

ATTENTION: Business, Economics and Technology Editors and Reporters

**Canada's Research and Development Spending Continues to Rise
Up 4.9% According to *Canada's Top 100 Corporate R&D Spenders List***

Toronto - October 17, 2006 – Canada's corporate spending on research and development increased for the second year in a row, according to *Canada's Top 100 Corporate R&D Spenders List 2006* released today by Research Infosource Inc. Canada's top corporate R&D companies invested \$12 billion in R&D activities in fiscal 2005, up 4.9%, a healthy gain over the modest rise of 3% in the previous year.

The top 7 companies held their positions from last year. In 1st place Nortel Networks continues to dominate the top 100 list, spending \$2.25 billion on R&D in fiscal 2005, a drop of 11.8%. Bell Canada holds on to 2nd position with \$1.74 billion, an increase of 19.9%, and Magna International stays in 3rd posting \$824 million in R&D expenditures, a jump of 19.4%. Pratt & Whitney Canada is 4th with \$472 million in R&D spending, a rise of 1.5%, ATI Technologies is 5th up 16% with expenditures of \$451 million, IBM is in 6th place with \$343 million in spending, a modest increase of 2.7%, and Alcan holds onto to 7th place with \$275 million in spending, a drop of 11.6%.

As Canada's largest R&D spender, Nortel's numbers can often mask underlying R&D spending trends. Removing Nortel from the calculations puts the Top 100 Corporate R&D spending increase for fiscal 2005 at a robust 9.7% instead of 4.9%.

Another important gauge of healthy R&D activity is research intensity (R&D spending as a percentage of revenues). Overall research intensity for the 94 companies where complete data was available for fiscal 2005 was 3.8%, a drop of 3.5% over last year's figure of 4%.

Research Infosource's elite \$100 Million Club, reserved for companies that invested \$100 million or more in R&D spending, boasts 22 members. Together they spent \$8.6 billion on R&D activities in fiscal 2005, accounting for 72% of the total.

Four companies posted increases of 100% or more in R&D spending in fiscal 2005: Adherex Technologies (203.7%), Aspreva Pharmaceuticals Corporation (175%), TELUS (120.5%) and Aastra Technologies (110.6%). On the other end of the scale, 30 top 100 companies reported a drop in R&D spending. This is an improvement over last year when 35 companies lowered their R&D investments.

"The R&D outlook is optimistic", says Ron Freedman, CEO of Research Infosource Inc. Overall corporate investments in R&D are up for the second consecutive year. Spending has increased at over two-thirds of the top 100 companies, and in many instances, growth in R&D investments exceeds revenue growth. Governments at all levels are introducing measures to foster innovation. Ultimately, Canada's place in the knowledge economy depends on the ability of our companies to compete on a rapidly changing playing field."

Looking at various industry sectors, communications/telecom accounted for 26% of R&D investments in fiscal 2005, pharmaceuticals/biotechnology (16%), telecommunications services also (16%), aerospace (8%), software and computer services (7%), automotive (7%), energy/oil and gas (6%), computer equipment 4%, mining and metals (3%), electronic parts and components (2%).

Examining the regional picture, British Columbia's 13 top 100 companies accounted for \$693.6 million in R&D spending or 6% of the total for fiscal 2005. This represents an increase of 14.1%. For the Prairies, 10 companies in Alberta spent \$519.1 million for 4% of the total and an increase of 4.1% with Manitoba's single entry on the list chalking up \$43 million in R&D expenditures. Ontario and Quebec based firms accounted for the lion's share of R&D spending. With 55% of the total, Ontario's 44 companies invested \$6.6 billion in R&D in fiscal 2005, up 1.7% from the previous year. Removing Nortel from the calculation moves Ontario companies' growth in R&D spending to an impressive 10.6%. The 30 companies in Quebec spent \$4.1 billion for 34% of the total and a strong increase of 7.2%.

The complete *Canada's Top 100 Corporate R&D Spenders List 2006* is available on the Research Infosource website, www.researchinfosource.com. An in-depth *Canada's Top Corporate R&D Spenders Report 2006*, based on over 650 companies, is slated for publication later this year. Research Infosource Inc., a division of The Impact Group, is Canada's source of R&D intelligence. Drawing from an extensive database, Research Infosource Inc. publishes *Canada's Top 100 Corporate R&D Spenders List*, *Canada's Top 50 Research Universities List*, and specialized reports.

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