UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended July 1, 2018

or

☐ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from to

Commission file number 001-11499

WATTS WATER TECHNOLOGIES, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	**04-2916536** (I.R.S. Employer Identification No.)
815 Chestnut Street, North Andover, MA (Address of Principal Executive Offices)	**01845** (Zip Code)

Registrant's Telephone Number, Including Area Code: **(978) 688-1811**

(Former Name, Former Address and Former Fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at July 25 , 2018
Class A Common Stock, $0.10 par value	27,804,706
Class B Common Stock, $0.10 par value	6,329,290

WATTS WATER TECHNOLOGIES, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

WATTS WATER TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Amounts in millions, except share information)
(Unaudited)

	July 1, 2018	December 31, 2017
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	**$ 142.6**	$ 280.2
Trade accounts receivable, less allowance for doubtful accounts of $15.7 million at July 1, 2018 and $14.3 million at December 31, 2017	**248.2**	216.1
Inventories, net		
Raw materials	**88.5**	81.8
Work in process	**19.8**	17.5
Finished goods	**173.9**	159.8
Total Inventories	**282.2**	259.1
Prepaid expenses and other current assets	**34.7**	26.7
Assets held for sale	**1.4**	1.5
Total Current Assets	**709.1**	783.6
PROPERTY, PLANT AND EQUIPMENT		
Property, plant and equipment, at cost	**529.0**	525.8
Accumulated depreciation	**(332.8)**	(327.3)
Property, plant and equipment, net	**196.2**	198.5
OTHER ASSETS:		
Goodwill	**546.5**	550.5
Intangible assets, net	**174.3**	185.2
Deferred income taxes	**2.0**	1.6
Other, net	**19.2**	17.1
TOTAL ASSETS	**$ 1,647.3**	$ 1,736.5
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	**$ 120.1**	$ 123.8
Accrued expenses and other liabilities	**116.5**	125.8
Accrued compensation and benefits	**46.4**	55.3
Current portion of long-term debt	**26.2**	22.5
Total Current Liabilities	**309.2**	327.4
LONG-TERM DEBT, NET OF CURRENT PORTION	**383.0**	474.6
DEFERRED INCOME TAXES	**49.5**	55.2
OTHER NONCURRENT LIABILITIES	**47.4**	50.3
STOCKHOLDERS' EQUITY:		
Preferred Stock, $0.10 par value; 5,000,000 shares authorized; no shares issued or outstanding	—	—
Class A common stock, $0.10 par value; 80,000,000 shares authorized; 1 vote per share; issued and outstanding, 27,803,429 shares at July 1, 2018 and 27,724,192 shares at December 31, 2017	**2.8**	2.8
Class B common stock, $0.10 par value; 25,000,000 shares authorized; 10 votes per share; issued and outstanding, 6,329,290 shares at July 1, 2018 and 6,379,290 shares at December 31, 2017	**0.6**	0.6
Additional paid-in capital	**559.6**	551.8
Retained earnings	**407.4**	372.9
Accumulated other comprehensive loss	**(112.2)**	(99.1)
Total Stockholders' Equity	**858.2**	829.0
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 1,647.3**	$ 1,736.5

See accompanying notes to consolidated financial statements.

WATTS WATER TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in millions, except per share information)
(Unaudited)

	Second Quarter Ended		Six Months Ended	
	July 1, 2018	**July 2, 2017**	**July 1, 2018**	**July 2, 2017**
Net sales	**$ 407.9**	$ 378.5	**$ 786.4**	$ 725.7
Cost of goods sold	**238.5**	221.8	**460.3**	425.2
GROSS PROFIT	**169.4**	156.7	**326.1**	300.5
Selling, general and administrative expenses	**117.2**	110.2	**230.0**	217.8
Restructuring	**—**	1.7	**—**	2.2
OPERATING INCOME	**52.2**	44.8	**96.1**	80.5
Other (income) expense:				
Interest income	**(0.1)**	(0.2)	**(0.5)**	(0.4)
Interest expense	**4.4**	5.0	**8.7**	9.8
Other (income) expense, net	**(1.8)**	0.2	**(1.1)**	0.5
Total other expense	**2.5**	5.0	**7.1**	9.9
INCOME BEFORE INCOME TAXES	**49.7**	39.8	**89.0**	70.6
Provision for income taxes	**13.7**	12.6	**24.8**	21.7
NET INCOME	**$ 36.0**	$ 27.2	**$ 64.2**	$ 48.9
Basic EPS				
NET INCOME PER SHARE	**$ 1.05**	$ 0.79	**$ 1.87**	$ 1.42
Weighted average number of shares	**34.4**	34.5	**34.4**	34.5
Diluted EPS				
NET INCOME PER SHARE	**$ 1.05**	$ 0.79	**$ 1.87**	$ 1.42
Weighted average number of shares	**34.4**	34.5	**34.4**	34.5
Dividends declared per share	**$ 0.21**	$ 0.19	**$ 0.40**	$ 0.37

See accompanying notes to consolidated financial statements.

