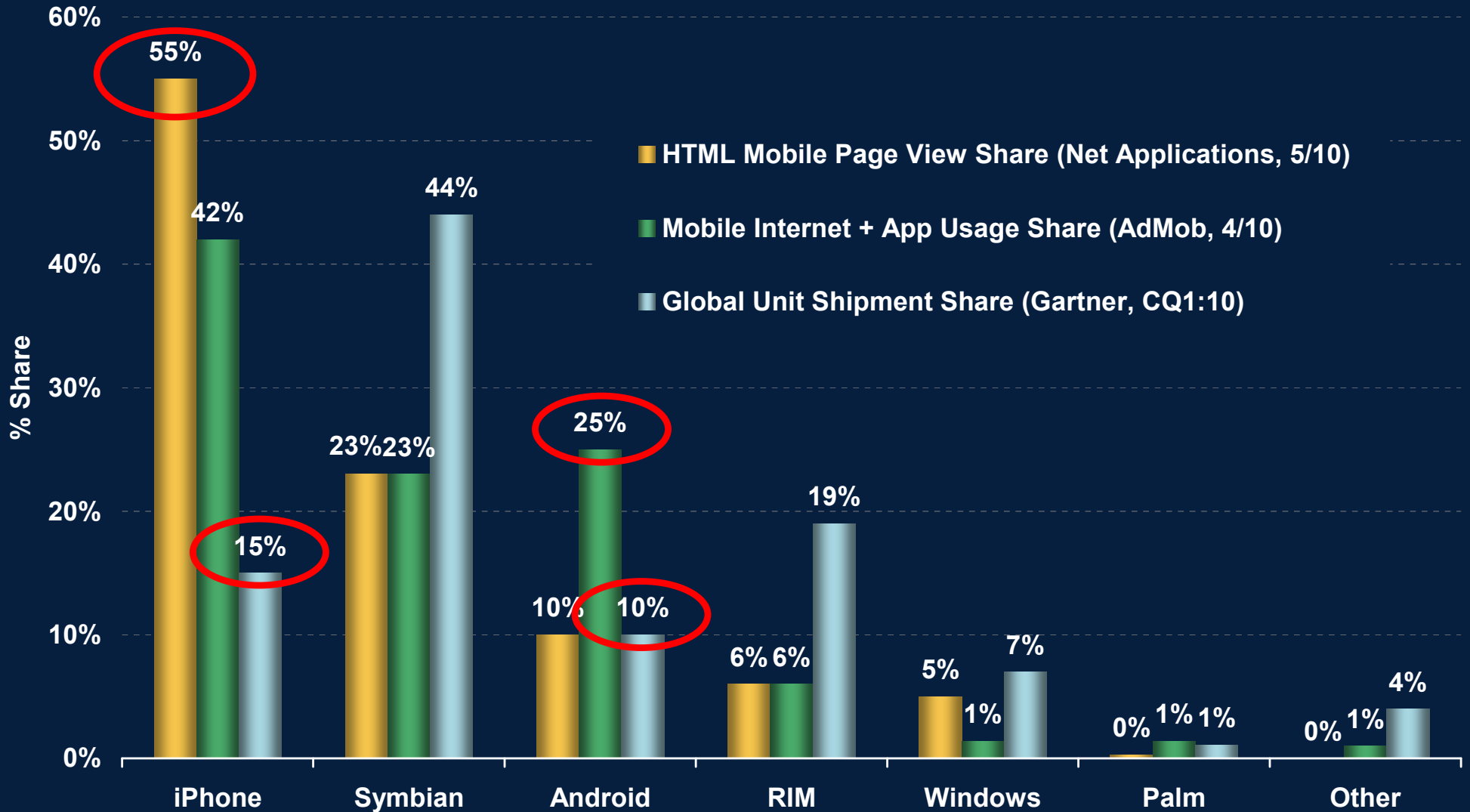


	iPhone / iTouch	Android	iPad	BlackBerry	Nokia
<b>Apps Available</b>	200K	50K	3K	5K	7K
<b>Apps Downloaded</b>	4B+	400MM	12MM+	--	--
<b>Installed Base</b>	86MM	10MM+	2MM	20MM*	50-70MM*
<b>Launch Date</b>	7/08	10/08	4/10	4/09	5/09

Note: \*BlackBerry / Nokia installed base excludes older devices that cannot support app stores.  
 Nokia apps available / downloaded exclude wallpapers / ringtones / music tracks.  
 Source: Distimo, Apple, Google, RIM, Nokia, Nielsen. Morgan Stanley Research.

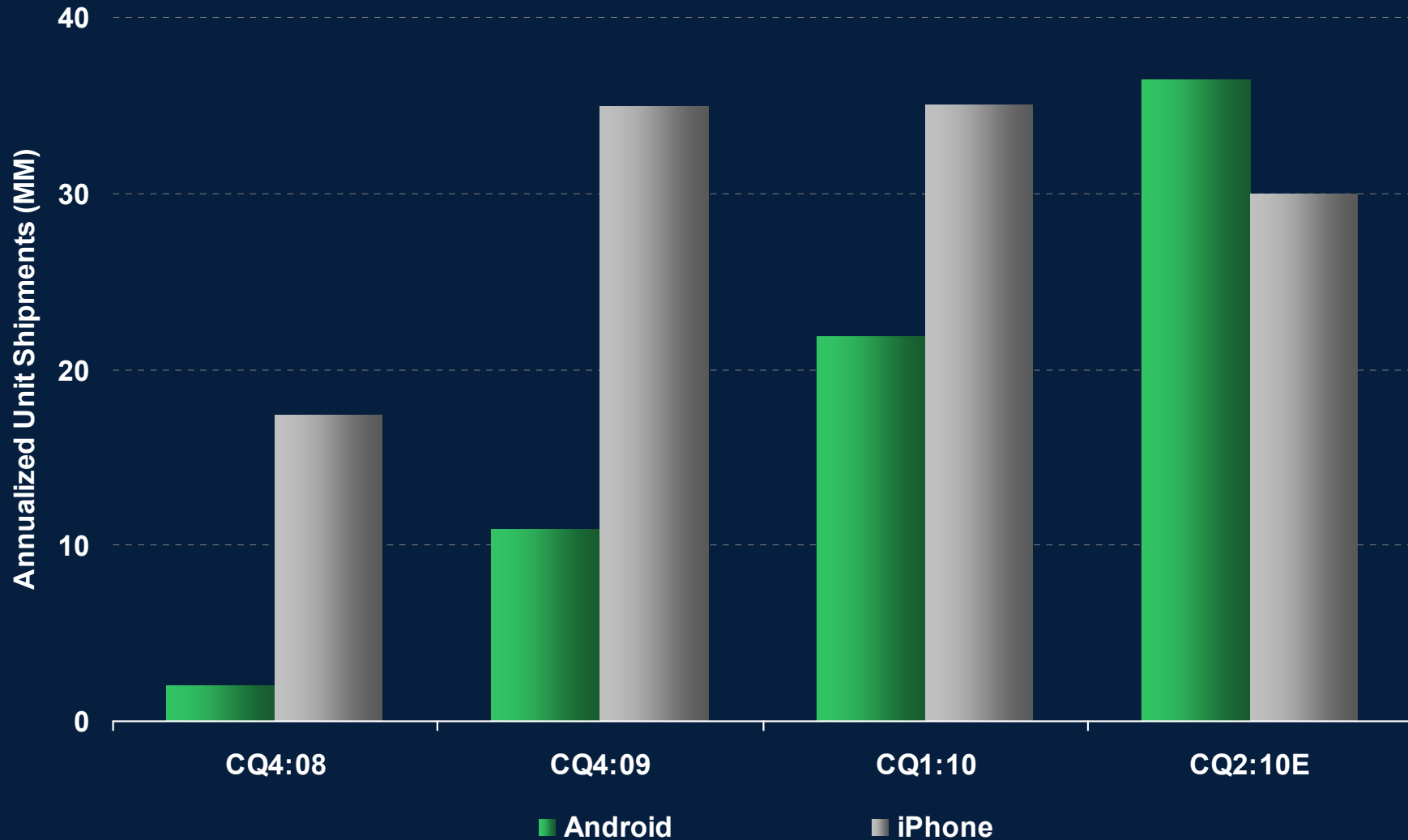
# iPhone + Android Internet Usage = Outsized vs. Unit Installed Base

Global Smartphone Share of HTML Mobile Page View / Mobile Internet + App Usage / Unit Shipments



# Android Unit Shipments Ramping Fast – Annualized Rates Near iPhone

Annualized Unit Shipments, Android vs. iPhone, CQ4:08 – CQ2:10E



*Note: iPhone annualized shipments based on historical quarterly shipments (CQ2:10E data based on Katy Huberty's estimate). Android annualized shipments based on daily shipments & activation data provided by Google (e.g. Google disclosed that 100K Android units are activated / shipped daily in 5/10, leading to an annualized units of 36.5MM in CQ2:10E). Source: Company data, Katy Huberty, Morgan Stanley Research.*

