CORPORATE STRATEGY

MERGED NOVO-NORDISK ON THE RIGHT COURSE

LONDON—Novo-Nordisk (Bagsvaerd, Denmark), the pharmaceuticals and biotechnology group formed earlier this year following a merger between Novo Industri and Nordisk Gentofte, has reported its first financial results. The new company achieved a 17-percent increase in sales, to \$493 million (3,743 million Kroner), during the first half of 1989 over the same period in 1988. Although pre-tax profits advanced by only one percent, to \$77.6 million, this was accomplished despite increases in raw materials costs and substantial investment in marketing and new product development, including the August 1988 acquisition of ZymoGenetics (Seattle, WA). Last month, the new company announced the formation of a wholly-owned U.S. subsidiary, based in Princeton, NJ, to market diabetes care and other pharmaceutical products in association with Squibb (Princeton, NJ; see box).

Novo-Nordisk now employs 7,500 people in 30 countries, over 1,600 of them in research. The new company's product range extends beyond Novo

and Nordisk's traditional strength in insulin manufacturing to include human growth hormone, antibiotics, vitamins, diagnostic kits, and enzymes (particularly for the detergent, starch, and food-processing industries). The combined expenditure of the parent companies on R&D last year was \$105 million. Sales for the bioindustrial group, which opened its first enzyme production plant in Brazil in May, rose to \$145 million—up 20 percent for the first half of 1988—while sales for the healthcare group increased 21 percent, to \$326 million.

In June the company received approval to market recombinant human insulin in West Germany, although this product could face an uncertain future in light of growing public anxiety there about genetically engineered pharmaceuticals. The Danish government, meanwhile, recently amended its own three-year-old Environment and Gene Technology Act so that companies such as Novo-Nordisk, which use genetically modified organisms, no longer have to halt operations automatically if a complaint about safety is lodged with the Environment Appeal Board. Pilot plants, too, will be treated as research rather than production facilities and thus be subject to less onerous regulations.

One beneficiary of Novo-Nordisk's strong performance is Dublin-based BioResearch Ireland (BRI), a con-

tract research organization created last year to commercialize work carried out at universities and research institutes in the Republic of Ireland. BRI has just received a major contract to investigate and exploit a novel molecular control system for the expression of a lipase enzyme. The contract will support three researchers over a period of three years; David McConnell will direct the work at the Pharmaceutical Biotechnology Centre established by BRI at Trinity College (Dublin). McConnell and his team have specialized in the molecular genetics of *Bacillus subtilis*, and have cloned the genes for several industrially important enzymes. Most recently, they cloned the porcine somatotropin gene into *B. subtilis* and into *Escherichia coli*, where it expressed at 40 percent of total cell protein.

In total, BRI has attracted just over £4 million in research contracts since it was established in 1988. In addition to the Pharmaceutical Biotechnology Centre, it works through Centres devoted to veterinary biotechnology (University College, Dublin), cell and tissue culture (Dublin City University), diagnostics (University College, Galway), and food biotechnology (University College, Cork). As with all of its projects, the Novo-Nordisk work will be managed and monitored jointly by BRI scientists and the client company.

—Bernard Dixon

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NOVO-NORDISK EXPANDS IN U.S.

Squibb-Novio, the joint venture formed in 1982 between Novo Industri and E. R. Squibb & Sons, has been restructured and renamed Novo-Nordisk Pharmaceuticals. "The joint venture served us well in 1982," said C. Henk Bleeker, president of the new firm, which will continue to be headquartered in Princeton, NJ. Bleeker served as president of Squibb-Novio from 1982-1985. "Squibb helped us establish a presence in the U.S." he noted, "but things now have changed."

The initial agreement was limited to diabetes care products. But Novo has expanded its markets considerably over the past few years.

In addition to those new products brought in by Nordisk, the acquisition of Ferrosan added a potential new product line in central nervous system drugs. Squibb, on the other hand, will be merging with Bristol Myers (New York, NY). It has changed into a highly specialized, cardiovascular R&D entity, and couldn't put resources into selling the added Novo products.

Under the restructured agreement, Novo-Nordisk takes control of U.S. marketing; Squibb will continue to handle physical distribution of merchandise and point-of-sale marketing to independent drug stores through its Squibb Mark division.

—Mark Ratner

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