WATTS WATER TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in millions)
(Unaudited)

	Second Quarter Ended		Six Months Ended	
	July 1, 2018	**July 2, 2017**	**July 1, 2018**	**July 2, 2017**
Net income	**$ 36.0**	$ 27.2	**$ 64.2**	$ 48.9
Other comprehensive (loss) income, net of tax:				
Foreign currency translation adjustments	**(26.6)**	21.5	**(16.9)**	29.4
Cash flow hedges	**1.0**	(0.7)	**3.8**	(0.6)
Other comprehensive (loss) income	**(25.6)**	20.8	**(13.1)**	28.8
Comprehensive income	**$ 10.4**	$ 48.0	**$ 51.1**	$ 77.7

See accompanying notes to consolidated financial statements.

WATTS WATER TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in millions)
(Unaudited)

	Six Months Ended	
	July 1, 2018	**July 2, 2017**
OPERATING ACTIVITIES		
Net income	**$ 64.2**	$ 48.9
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	**14.3**	14.6
Amortization of intangibles	**10.7**	11.1
Loss on disposal and impairment of intangibles, property, plant and equipment and other	**—**	0.6
Stock-based compensation	**6.3**	6.9
Deferred income tax	**(5.3)**	2.3
Changes in operating assets and liabilities, net of effects from business acquisitions and divestures:		
Accounts receivable	**(35.2)**	(41.5)
Inventories	**(27.4)**	(13.1)
Prepaid expenses and other assets	**(7.0)**	2.6
Accounts payable, accrued expenses and other liabilities	**(19.1)**	(23.4)
Net cash provided by operating activities	**1.5**	9.0
INVESTING ACTIVITIES		
Additions to property, plant and equipment	**(15.2)**	(11.0)
Proceeds from the sale of property, plant and equipment	**—**	0.1
Net proceeds from the sale of assets, and other	**0.2**	1.9
Business acquisitions, net of cash acquired and other	**(1.8)**	0.1
Net cash used in investing activities	**(16.8)**	(8.9)
FINANCING ACTIVITIES		
Proceeds from long-term borrowings	**45.0**	20.0
Payments of long-term debt	**(133.2)**	(126.3)
Payment of capital leases and other	**(5.2)**	(4.3)
Proceeds from share transactions under employee stock plans	**—**	0.5
Payments to repurchase common stock	**(10.8)**	(9.0)
Dividends	**(13.9)**	(12.8)
Net cash used in financing activities	**(118.1)**	(131.9)
Effect of exchange rate changes on cash and cash equivalents	**(4.2)**	10.9
DECREASE IN CASH AND CASH EQUIVALENTS	**(137.6)**	(120.9)
Cash and cash equivalents at beginning of year	**280.2**	338.4
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**$ 142.6**	$ 217.5
NON CASH INVESTING AND FINANCING ACTIVITIES		
Acquisition of businesses:		
Fair value of assets acquired	**$ 4.1**	$ —
Cash paid, net of cash acquired	**1.7**	—
Liabilities assumed	**$ 2.4**	$ —
Issuance of stock under management stock purchase plan	**$ 0.7**	$ 1.0
CASH PAID FOR:		
Interest	**$ 9.8**	$ 9.5
Income taxes	**$ 35.4**	$ 20.9

See accompanying notes to consolidated financial statements.

WATTS WATER TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included in the Watts Water Technologies, Inc. (the Company) Consolidated Balance Sheet as of July 1, 2018, the Consolidated Statements of Operations for the second quarters and six months ended July 1, 2018 and July 2, 2017, the Consolidated Statements of Comprehensive Income for the second quarters and six months ended July 1, 2018 and July 2, 2017, and the Consolidated Statements of Cash Flows for the six months ended July 1, 2018 and July 2, 2017.

The consolidated balance sheet at December 31, 2017 has been derived from the audited consolidated financial statements at that date. The accounting policies followed by the Company are described in the Company's Annual Report on Form 10-K for the year ended December 31, 2017. The financial statements included in this report should be read in conjunction with the consolidated financial statements and notes included in the Annual Report on Form 10-K for the year ended December 31, 2017. Operating results for the interim periods presented are not necessarily indicative of the results to be expected for the year ending December 31, 2018.

The Company operates on a 52-week fiscal year ending on December 31. Any quarterly data contained in this Quarterly Report on Form 10-Q generally reflect the results of operations for a 13-week period.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Accounting Policies

The significant accounting policies used in preparation of these consolidated financial statements for the three and six months ended July 1, 2018 are consistent with those discussed in Note 2 of the Notes to Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2017, with the exception of the Company's change in its Revenue Recognition accounting policy resulting from the adoption of ASC 606 described herein.