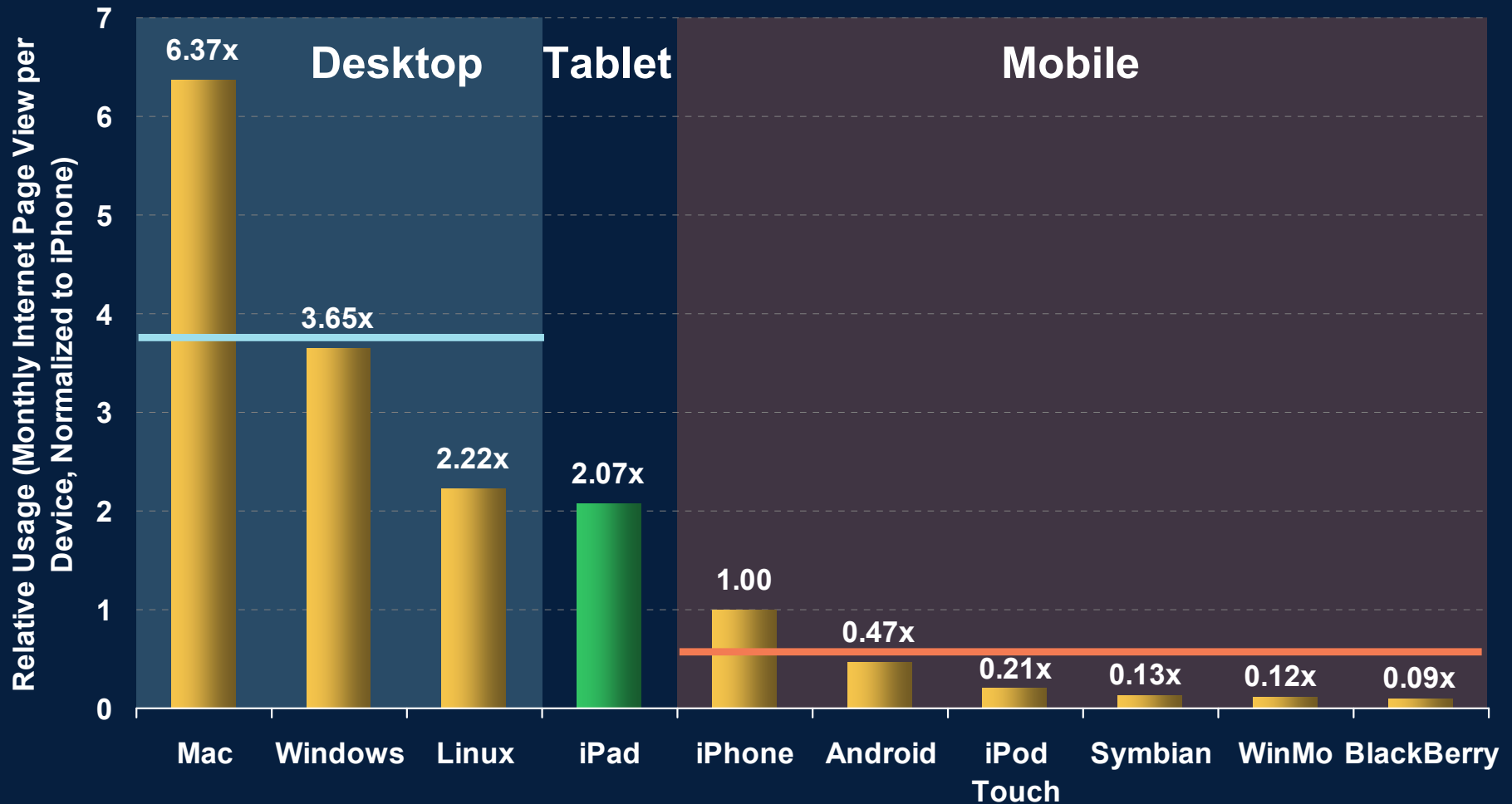
# Apple iPad = Among One of the Fastest Growing New Consumer Computing Devices Ever

## Number of Days to Reach 1MM Units Sold



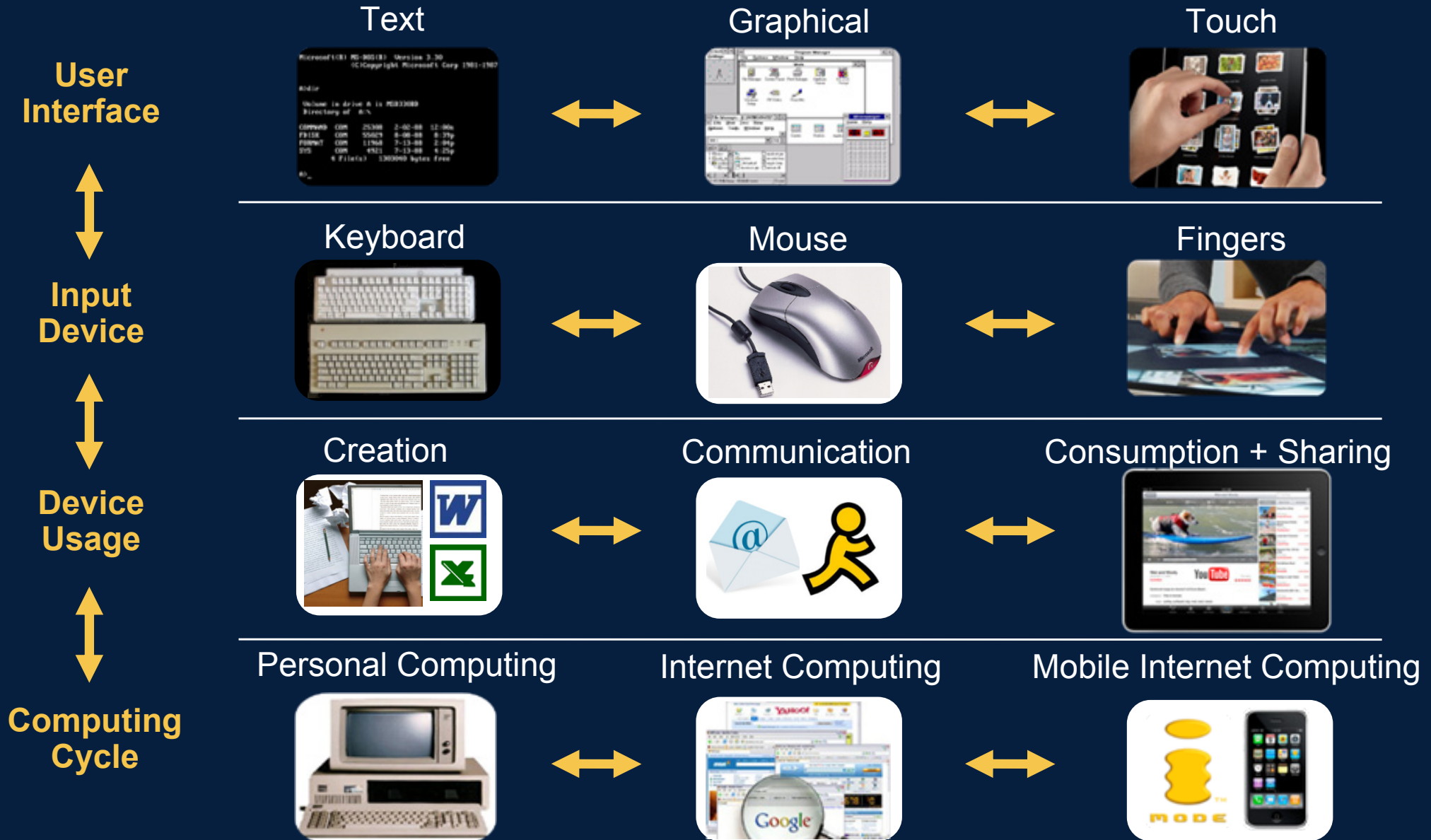
# Apple iPad Internet Usage = More Like Desktop PCs than Smartphones

Monthly Internet Page Views per Device, Normalized to iPhone\*, 5/10



Note: \*We calculate usage as follows: market share of Internet page views by OS (per Net Applications) divided by market share of device installed base (desktop per Gartner, tablet & mobile per company data and our estimate) and then normalize it to iPhone's level. Source: Company data, Gartner, Net Applications, Morgan Stanley Research.

# User Interface + Device Usage Evolution Over Past 30 Years – From Input...to Output...to Sharing





# Massive / Rapid User Expectation Change

In Just 2 Years, Wireless Consumers Expect...

