

Worldwide net sales in 2020 decreased 11.0% from the previous year to \$1,594.8 million. Foreign exchange had an unfavorable impact on sales of approximately \$16 million or 1 percentage point. Net sales in the United States decreased 14.5% to \$822.5 million in 2020 and represented 52.0% of consolidated net sales. International sales decreased 6.8% to \$772.3 million in 2020 and represented 48.0% of consolidated net sales.

Operating Costs and Expenses

Consolidated cost of sales was \$1,411.8 million, \$1,189.4 million and \$1,350.4 million in 2021, 2020 and 2019, respectively. Production margin as a percentage of net sales was 24.0% in 2021, 25.4% in 2020 and 24.6% in 2019. Production margin decreased primarily in 2021 due to timing of pricing actions relative to higher inflationary costs, including energy and other manufacturing costs as well as supply chain and logistics challenges.

Marketing and administrative costs were \$186.2 million, \$176.5 million and \$187.5 million in 2021, 2020 and 2019, respectively. Marketing and administrative costs as a percentage of net sales were 10.0% in 2021, 11.1% in 2020 and 10.5% in 2019. Included in marketing and administrative costs in 2020 was a \$4.0 million charge relating to system restoration and risk mitigation following a ransomware attack on certain of the Company's information technology systems.

Research and development expenses were \$19.5 million, \$19.9 million and \$20.3 million in 2021, 2020 and 2019, respectively. Research and development expenses as a percentage of net sales were 1.0% in 2021, 1.2% in 2020 and 1.1% in 2019.

In 2021, the Company recorded a \$4.0 million charge for acquisition-related expenses. In addition, the Company recorded a \$1.1 million charge for asset write-downs and other restructuring costs.

In 2020, the Company recorded a \$10.4 million charge related to litigation expenses associated with the bankruptcy of Novinda Corp. In addition, the Company recorded a \$7.6 million charge for asset write-downs and other restructuring costs and \$3.1 million for acquisition-related expenses.

In 2019, the Company recorded a \$13.2 million charge for asset write-downs and severance-related costs. In addition, the Company recorded a \$10.9 million charge related to litigation expenses associated with the bankruptcy of Novinda Corp.

Income from Operations

During 2021, the Company recorded income from operations of \$235.7 million, as compared with \$187.9 million in the prior year. Income from operations represented 12.7% of sales compared with 11.8% of sales in the prior year. Income from operations in 2021 included a \$4.0 million charge for acquisition-related expenses and \$1.1 million for asset write-downs and other restructuring costs.

During 2020, the Company recorded income from operations of \$187.9 million, as compared with \$208.7 million in the prior year. Income from operations represented 11.8% of sales compared with 11.7% of sales in the prior year. Income from operations in 2020 included a \$10.4 million charge related to litigation expenses associated with the bankruptcy of Novinda Corp, \$7.6 million for asset write-downs and severance-related costs, \$4.0 million related to system restoration and risk mitigation following a ransomware attack on certain of the Company's information technology systems and \$3.1 million of acquisition-related expenses.

Non-Operating Income (Deductions)

The Company recorded non-operating deductions, net of \$33.4 million in 2021 as compared with \$49.9 million in the previous year.

Included in non-operating deductions was net interest expense of \$37.2 million in 2021 as compared to \$38.2 million in the prior year, primarily due to lower interest rates. Additionally, the Company recorded at \$1.8 million non-cash pension settlement charge relating to some of the Company's retirement plans in the United States.

Included in non-operating deductions was net interest expense of \$38.2 million in 2020 as compared to \$43.2 million in the prior year, as a result of lower debt balances due to principal repayments and lower interest rates. Additionally, the Company recorded at \$6.4 million non-cash pension settlement charge relating to one of the Company's retirement plans in the United States.

Provision for Taxes on Income

Provision for taxes was \$36.6 million, \$24.4 million and \$22.8 million in 2021, 2020 and 2019, respectively. The effective tax rates were 18.1%, 17.7% and 14.5% during 2021, 2020 and 2019, respectively.