Revenue Recognition

On January 1, 2018, the Company adopted the accounting standard ASC 606, Revenue from Contracts with Customers and all the related amendments ("new revenue standard" or "ASU 2014-09") to all contracts using the modified retrospective method. The adoption of ASU 2014-09 was not material to the Company and as such, there was no cumulative effect upon the January 1, 2018 adoption date. As the impact of the new revenue standard is not material to the Company, there is no pro-forma disclosure presented for the three and six months ended July 1, 2018. The Company expects the impact of the adoption of the new standard to be immaterial to the Company's financial statements on an ongoing basis.

The Company recognizes revenue under the core principle to depict the transfer of control to the Company's customers in an amount reflecting the consideration the Company expects to be entitled. In order to achieve that core principle, the Company applies the following five step approach: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when a performance obligation is satisfied.

The Company's revenue for product sales is recognized on a point in time model, at the point control transfers to the customer, which is generally when products are shipped from the Company's manufacturing or distribution facilities or when delivered to the customer's named location. Sales tax, value-added tax, or other taxes collected concurrent with revenue producing activities are excluded from revenue. Freight costs billed to customers for shipping and handling activities are included in revenue with the related cost included in selling, general and administrative expenses. See Note 3 for further disclosures and detail regarding revenue recognition.

Other Recently Adopted Accounting Standards

In February 2018, the FASB issued ASU 2018-02 "Income Statement-Reporting Comprehensive Income." ASU 2018-02 provides guidance on the reclassification of certain tax effects from the 2017 Tax Cuts and Jobs Act ("2017 Tax Act") from accumulated other comprehensive income. Current generally accepted accounting principles requires deferred tax liabilities and deferred tax assets to be adjusted for the effect of a change in tax laws or tax rates, with that effect included in income from operations in the period of enactment. This included the income tax effects of items in accumulated other comprehensive income. This guidance allows a reclassification from accumulated other comprehensive income to retained earnings for the tax effects on items in accumulated other comprehensive income related to the change in tax rates from the Tax Cuts and Jobs Act. This standard is effective for all entities for fiscal years beginning after December 15, 2018, including interim periods within that reporting period. Early adoption of this standard is permitted. The Company adopted this standard in the first quarter of 2018, and it did not have a material impact on the Company's financial statements.

In October 2016, the FASB issued ASU 2016-16 "Intra-Entity Transfers of Assets Other than Inventory." ASU 2016-16 provides guidance on the timing of recognition of tax consequences of an intra-entity transfer of an asset other than inventory. The Company adopted the provision of this ASU during the first quarter of 2018, using the modified retrospective approach through a cumulative-effect adjustment to retained earnings as of the beginning of the quarter.
The adoption of this guidance did not have a material impact on the Company's financial statements.

Accounting Standards Updates

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." ASU 2016-02 requires a lessee to recognize in the statement of financial position a liability to make lease payments and a right-of-use asset representing the right to use the underlying asset for the lease term for both finance and operating leases. ASU 2016-02 is effective for financial statements issued for annual periods beginning after December 15, 2018 and all interim periods thereafter. Early adoption is permitted for all entities. The Company plans to adopt this standard effective January 1, 2019, using the modified retrospective approach. The Company is continuing to evaluate the new lease standard, and has begun to design the necessary changes to its existing processes and has identified system requirements that will be required to implement this new standard. The Company has a variety of categories of lease arrangements, including real estate, automobiles, manufacturing equipment, facility equipment, office equipment and certain service arrangements. The Company is currently reviewing its leasing arrangements in order to evaluate the impact of this standard on the Company's financial statements. The Company does not expect a significant change in its leasing activity between now and adoption. The Company is unable to quantify the impact of adoption at this time, however the Company expects the primary impact to its consolidated financial position upon adoption will be the recognition, on a discounted basis, of its minimum commitments under non-cancelable operating leases on its consolidated balance sheets resulting in the recording of right-of-use assets and lease obligations. The Company currently does not expect ASC 842 to have a material effect on either its consolidated statement of operations or consolidated statement of cash flow.

Shipping and Handling

Shipping and handling costs included in selling, general and administrative expenses amounted to $14.7 million and $13.0 million for the second quarters of 2018 and 2017, respectively, and were $27.9 million and $25.0 million for the first six months of 2018 and 2017, respectively.

Research and Development

Research and development costs included in selling, general and administrative expenses amounted to $8.3 million and $7.2 million for the second quarters of 2018 and 2017, respectively, and were $16.8 million and $14.3 million for the first six months of 2018 and 2017, respectively.