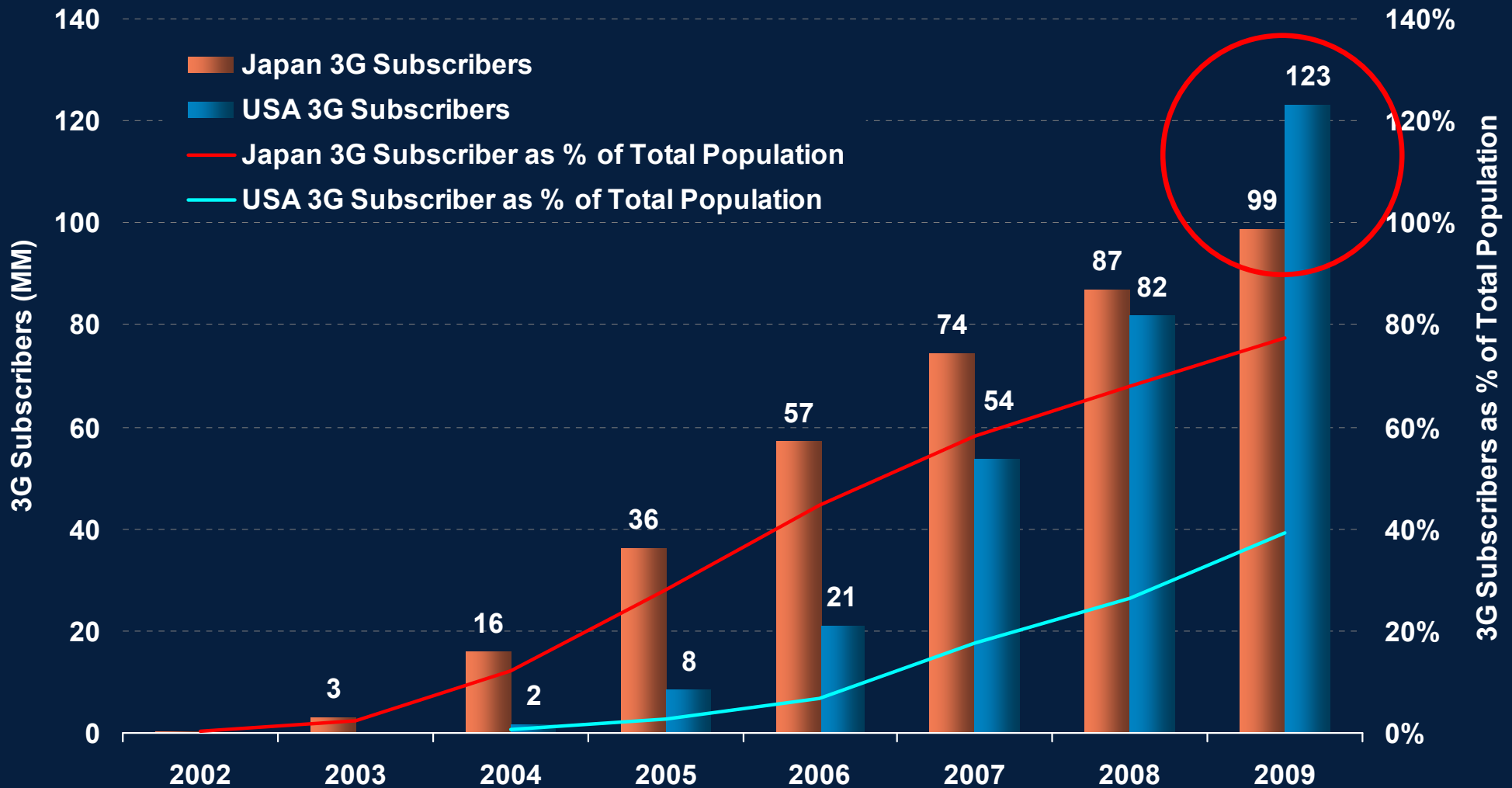
- Always-On Access with Super-Fast 'Boot Time'
- Near Zero Latency Access to Nearly All Information
- Day-Long-Plus Battery Life in Elegant Portable Devices

*Innovation –  
Unprecedented Intensity?*

# Mobile Internet – Tortoise vs. Hare?

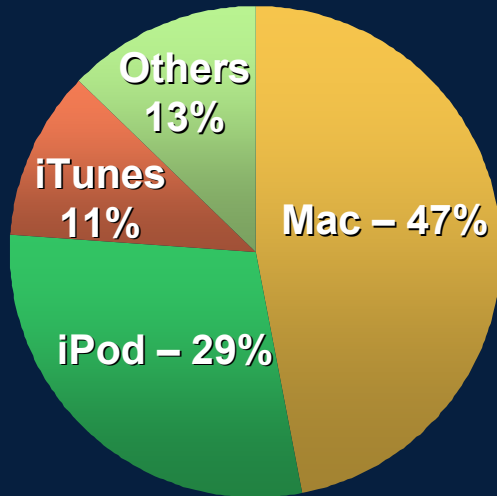
USA Surpassed Japan as Country with Most 3G Users in CQ1:09 –  
USA Has Become Global Leader in Mobile Users + Innovation

### 3G Users in Japan vs. USA, 2002 - 2009

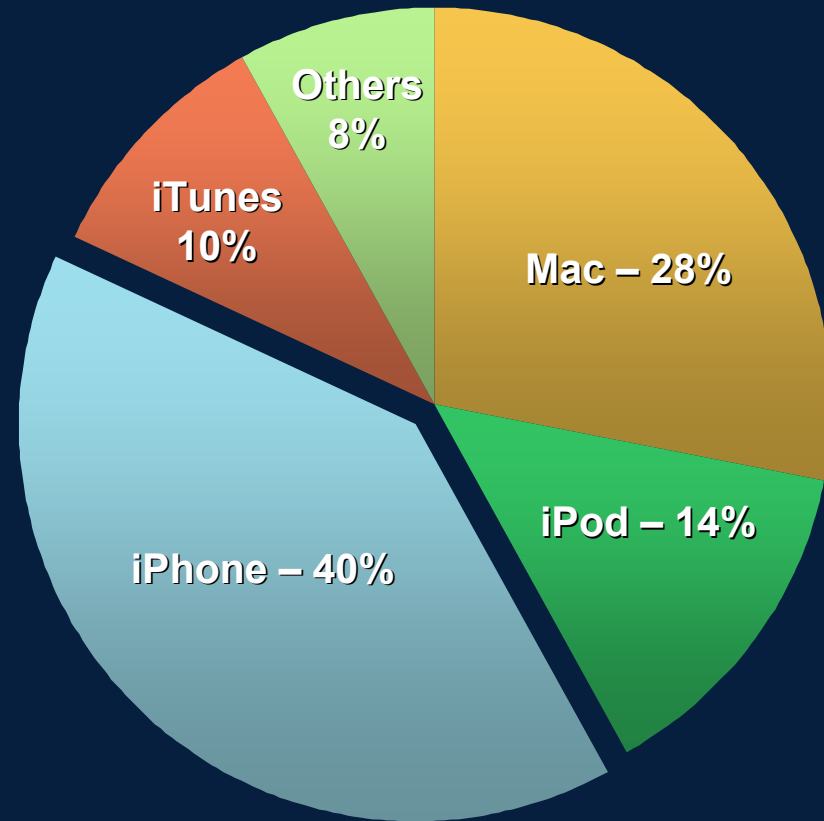


# Apple's Epic Reinvention – Innovative Mobile Devices Driving Material Revenue Upside

Apple's Revenue Mix, Free Cash Flow & Operating Margin, CQ2:07 vs. CQ1:10



CQ2:07	Revenue (\$MM)	CQ1:10
\$2,533	Mac	\$3,760
\$1,571	iPod	\$1,861
\$5	iPhone	\$5,445
\$608	iTunes	\$1,327
\$693	Others	\$1,106
<b>\$5,410</b>	<b>Total Revenue</b>	<b>\$13,499</b>
<b>\$944</b>	<b>Free Cash Flow</b>	<b>\$2,056</b>
<b>19%</b>	<b>Operating Margin</b>	<b>30%</b>



# Unusually High Level of Innovation from Incumbents

- **Apple** – iPad / iPhone / iTouch / iTunes / Multi-Touch Input
- **Google** – Android / Chrome / YouTube / Display Advertising / Web Apps
- **Amazon.com** – Kindle / EGM (Electronics & General Merchandise) Sales / Mobile Apps / AWS (Amazon Web Services)
- **Tencent** – Virtual Goods
- **Nintendo / Sony / Microsoft** – Motion Sensors (natural gaming input)
- **PayPal** – Mobile Payments
- **Netflix** – Streaming Content
- **Salesforce.com** – Chatter (real-time enterprise collaboration platform)

# Unusually High Level of Innovation from New Attackers

- **Facebook** – Real-time Communication / Social Graph / Credits (payment platform)
- **Skype** – VoIP (Voice-over-IP) / Video Calling
- **Zynga** – Virtual Goods / Offers (Reward-Driven Marketing)
- **Twitter** – One-to-Many Real-Time Broadcast
- **OpenTable / Yelp** – Location-Aware Mobile Services
- **Hulu** – Streaming Content
- **Gilt / One Kings Lane / Rue La La** – Time-based ‘Flash’ Sales
- **Groupon** – Social Group Buying
- **Tapulous / Digital Chocolate / Ngmoco:)** – Social / Mobile Gaming

# Unusually High Level of Global Innovation – Facebook & Tencent Learning From Each Other's Playbooks...

## Facebook

- Largest Social Network in English-Speaking Countries – 519MM visitors, +69% Y/Y in 4/10
- **Real Identity** – Sharing among real-world friends / pictures / events



## Tencent

- Largest Social Network in China – 523MM active IM users, +39% Y/Y in CQ1
- **Virtual Identity** – \$1.4B virtual goods revenue (from users customizing their avatars / purchasing game items...) in 2009, +94% Y/Y