3. Revenue Recognition

The Company is a leading supplier of products that manage and conserve the flow of fluids and energy into, through and out of buildings in the residential and commercial markets of the Americas, Europe, and Asia‑Pacific, Middle East, and Africa ("APMEA"). For over 140 years, the Company has designed and produced valve systems that safeguard and regulate water systems, energy efficient heating and hydronic systems, drainage systems and water filtration technology that helps purify and conserve water.

The Company distributes products through four primary distribution channels: wholesale, original equipment manufacturers (OEMs), specialty, and do-it-yourself (DIY). The Company operates in three geographic segments: Americas, Europe, and APMEA. Each of these segments sells similar products, which are comprised of the following principal product lines:

- Residential & commercial flow control products—includes products typically sold into plumbing and hot water applications such as backflow preventers, water pressure regulators, temperature and pressure relief valves, and thermostatic mixing valves.
- HVAC & gas products—includes commercial high‑efficiency boilers, water heaters and heating solutions, hydronic and electric heating systems for under‑floor radiant applications, custom heat and hot water solutions, hydronic pump groups for boiler manufacturers and alternative energy control packages, and flexible stainless steel connectors for natural and liquid propane gas in commercial food service and residential applications. HVAC is an acronym for heating, ventilation and air conditioning.
- Drainage & water re‑use products—includes drainage products and engineered rain water harvesting solutions for commercial, industrial, marine and residential applications.
- Water quality products—includes point‑of‑use and point‑of‑entry water filtration, conditioning and scale prevention systems for both commercial and residential applications.

The following table disaggregates our revenue, which is presented as net sales in the financial statements, for each reportable segment, by distribution channel and principal product line:

	For the quarter ended July 1, 2018 (in millions)				For the six months ended July 1, 2018 (in millions)			
	Americas	Europe	APMEA	Consolidated	Americas	Europe	APMEA	Consolidated
Distribution Channel								
Wholesale	$ 150.6	$ 78.5	$ 16.9	$ 246.0	$ 287.2	$ 161.2	$ 29.6	$ 478.0
OEM	20.1	37.9	0.3	58.3	39.2	77.4	0.8	117.4
Specialty	86.1	—	1.6	87.7	153.7	—	2.8	156.5
DIY	15.2	0.7	—	15.9	33.0	1.5	—	34.5
Total	$ 272.0	$ 117.1	$ 18.8	$ 407.9	$ 513.1	$ 240.1	$ 33.2	$ 786.4

	For the quarter ended July 1, 2018 (in millions)				For the six months ended July 1, 2018 (in millions)			
Principal Product Line	Americas	Europe	APMEA	Consolidated	Americas	Europe	APMEA	Consolidated
Residential & Commercial Flow Control	$ 151.0	$ 44.7	$ 13.2	$ 208.9	$ 290.9	$ 92.0	$ 22.7	$ 405.6
HVAC and Gas Products	80.6	49.4	5.0	135.0	143.1	103.3	9.3	255.7
Drainage and Water Re-use Products	18.9	22.6	0.4	41.9	35.4	44.2	0.7	80.3
Water Quality Products	21.5	0.4	0.2	22.1	43.7	0.6	0.5	44.8
Total	$ 272.0	$ 117.1	$ 18.8	$ 407.9	$ 513.1	$ 240.1	$ 33.2	$ 786.4

The Company considers customer purchase orders, which in some cases are governed by master sales agreements, to represent the contract with a customer. The Company's contracts with customers are generally for products only and typically do not include other performance obligations such as professional services, extended warranties, or other material rights. In situations where sales are to a distributor, the Company has concluded that its contracts are with the distributor as the Company holds a contract bearing enforceable rights and obligations only with the distributor. As part of its consideration of the contract, the Company evaluates certain factors including the customer's ability to pay (or credit risk). For each contract, the Company considers the promise to transfer products, each of which is distinct, to be the identified performance obligations. In determining the transaction price, the Company evaluates whether the price is subject to refund or adjustment to determine the net consideration to which the Company expects to be entitled. As the Company's standard payment terms are less than one year, the Company has elected the practical expedient under ASC 606-10-32-18 not to assess whether a contract has a significant financing component. The Company allocates the transaction price to each distinct product based on its relative standalone selling price. The product price as specified on the purchase order is considered the standalone selling price as it is an observable input which depicts the price as if sold to a similar customer in similar circumstances. Revenue is recognized when control of the product is transferred to the customer (i.e., when the Company's performance obligation is satisfied), which typically occurs at shipment from the Company's manufacturing site or distribution center, or delivery to the customer's named location. In certain circumstances, revenue from shipments to retail customers is recognized only when the product is consumed by the customer, as based on the terms of the arrangement, transfer of control is not satisfied until that point in time. In determining whether control has transferred, the Company considers if there is a present right to payment, physical possession and legal title, along with risks and rewards of ownership having transferred to the customer. In certain circumstances, the Company manufactures customized product without alternative use for its customers. However, as these arrangements do not entitle the Company a right to payment of cost plus a profit for work completed, the Company has concluded that revenue recognition at the point in time control transfers is appropriate and not over time recognition.