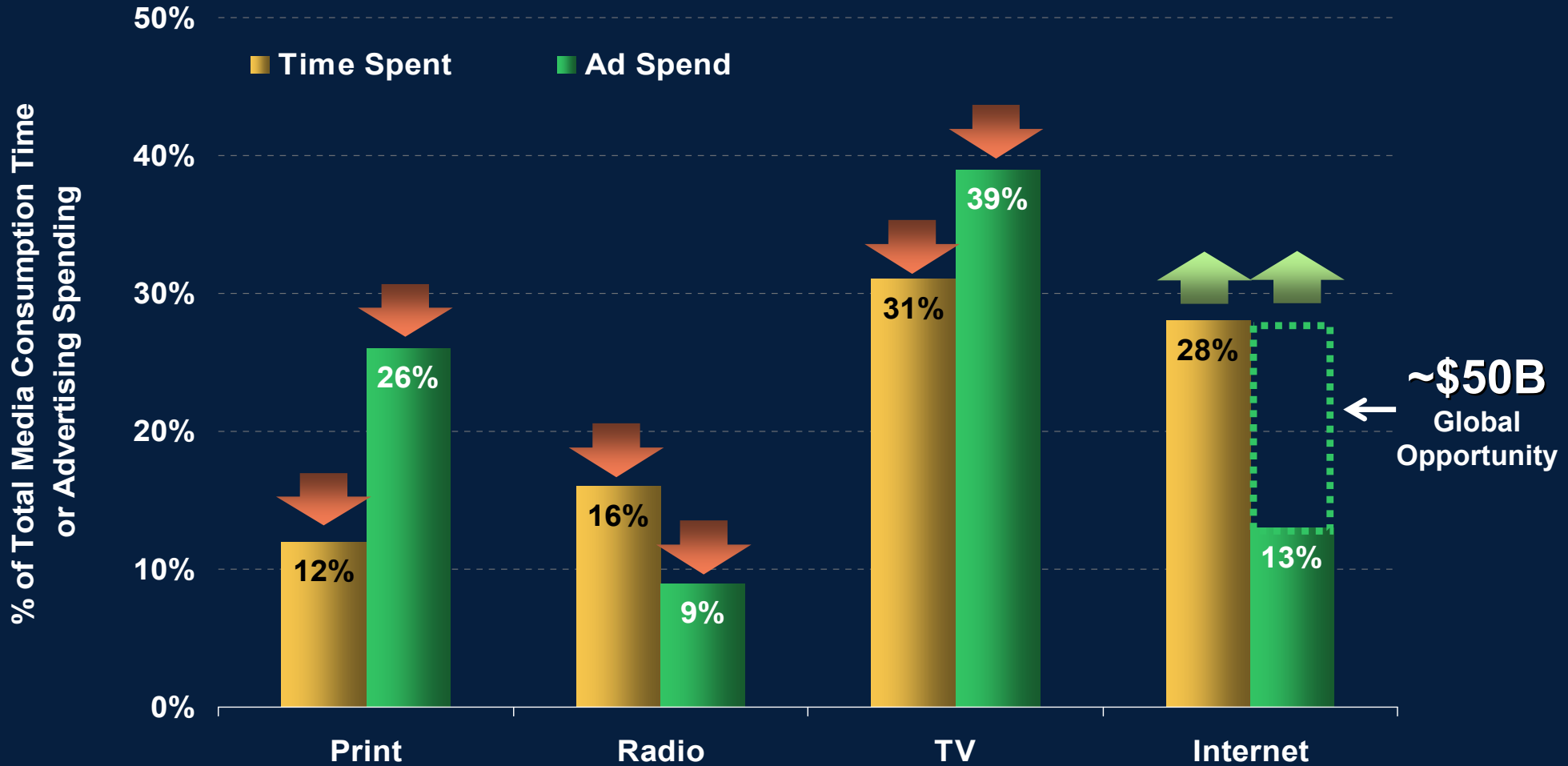
*Online Advertising –  
May Be Entering Golden Age, Finally*



# Media Time Spent vs. Ad Spend Still Out of Whack

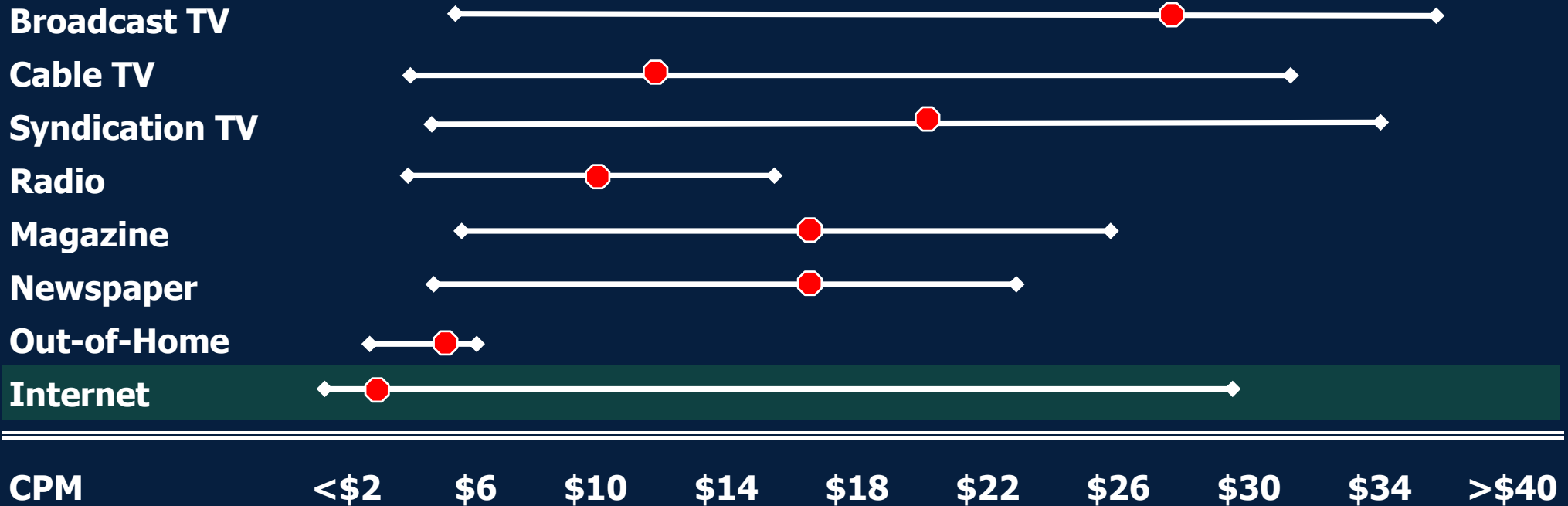
Internet / Mobile (upside...) vs. Newspaper / Magazine / TV (downside...)

% of Time Spent in Media vs. % of Advertising Spending, USA 2009



# Average Online CPMs = Still Well Below Other Media, Illustrating Upside Potential

Advertising Cost per Thousand Impressions by Medium, 2009 / 2010



● Denotes average CPM

Note: all media measured per adult (not per household), based on 2009 / 2010 rates; low estimates for traditional media include advertisements aimed at mass market (no demo targeting); Average estimates for TV include 1) early am, 2) daytime, 3) early news, 4) primetime, and 5) late evening and are based on upfront pricing. Source: Media Dynamics, comScore, Ben Swinburne, Morgan Stanley Research.

# Google Paid Clicks Accelerating Showing Advertisers + Google Serving Better Results

## Google Key Operating Metrics, CQ1:08 – CQ1:10

	CQ1:08	CQ2:08	CQ3:08	CQ4:08	CQ1:09	CQ2:09	CQ3:09	CQ4:09	CQ1:10
<b>Net Revenue (ex. TAC) (\$MM)</b>	\$3,700	\$3,893	\$4,046	\$4,218	\$4,073	\$4,070	\$4,386	\$4,953	\$5,064
<i>Y/Y Growth</i>	46%	43%	34%	25%	10%	5%	8%	17%	24%
<b>EBITDA (\$MM)</b>	\$2,164	\$2,242	\$2,409	\$2,532	\$2,564	\$2,544	\$2,770	\$3,122	\$3,110
<i>Margin (%)</i>	58%	58%	60%	60%	63%	63%	63%	63%	61%
<b>Capital Expenditures (\$MM)</b>	\$842	\$698	\$452	\$368	\$263	\$139	\$186	\$221	\$239
<i>% of Revenue</i>	23%	18%	11%	9%	6%	3%	4%	4%	5%
<b>Gross Advertising Revenue (\$MM)</b>	\$5,087	\$5,185	\$5,352	\$5,505	\$5,331	\$5,336	\$5,757	\$6,465	\$6,475
<i>Y/Y Growth</i>	40%	35%	28%	16%	5%	3%	8%	17%	21%
<b>Paid Clicks (MM)</b>	9,640	9,602	9,995	10,945	11,273	11,003	11,388	12,401	12,959
<i>Y/Y Growth</i>	20%	19%	18%	18%	17%	15%	14%	13%	15%
<b>Cost per Click (\$)</b>	\$0.53	\$0.54	\$0.54	\$0.50	\$0.47	\$0.48	\$0.51	\$0.52	\$0.50
<i>Q/Q Growth</i>	7%	2%	-1%	-6%	-6%	3%	5%	3%	-4%

# Yahoo! Display + Home Page Growth Accelerating Showing Online Targeting / Personalization Improving

- Owned & Operated display advertising revenue +20% Y/Y to \$444MM in CQ1:10
- Post redesign (7/09), homepage time spent growth accelerated to +15% Y/Y in CQ4:09 from +8% in CQ4:08
- 32K customized homepages delivered every 5 minutes; 1MM variations per day

## Yahoo! Homepage

Personalized information via 3rd party applications

The screenshot shows the Yahoo! homepage interface. At the top, there's a navigation bar with 'Web', 'Images', 'Video', 'Local', 'Shopping', and 'More'. Below that is the 'YAHOO!' logo and a search bar with a 'Web Search' button. The user is logged in as 'Hi, Liang'. The main content area is divided into several sections: 'MY FAVORITES' on the left with links to 'View Yahoo! Sites', 'Yahoo! Mail', 'Budget by Mint.com', 'Faster', 'Travel', 'WSJ', 'NPR', 'eBay', 'All Things Digital', 'Barron's', 'Gmail', 'Facebook', 'Finance (Dow Jones)', and 'Sports'. The central 'TODAY - June 03, 2010' section features a large image of an oil spill and a headline 'BP successfully cuts pipe in oil-leak fix'. To the right, 'TRENDING NOW' lists 10 items, including 'Joran van der Si...', 'Belinda Carlisle', 'Mariah Carey', 'Maytag Dishwashe...', 'Kate Middleton', 'Stephen Hawking', 'Oil Spill Clean...', 'Sticky Rice Mort...', 'Jane Lynch', and 'Protein Shakes'. Below the trending list is an advertisement for 'KINDIKE' chocolate. At the bottom, there's a 'NEWS' section with headlines like 'BP CEO on Gulf spill: We will be here for a very long time' and 'Israel's use of confiscated video draws criticism'. A 'Star style' section for 'Shine' is also visible.

Real-time search trends to see what's hot

News from around the world and your neighborhood

# Facebook's 500MM+ Users + Under-Monetized 'Like' Connections Offer Significant New Ad Opportunities

Rank	Top 20 Brands / Products	# of People Who Like This (Millions)	Equivalent TV Shows*	TV CPM Range (\$)
1	Texas Hold'em Poker (Zynga)	19.0	<i>NCIS</i>	↑
2	Mafia Wars (Zynga)	12.3	<i>The Good Wife</i>	
3	Facebook	9.5	<i>Glee</i>	
4	Starbucks	7.4	<i>Fringe</i>	~\$30
5	Coca-Cola	5.4	--	↑
6	YouTube (Google)	5.1	<i>Parks &amp; Recreation</i>	
7	Skittles (Mars)	4.7	<i>Happy Town</i>	
8	Oreo (Kraft)	4.6	--	
9	Red Bull	4.1	--	↓
10	Windows Live Messenger (Microsoft)	4.1	--	
11	iTunes (Apple)	4.0	--	
12	Nutella (Ferrero)	3.9	<i>Scrubs</i>	↑
13	Disney	3.5	<i>Vampire Diaries</i>	
14	Victoria's Secret (Limited Brands)	3.5	--	↓
15	Pringles (P&G)	3.3	--	
16	Adidas Originals (Adidas)	2.9	<i>Dollhouse</i>	~\$20
17	Kinder Surprise (Ferrero)	2.7	<i>Smallville</i>	↓
18	Ferrero Rocher (Ferrero)	2.7	--	
19	Converse	2.7	--	
20	iPod	2.7	--	

# Where are the Great Online Ads?

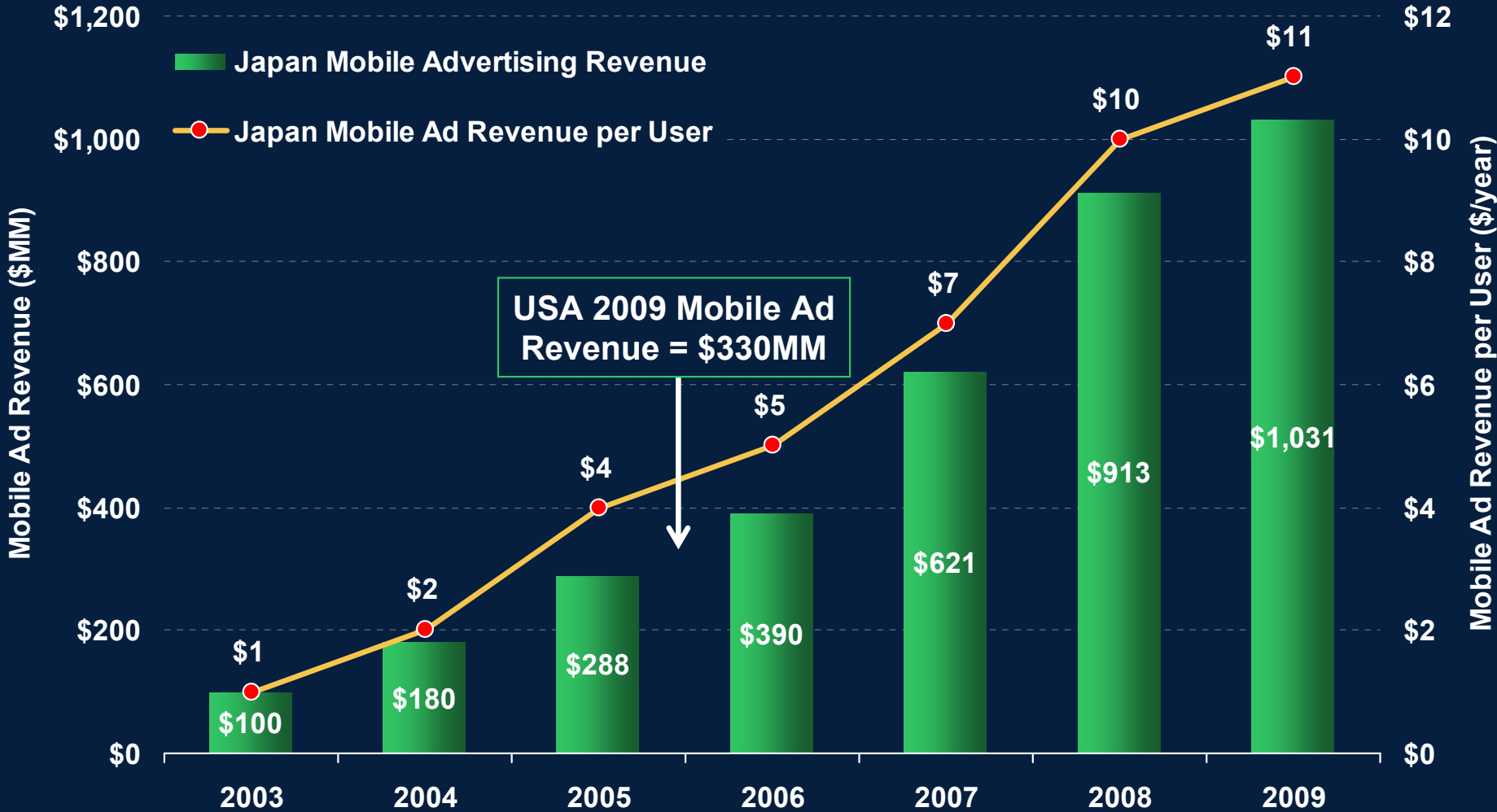
Apple / Google / Yahoo! / Facebook / Others Say 'Watch This Space!'

## AdAge Top 25 Advertising Campaigns in Twentieth Century

Rank	Company	Commercial	Ad Agency	Year
1	Volkswagen	<i>Think Small</i>	Doyle Dane Bernbach	1959
2	Coca-Cola	<i>The pause that refreshes</i>	D'Arcy Co.	1929
3	Marlboro	<i>The Marlboro Man</i>	Leo Burnett Co.	1955
4	Nike	<i>Just do it</i>	Wieden & Kennedy	1988
5	McDonald's	<i>You deserve a break today</i>	Needham, Harper & Steers	1971
6	DeBeers	<i>A diamond is forever</i>	N.W. Ayer & Son	1948
7	Absolut Vodka	<i>The Absolut Bottle</i>	TBWA	1981
8	Miller Lite Beer	<i>Tastes great, less filling</i>	McCann-Erickson Worldwide	1974
9	Clairol	<i>Does she...or doesn't she?</i>	Foote, Cone & Belding	1957
10	Avis	<i>We try harder</i>	Doyle Dane Bernbach	1963
11	Federal Express	<i>Fast talker</i>	Ally & Gargano	1982
12	Apple Computer	<i>1984</i>	Chiat/Day	1984
13	Alka-Seltzer	<i>Various ads</i>	Jack Tinker & Partners; Doyle Dane Bernbach; Wells Rich, Greene	1960s, 1970s
14	Pepsi-Cola	<i>Pepsi-Cola hits the spot</i>	Newell-Emmett Co.	1940s
15	Maxwell House	<i>Good to the last drop</i>	Ogilvy, Benson & Mather	1959
16	Ivory Soap	<i>99 and 44/100% Pure</i>	Proctor & Gamble Co.	1882
17	American Express	<i>Do you know me?</i>	Ogilvy & Mather	1975
18	U.S. Army	<i>Be all that you can be</i>	N.W. Ayer & Son	1981
19	Anacin	<i>Fast, fast, fast relief</i>	Ted Bates & Co.	1952
20	Rolling Stone	<i>Perception. Reality.</i>	Fallon McElligott Rice	1985
21	Pepsi-Cola	<i>The Pepsi generation</i>	Batton, Barton, Durstine & Osborn	1964
22	Hathaway Shirts	<i>The man in the Hathaway shirt</i>	Hewitt, Ogilvy, Benson & Mather	1951
23	Burma-Shave	<i>Roadside signs in verse</i>	Allen Odell	1925
24	Burger King	<i>Have it your way</i>	BBDO	1973
25	Campbell Soup	<i>Mmm mm good</i>	BBDO	1930s