At times, the Company receives orders for products to be delivered over multiple dates that may extend across reporting periods. The Company invoices for each delivery upon shipment and recognizes revenues for each distinct product delivered, assuming transfer of control has occurred. As scheduled delivery dates are within one year, under the optional exemption provided by ASC 606-10-50-14 revenues allocated to future shipments of partially completed contracts are not disclosed.

The Company generally provides an assurance warranty that its products will substantially conform to the published specification. The Company's liability is limited to either a credit equal to the purchase price or replacement of the defective part. Returns under warranty have historically been immaterial. The Company does not consider activities related to such warranty, if any, to be a separate performance obligation. For certain of its products, the Company will separately sell extended warranty and service policies to its customers. The Company considers the sale of the extended warranty a separate performance obligation. These policies typically are for periods ranging from one to three years. Payments received are deferred and recognized over the policy period. For all periods presented, the revenue recognized and the revenue deferred under these policies is not material to the consolidated financial statements.

The timing of revenue recognition, billings and cash collections from the Company's contracts with customers can vary based on the payment terms and conditions in the customer contracts. In some cases, customers will partially prepay for their goods; in other cases, after appropriate credit evaluations, payment is due in arrears. In addition, there are constraints which cause variability in the ultimate consideration to be recognized. These constraints typically include early payment discounts, volume rebates, rights of return, cooperative advertising, and market development funds. The Company includes these constraints in the estimated transaction price when there is a basis to reasonably estimate the amount of variable consideration. These estimates are based on historical experience, anticipated future performance and the Company's best judgment at the time. When the timing of the Company's recognition of revenue is different from the timing of payments made by the customer, the Company recognizes either a contract asset (performance precedes contractual due date) or a contract liability (customer payment precedes performance). Contracts with payment in arrears are recognized as receivables. The opening and closing balances of the Company's contract assets and contract liabilities are as follows:

	Contract Assets	Contract Liabilities - Current	Contract Liabilities - Noncurrent
		(in millions)	
Balance - January 1, 2018	**$ 0.6**	**$ 11.3**	**$ 2.1**
Change in period	**1.1**	**0.2**	**0.3**
Balance - April 1, 2018	**$ 1.7**	**$ 11.5**	**$ 2.4**
Change in period	**(0.3)**	**0.1**	**0.3**
Balance - July 1, 2018	**$ 1.4**	**$ 11.6**	**$ 2.7**

The amount of revenue recognized during the three and six months ended July 1, 2018 that was included in the opening contract liability balance was $3.2 million and $6.1 million, respectively. This revenue consists primarily of revenue recognized for shipments of product which had been prepaid as well as the amortization of extended warranty and service policy revenue. The Company did not recognize any material revenue from obligations satisfied in prior periods.

The change in Contract Liabilities is not material for the three and six months ended July 1, 2018. There were no impairment losses related to Contract Assets for the six months ended July 1, 2018.

The Company incurs costs to obtain and fulfill a contract; however, the Company has elected the practical expedient under ASC 340-40-24-4 to recognize all incremental costs to obtain a contract as an expense when incurred if the amortization period is one year or less. The Company has elected to treat shipping and handling activities performed after the customer has obtained control of the related goods as a fulfillment cost and the related cost is accrued for in conjunction with the recording of revenue for the goods.

4. Income Taxes

The 2017 Tax Act was enacted on December 22, 2017 and has resulted in significant changes to the U.S. corporate income tax system. These changes include (1) lowering the U.S. corporate income tax rate from 35% to 21%, (2) implementing a base erosion and anti-abuse tax, (3) generally eliminating U.S. federal income taxes on dividends from foreign subsidiaries, (4) a new provision designed to tax global intangible low-taxed income (“GILTI”) of foreign subsidiaries, which allows for the possibility of utilizing foreign tax credits to offset the tax liability (subject to limitations), (5) a lower effective U.S. tax rate on certain revenues from sources outside the U.S., and (6) a one-time mandatory deemed repatriation tax (“Toll Tax”) on foreign subsidiaries’ previously untaxed accumulated foreign earnings.

In the period ended December 31, 2017, the Company recorded a provisional tax expense of $25.1 million related to the 2017 Tax Act, which included a $23.3 million charge for the Toll Tax. For the six months ended July 1, 2018, the Company has not recorded any additional provisional expense or benefit related to the 2017 Tax Act.

In December 2017, the SEC staff issued Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act (SAB 118), which allows companies to record provisional amounts during a measurement period not to extend beyond one year of the enactment date. These provisional amounts may be impacted by further analysis and future clarification and guidance regarding available tax accounting methods and elections, earnings and profits computations, foreign tax credit computations, and state tax conformity to federal tax changes. When the Company refines these provisional amounts, any adjustments will be recorded in the period completed. The final analysis may be different from the Company’s current provisional amounts, which could materially affect the Company’s tax obligations and effective tax rate in the period or periods in which the adjustments are made.

As of July 1, 2018, the amounts recorded for the 2017 Tax Act remain provisional for the Toll Tax, the remeasurement of deferred taxes, and gross foreign tax credit carryforwards and related valuation allowances to offset foreign tax credit carryforwards. Given the complexity of the 2017 Tax Act, the Company continues to gather the detailed information required to complete the accounting and evaluate the tax impact. Further, the Company has not yet determined its policy election with respect to whether to record deferred taxes for basis differences expected to reverse as a result of the GILTI provisions in future periods or use the period cost method.

Due to the complexity of the new GILTI tax rules, the Company has included an estimate of the current GILTI impact in the Company’s tax provision for 2018. The Company’s GILTI estimate may be revised in future periods as the Company obtains additional data, and as the IRS issues new guidance on implementing the 2017 Tax Act.

5. Goodwill & Intangibles

The Company operates in three geographic segments: Americas, Europe, and APMEA. The changes in the carrying amount of goodwill by geographic segment are as follows:

	July 1, 2018							
	Gross Balance				Accumulated Impairment Losses			Net Goodwill
	Balance January 1, 2018	Acquired During the Period (1)	Foreign Currency Translation and Other	Balance July 1, 2018	Balance January 1, 2018	Impairment Loss During the Period	Balance July 1, 2018	July 1, 2018
	(in millions)							
Americas	**$ 437.4**	**1.5**	**(0.5)**	**438.4**	**$ (24.5)**	**—**	**(24.5)**	**413.9**
Europe	**249.3**	**—**	**(4.2)**	**245.1**	**(129.7)**	**—**	**(129.7)**	**115.4**
APMEA	**30.9**	**—**	**(0.8)**	**30.1**	**(12.9)**	**—**	**(12.9)**	**17.2**
Total	**$ 717.6**	**1.5**	**(5.5)**	**713.6**	**$ (167.1)**	**—**	**(167.1)**	**546.5**

	December 31, 2017							
	Gross Balance				Accumulated Impairment Losses			Net Goodwill
	Balance January 1, 2017	Acquired During the Period	Foreign Currency Translation and Other	Balance December 31, 2017	Balance January 1, 2017	Impairment Loss During the Period	Balance December 31, 2017	December 31, 2017
	(in millions)							
Americas	$ 434.7	2.0	0.7	437.4	$ (24.5)	—	(24.5)	412.9
Europe	234.9	—	14.4	249.3	(129.7)	—	(129.7)	119.6
APMEA	30.2	—	0.7	30.9	(12.9)	—	(12.9)	18.0
Total	$ 699.8	2.0	15.8	717.6	$ (167.1)	—	(167.1)	550.5

(1) Americas goodwill additions during the first six months of 2018 relate to immaterial acquisitions.

Intangible assets include the following:

	July 1, 2018			December 31, 2017		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(in millions)					
Patents	**$ 16.1**	**$ (15.7)**	**$ 0.4**	$ 16.1	$ (15.4)	$ 0.7
Customer relationships	**233.1**	**(141.1)**	**92.0**	233.2	(133.5)	99.7
Technology	**54.6**	**(25.1)**	**29.5**	53.9	(23.1)	30.8
Trade names	**26.0**	**(10.7)**	**15.3**	25.5	(9.7)	15.8
Other	**4.3**	**(3.5)**	**0.8**	6.9	(6.0)	0.9
Total amortizable intangibles	**334.1**	**(196.1)**	**138.0**	335.6	(187.7)	147.9
Indefinite-lived intangible assets	**36.3**	**—**	**36.3**	37.3	—	37.3
	$ 370.4	**$ (196.1)**	**$ 174.3**	$ 372.9	$ (187.7)	$ 185.2

Aggregate amortization expense for amortized intangible assets for the second quarters of 2018 and 2017 was $5.1 million and $5.6 million, respectively, and for the first six months of 2018 and 2017, was $10.7 million and $11.1 million, respectively.

6. Financial Instruments and Derivative Instruments

Fair Value

The carrying amounts of cash and cash equivalents, trade receivables and trade payables approximate fair value because of the short maturity of these financial instruments.