# Japan Shows Potential for Mobile Advertising = Japan Mobile Advertising Revenue = \$11 per User vs. \$1 Six Years Ago

Japan Mobile Advertising Revenue & Ad Revenue per User, 2003 - 2009

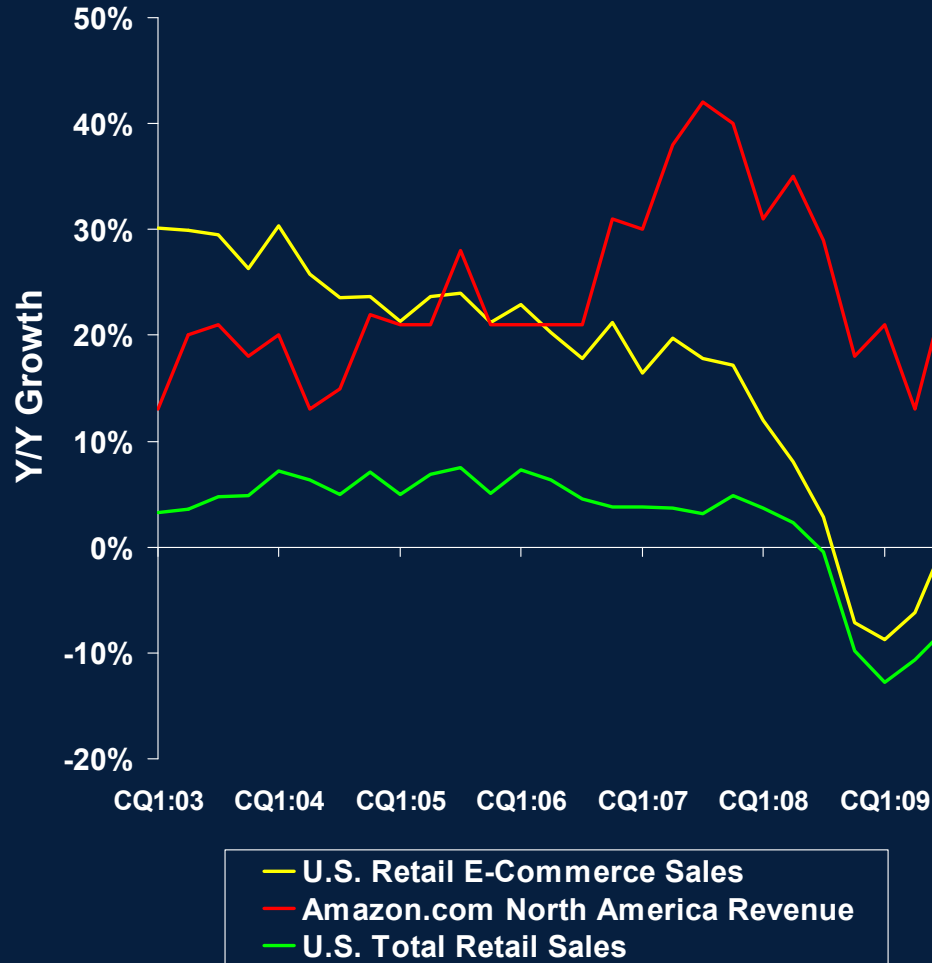


*Online Commerce –  
Mobile Should Be Share Gain Accelerator*



# Amazon.com's Revenue Acceleration + Share Gains are Powerful

## Amazon.com vs. US Retail E-Commerce Sales<sup>(1)</sup>



## Amazon.com Key Operating Metrics

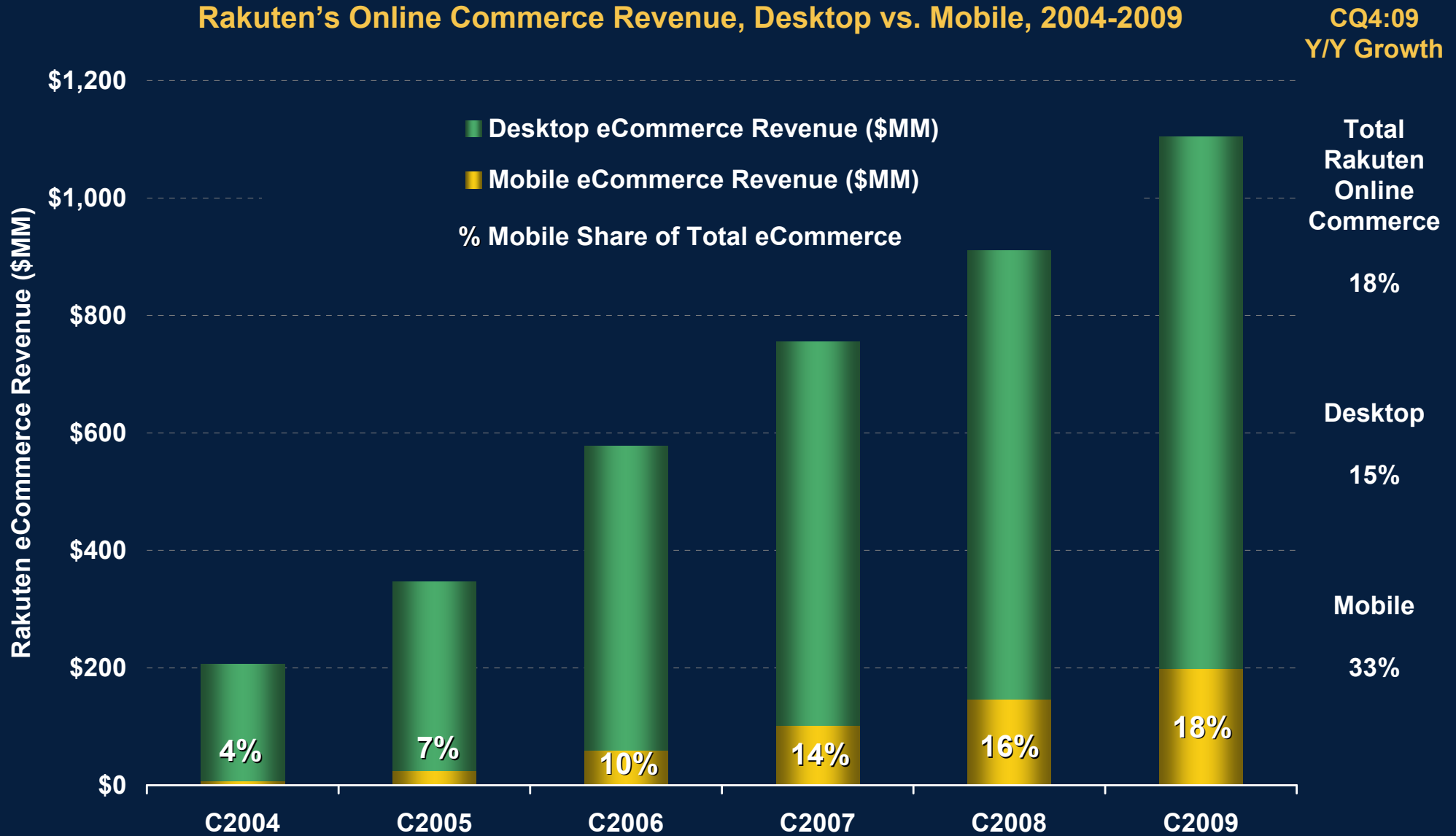
	CQ1:09	CQ2:09	CQ3:09	CQ4:09	CQ1:10
<b>Revenue (\$MM)</b>	\$4,889	\$4,651	\$5,449	\$9,519	\$7,131
Y/Y Growth	18%	14%	28%	42%	46%
<b>Media Revenue (\$MM)</b>	\$2,723	\$2,442	\$2,929	\$4,679	\$3,430
Y/Y Growth	7%	1%	17%	29%	26%
% of Total	56	53	54	49	48
<b>EGM Revenue (\$MM)</b>	\$2,046	\$2,069	\$2,357	\$4,609	\$3,513
Y/Y Growth	38%	35%	44%	60%	72%
% of Total	42	44	43	48	49
<b>Active Customers (MM)</b>	91	94	98	105	114
Y/Y Growth	15%	15%	17%	19%	25%
<b>Revenue per Customer</b>	55	50	57	94	65
Y/Y Growth	2%	(1%)	10%	21%	19%
<b>Active Sellers (000)</b>	1,600	1,700	1,800	1,855	1,950
Y/Y Growth	23%	20%	24%	24%	22%
<b>Total Units (MM)</b>	255	243	267	423	357
Y/Y Growth	30%	28%	32%	37%	40%
<b>Third-Party Units (MM)</b>	82	73	83	118	111
Y/Y Growth	39%	32%	32%	42%	36%
<b>Kindle Books (000)</b>	270	320	360	400	500

## China's TaoBao = Supporting Impressive Momentum

- **190MM** active users as of CQ1, up ~80% Y/Y (vs. 114MM for Amazon.com and 90MM for eBay).
- **\$29B Gross Merchandise Volume** in 2009, **up 2x Y/Y**, accounting for 1.5-2% of China's overall retail sales.
- **~50%** of 2B total package deliveries in China in 2009.