The fair value of the Company's 5.05% senior notes due 2020 is based on quoted market prices of similar notes (level 2). The fair value of the Company's borrowings outstanding under the Credit Agreement and the Company's variable rate debt approximates its carrying value. The carrying amount and the estimated fair market value of the Company's long-term debt, including the current portion, are as follows:

	July 1, 2018	December 31, 2017
	(in millions)	
Carrying amount	**$ 411.3**	$ 499.5
Estimated fair value	**$ 412.0**	$ 501.1

Financial Instruments

The Company measures certain financial assets and liabilities at fair value on a recurring basis, including deferred compensation plan assets and related liabilities, redeemable financial instruments, and derivatives. The fair values of these financial assets and liabilities were determined using the following inputs at July 1, 2018 and December 31, 2017:

	Fair Value Measurement at July 1, 2018 Using:			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(in millions)			
Assets				
Plan asset for deferred compensation(1)	**$** 3.0	**$** 3.0	**$** —	**$** —
Interest rate swaps (1)	**$** 8.8	**$** —	**$** 8.8	**$** —
Designated foreign currency hedge (2)	$ 0.3	$ —	$ 0.3	$ —
Total assets	**$ 12.1**	**$ 3.0**	**$ 9.1**	**$** —
Liabilities				
Plan liability for deferred compensation(3)	**$** 3.0	**$** 3.0	**$** —	**$** —
Redeemable financial instrument(4)	**$** 2.8	**$** —	**$** —	**$** 2.8
Total liabilities	**$ 5.8**	**$ 3.0**	**$** —	**$ 2.8**

	Fair Value Measurements at December 31, 2017 Using:			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(in millions)			
Assets				
Plan asset for deferred compensation(1)	$ 3.2	$ 3.2	$ —	$ —
Interest rate swaps (1)	$ 5.6	$ —	$ 5.6	$ —
Total assets	$ 8.8	$ 3.2	$ 5.6	$ —
Liabilities				
Plan liability for deferred compensation(3)	$ 3.2	$ 3.2	$ —	$ —
Redeemable financial instrument(4)	2.9	—	—	2.9
Total liabilities	$ 6.1	$ 3.2	$ —	$ 2.9

(1) Included on the Company's consolidated balance sheet in other assets (other, net).

(2) Included on the Company's consolidated balance sheet in prepaid expenses and other current assets.

(3) Included on the Company's consolidated balance sheet in accrued compensation and benefits.

(4) Included on the Company's consolidated balance sheet in other current liabilities and relates to a mandatorily redeemable equity instrument as part of the Apex Valves Limited ("Apex") acquisition in 2015.

The table below provides a summary of the changes in fair value of all financial assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the period December 31, 2017 to July 1, 2018.

	Balance December 31, 2017	Settlements	Purchases	Total realized and unrealized (gains) losses included in: Net earnings adjustments	Comprehensive income	Balance July 1, 2018
			(in millions)			
Redeemable financial instrument	$ 2.9	—	$ —	—	$ (0.1)	$ 2.8

In connection with the acquisition of Apex, a liability of $5.5 million was recognized on November 30, 2015 as the estimate of the acquisition date fair value of the mandatorily redeemable equity instrument. The Company acquired an additional 10% ownership in the second quarter of 2017 for approximately $2.9 million and now owns 90% of Apex outstanding shares. The remaining liability is classified as Level 3 under the fair value hierarchy as it is based on the commitment to purchase the remaining 10% of Apex shares within the next year, which is not observable in the market.

Cash equivalents consist of instruments with remaining maturities of three months or less at the date of purchase and consist primarily of money market funds, for which the carrying amount is a reasonable estimate of fair value.

The Company uses financial instruments from time to time to enhance its ability to manage risk, including foreign currency and commodity pricing exposures, which exist as part of its ongoing business operations. The use of derivatives exposes the Company to counterparty credit risk for nonperformance and to market risk related to changes in currency exchange rates and commodity prices. The Company manages its exposure to counterparty credit risk through diversification of counterparties. The Company's counterparties in derivative transactions are substantial commercial banks with significant experience using such derivative instruments. The impact of market risk on the fair value and cash flows of the Company's derivative instruments is monitored and the Company restricts the use of derivative financial instruments to hedging activities. The Company does not enter into contracts for trading purposes nor does the Company enter into any contracts for speculative purposes. The use of derivative instruments is approved by senior management under written guidelines.

Interest Rate Swaps

On February 12, 2016, the Company entered into a Credit Agreement (the "Credit Agreement") pursuant to which it received a funding commitment under a Term Loan of $300 million, of which the entire $300 million has been drawn on, and a Revolving Commitment ("Revolver") of $500 million, of which $70.0 million had been drawn as of July 1, 2018. Both facilities mature on February 12, 2021. For each facility, the Company can choose either an Adjusted LIBOR or Alternative Base Rate ("ABR"). Upon intended election of Adjusted LIBOR as the interest rate, the Term Loan has quarterly interest payments that began in May 2016, quarterly principal repayments that commenced on March 31, 2017, with a balloon payment of principal on maturity date. The Revolver has quarterly interest payments.