# Japan Shows Potential for Mobile Commerce = 19% (and Rising) of Rakuten's CQ4:09 Online Commerce Revenue Derived from Mobile

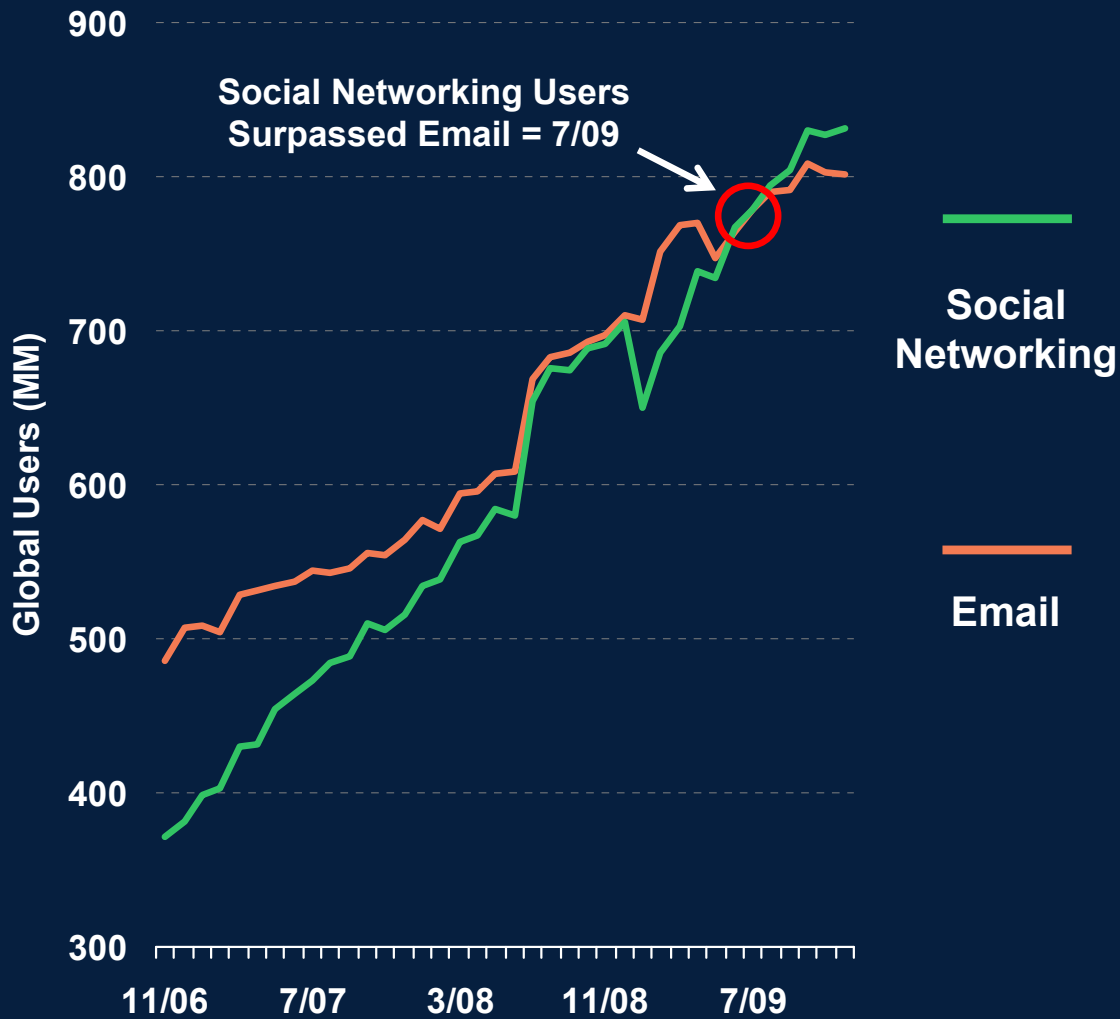
Rakuten's Online Commerce Revenue, Desktop vs. Mobile, 2004-2009



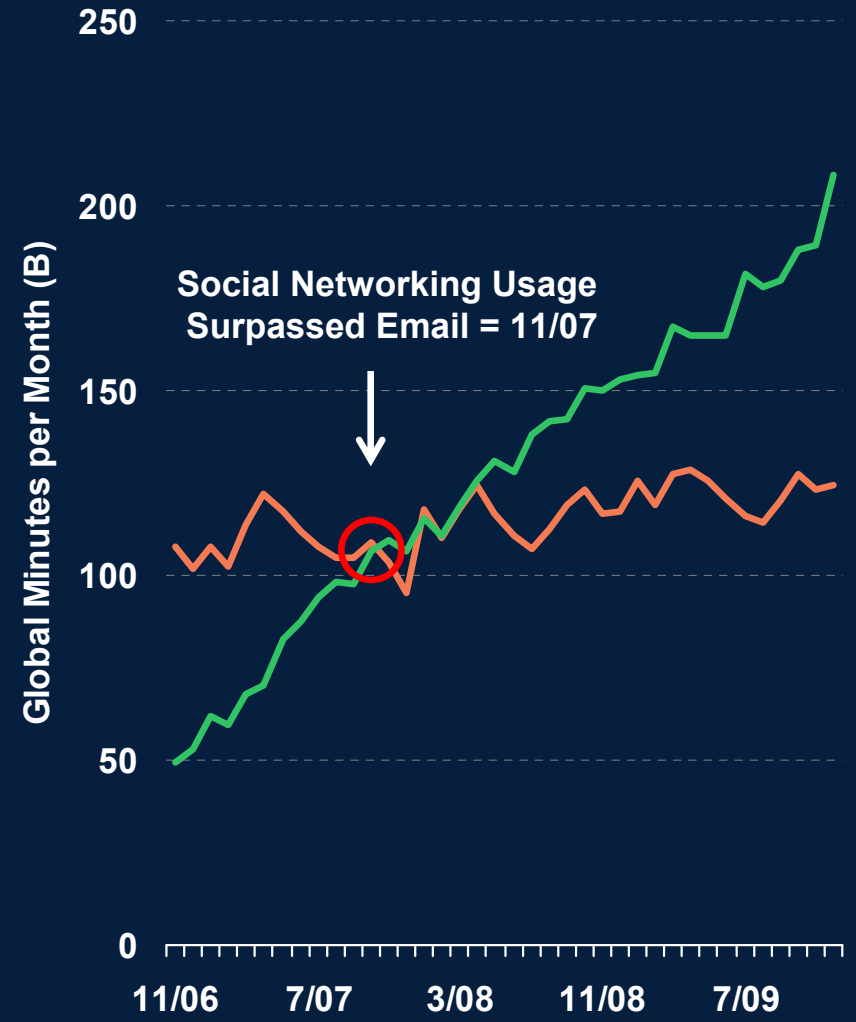
*Communications –  
Share Shift to Sharing*

# Communications – Social Networking > Email Usage...

Global Users\*, 11/06 – 12/09



Global Time Spent, 11/06 – 12/09



*‘Cloud Computing’ –  
Consumer First, Enterprise Next*

# Consumers Have Been Clouding for Awhile... Enterprises Moving to the Cloud - Why Now?

- **Home Users Ahead of Enterprise Users** - Quality of home based computing has been evolving at faster pace than enterprise computing for years and cloud-based connectivity has become so pervasive that enterprises are finally being forced to play catch up.
- **Consumers Expect Easy-to-Use 24x7 Connectivity and Want the Same at Work** - Wireless device (smartphone / tablet) adoption has empowered consumers to expect (and demand) cloud-based high-speed wireless connectivity 24x7.
- **Recession-Spending Delays Helped Underlying Markets Develop** - Recession-related technology spending delays from 2007 to 2009, in effect, allowed cloud-based services to evolve / develop / mature to levels that are more 'enterprise-ready.'
- **Less Concern about Security Issues** - Cloud-based security concerns have abated somewhat as enterprises realize the difference in risk profile between internal and external environments is lower than they once believed.

*Technology –  
What's Next...*



# Mobile Connectivity

## Drives New Ways to Do Old Things Faster / Better / Cheaper

- **More Connected** – Real-time connectivity / 24x7 / in palm of hand...
- **More Affordable** – Wi-Fi nearly ubiquitous in many developed markets...for many / 3G tiered pricing lowers adoption barrier...
- **Faster** – Near-zero latency for boot-up / search / connect / pay...
- **Easier to Use** – User Interface revolution + location awareness provide something for nearly everyone...
- **Fun to Use** – Social / casual gaming / reward-driven marketing...
- **Access Nearly Everything** – Music / video / documents / 'stuff' in cloud...
- **Longer Battery Life** – Hours of continuous usage...

# Tom Friedman Said “The World is Flat”

*It's also increasingly in the palm of your hand...*

*Beyond Technology –  
It's Complicated...*

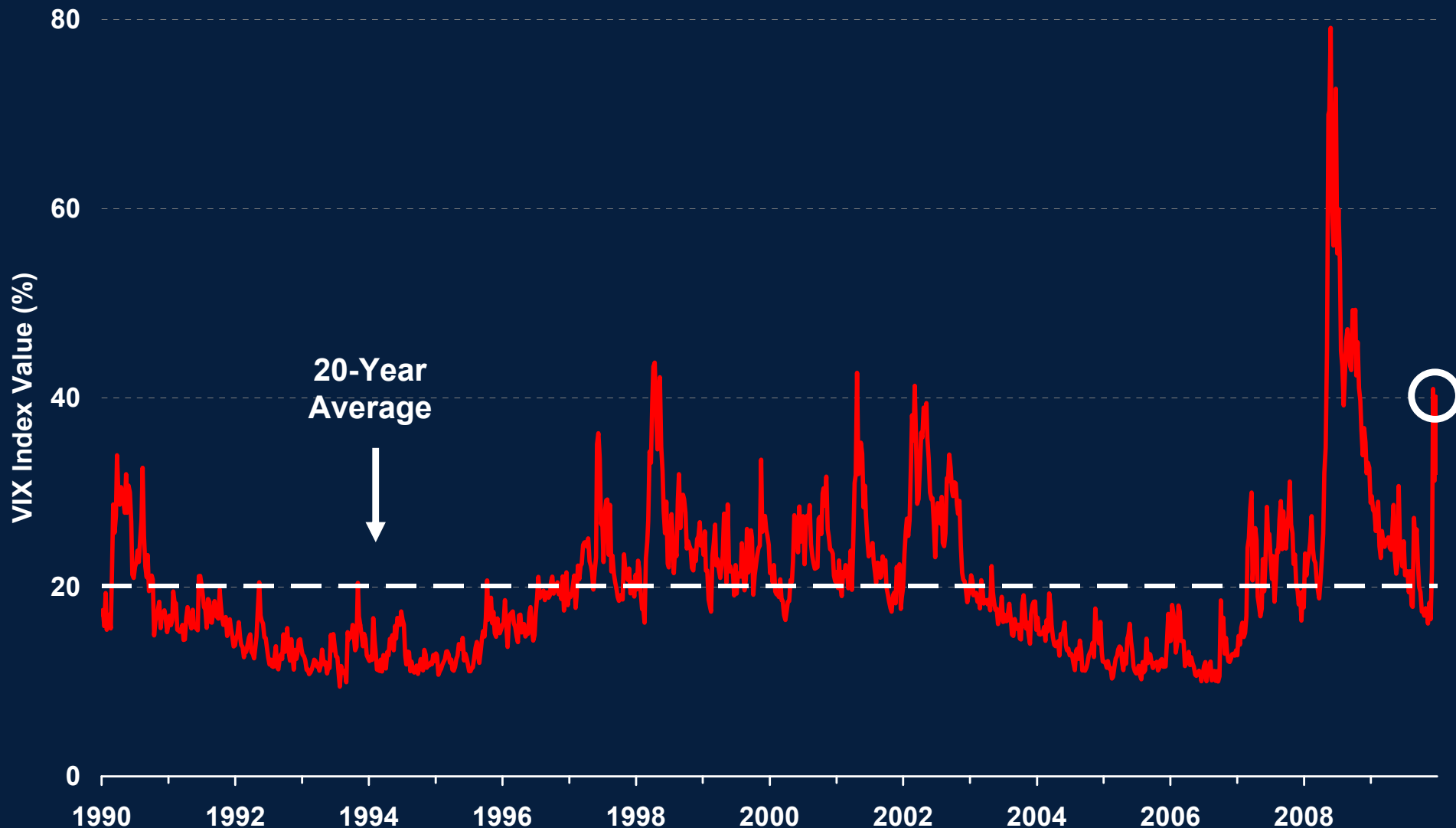
# Stock Market = Often a Leading Indicator of Economic Growth

Recent Equity Weakness Reflects EU Sovereign Debt / Euro Value / China Real Estate Concerns



# Stock Market Volatility Implies Renewed Fear Volatility Index (VIX) Recently Spiked Well Above 'Normal'

Chicago Board Options Exchange (CBOE) Volatility Index, 1990 – 2010 YTD



# Uniquely Challenging Times

- **Debt Levels** – Many countries / consumers are over-levered...
- **European Union Challenges** – Sovereign debt levels in Greece / Spain / Portugal / Ireland / Italy unsustainably high, Euro down 19% vs. US Dollar YTD...
- **China Real Estate Supply / Demand Imbalance** – Urban home price to median income ratio at 8x (vs. USA's peak of 5x in 2005-06)...
- **Military Incidents** – North Korea vs. South Korea, Israel vs. Palestine, 'War on Terror'...
- **Rise in Government Involvement** – Regulation / taxation / fiscal expansion (economic stimulus) vs. fiscal tightening (austerity measures)...
- **Unnatural Disasters** – BP oil spill, Stock Market 'Flash Crash'...

# Leverage Uber Alles –

Average Net Debt as % of GDP for Top 25 Countries = 55%

Rank	Country	2009 Net Debt Outstanding (\$B)	Y/Y	As % of World Total	Net Debt as % of GDP			2009 GDP (\$B)	Y/Y	As % of World Total	2009 Budget Surplus / Deficit (\$B)	As % of World Gross Deficit	2009 Unemployment Rate	Y/Y (pps)
					2009	2005	05-09 Change							
1	Japan	\$9,149	12%	26%	181%	162%	19%	\$5,049	-5%	9%	-960	33%	5%	+1
2	Italy	2,434	0	7	116	106	11	2,090	-5	4	-0	--	8	+1
3	Greece	374	8	1	111	99	12	338	-2	1	-27	1	9	+2
4	Belgium	454	0	1	98	92	6	461	-3	1	-1	0	8	+1
5	France	2,028	5	6	77	66	11	2,635	-2	5	-105	4	9	+2
6	Germany	2,423	1	7	75	68	7	3,235	-5	6	-16	1	7	+0
7	Austria	263	2	1	70	64	6	374	-4	1	-5	0	5	+1
8	India	854	-3	2	69	80	-12	1,243	6	2	31	--	--	--
9	UK	1,444	3	4	66	42	24	2,198	-5	4	-49	2	7	+2
10	Canada	870	-5	3	66	70	-4	1,319	-3	2	44	--	8	+2
11	Netherlands	503	-1	1	64	52	12	790	-4	1	4	--	4	+1
12	Argentina	178	-7	1	59	59	0	301	1	1	14	--	--	--
13	<b>USA</b>	<b>7,811</b>	<b>23</b>	<b>23</b>	<b>55</b>	<b>37</b>	<b>17</b>	<b>14,266</b>	<b>-2</b>	<b>25</b>	<b>-1,438</b>	<b>50</b>	<b>9</b>	<b>+3</b>
14	Poland	223	-11	1	53	47	6	423	2	1	26	--	--	--
15	Spain	757	20	2	53	43	10	1,438	-4	2	-125	4	18	+7
16	Norway	187	-17	1	51	45	6	369	-2	1	38	--	3	+1
17	Sweden	175	-5	1	44	51	-7	398	-4	1	9	--	8	+2
18	Brazil	650	-6	2	44	44	0	1,482	0	3	40	--	--	--
19	Switzerland	212	5	1	44	53	-9	484	-1	1	-10	0	4	+1
20	Denmark	125	7	0	40	38	3	308	-5	1	-8	0	3	+2
21	Turkey	219	-14	1	37	52	-15	594	-5	1	36	--	--	--
22	Australia	309	-3	1	34	36	-3	920	1	2	8	--	6	+1
23	Venezuela	95	11	0	27	27	0	353	-3	1	-9	0	--	--
24	China	609	7	2	13	18	-5	4,758	9	8	-38	1	--	--
25	Russia	92	-15	0	7	14	-7	1,255	-8	2	17	--	--	--
Top 1-25		\$32,438	0%	94%	55%	52%	3%	\$47,081	-3%	81%	\$2,790	97%	7%	+1
Global		34,632	8	100	68	66	2	57,937	-2	100	2,885	100	7	+2

# America's Biggest Challenge – Entitlement Spending is the Future?

	F1997	F2001	F2005	F2009		
<b>Revenue (\$B)</b>	<b>\$1,579</b>	<b>\$1,991</b>	<b>\$2,154</b>	<b>\$2,105</b>		
<b>Y/Y Growth</b>	<b>9%</b>	<b>-2%</b>	<b>15%</b>	<b>-17%</b>		
Individual Income Taxes	\$737	\$994	\$927	\$915	<b>1997 - 2009</b>	
% of Revenue	47%	50%	43%	43%		
Social Insurance Taxes	\$539	\$694	\$794	\$891		<b>Entitlement Revenue</b>
% of Revenue	34%	35%	37%	42%		
Corporate Income Taxes	\$182	\$151	\$278	\$138		<b>+65%</b>
% of Revenue	12%	8%	13%	7%		
Other	\$120	\$152	\$154	\$161		
% of Revenue	8%	8%	7%	8%		
<b>Expense (\$B)</b>	<b>\$1,601</b>	<b>\$1,863</b>	<b>\$2,472</b>	<b>\$3,518</b>		
<b>Y/Y Growth</b>	<b>3%</b>	<b>4%</b>	<b>8%</b>	<b>18%</b>		
Entitlement	\$827	\$969	\$1,256	\$1,779	<b>Entitlement Spending</b>	
% of Expense	52%	52%	51%	51%		
Non-Defense Discretionary	\$228	\$346	\$497	\$420	<b>+115%</b>	
% of Expense	14%	19%	20%	12%		
"One-Time" Items	--	--	--	\$416		
% of Expense	--	--	--	12%		
Defense	\$271	\$305	\$495	\$661		
% of Expense	17%	16%	20%	19%		
Net Interest on Public Debt	\$244	\$206	\$184	\$187		
% of Expense	15%	11%	7%	5%		
<b>Profit / Loss (\$B)</b>	<b>-\$22</b>	<b>\$128</b>	<b>-\$318</b>	<b>-\$1,413</b>		
<b>Profit Margin (%)</b>	<b>-1%</b>	<b>6%</b>	<b>-15%</b>	<b>-67%</b>		

Note: Federal fiscal year ends in September of each year. Entitlement programs include Social Security, Medicare, Medicaid, Unemployment Insurance and other federal aids on housing / nutrition... "One-time" items in F2009 includes net expenditures related to TARP (Troubled Asset Relief Program), government take-over of Fannie Mae & Freddie Mac and ARRA (American Recovery & Reinvestment Act) programs. Source: White House Office of Management and Budget.



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