Accordingly, the Company's earnings and cash flows are exposed to interest rate risk from changes in Adjusted LIBOR. In order to manage the Company's exposure to changes in cash flows attributable to fluctuations in LIBOR-indexed interest payments related to the Company's floating rate debt, the Company entered into two interest rate swaps. For each interest rate swap, the Company receives the three-month USD-LIBOR subject to a 0% floor, and pays a fixed rate of 1.31375% on a notional amount of $225.0 million. The swaps mature on February 12, 2021. The Company formally documents the hedge relationships at hedge inception to ensure that its interest rate swaps qualify for hedge accounting. On a quarterly basis, the Company assesses whether the interest rate swaps are highly effective in offsetting changes in the cash flow of the hedged item. The Company does not hold or issue interest rate swaps for trading purposes. The swaps are designated as cash flow hedges. For the three and six months ended July 1, 2018, a gain of $0.5 million and $2.4 million, respectively, was recorded in Accumulated Other Comprehensive Income to recognize the effective portion of the fair value of interest rate swaps that qualify as a cash flow hedge. For the three and six months ended July 2, 2017, a loss of $0.8 million and $0.6 million, respectively, was recorded in Accumulated Other Comprehensive Income to recognize the effective portion of the fair value of interest rate swaps that qualify as a cash flow hedge.

Designated Foreign Currency Hedges

The Company's foreign subsidiaries transact most business, including certain intercompany transactions in foreign currencies. Such transactions are principally purchases or sales of materials. The Company has exposure to a number of foreign currencies, including the Canadian Dollar, the euro, and the Chinese Yuan. Beginning in the first quarter of 2018, the Company has used a layering methodology, whereby at the end of each quarter, the Company enters into forward exchange contracts which hedge approximately 70% of the forecasted intercompany purchase transactions between one of the Company's Canadian and U.S. operating subsidiaries for the next twelve months. As of July 1, 2018, all designated foreign exchange hedge contracts were cash flow hedges under ASC 815, *Derivatives and Hedging* ("ASC 815"). The Company records the effective portion of the designated foreign currency hedge contracts in other comprehensive income until inventory turns and is sold to a third-party. Once the third-party transaction occurs associated with the hedged forecasted transaction, the effective portion of any related gain or loss on the designated foreign currency hedge will be reclassified into earnings. In the event the notional amount of the derivatives exceeds the forecasted intercompany purchases for a given month, the excess hedge position will be attributed to the following month's forecasted purchases. However, if the following month's forecasted purchases cannot absorb the excess hedge position from the current month, the effective portion of the hedge recorded in other comprehensive income will be reclassified to earnings. The Company had designated foreign hedge contracts outstanding as of July 1, 2018 of $0.3 million. For the three and six months ended July 1, 2018, the amount expected to be reclassified into earnings from other comprehensive income in the next twelve months is not material to the financial statements.

7. Earnings per Share and Stock Repurchase Program

The following tables set forth the reconciliation of the calculation of earnings per share:

	For the Second Quarter Ended July 1, 2018			For the Second Quarter Ended July 2, 2017		
	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator)	Per Share Amount
	(Amounts in millions, except per share information)					
Basic EPS:						
Net income	**$ 36.0**	**34.4**	**$ 1.05**	$ 27.2	34.5	$ 0.79
Effect of dilutive securities:						
Common stock equivalents		—			—	
Diluted EPS:						
Net income	**$ 36.0**	**34.4**	**$ 1.05**	$ 27.2	34.5	$ 0.79

	For the Six Months Ended July 1, 2018			For the Six Months Ended July 2, 2017		
	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator)	Per Share Amount
	(Amounts in millions, except per share information)					
Basic EPS:						
Net income	**$ 64.2**	**34.4**	**$ 1.87**	$ 48.9	34.5	$ 1.42
Effect of dilutive securities:						
Common stock equivalents		—			—	
Diluted EPS:						
Net income	**$ 64.2**	**34.4**	**$ 1.87**	$ 48.9	34.5	$ 1.42

There were no options to purchase Class A common stock outstanding during the three and six months ended July 1, 2018 that would have been anti-dilutive. Options to purchase 0.1 million shares of Class A common stock were outstanding during the three and six months ended July 2, 2017 but were not included in the computation of diluted EPS because to do so would be anti-dilutive.

On July 27, 2015, the Company's Board of Directors authorized the repurchase of up to $100 million of the Company's Class A common stock from time to time on the open market or in privately negotiated transactions. In connection with this stock repurchase program, the Company entered into a Rule 10b5-1 plan, which permits shares to be repurchased when the Company might otherwise be precluded from doing so under insider trading laws. The repurchase program may be suspended or discontinued at any time, subject to the terms of the Rule 10b5-1 plan the Company entered into with respect to the repurchase program. As of July 1, 2018, there was approximately $27.0 million remaining authorized for share repurchases under this program.

The following table summarizes the cost and the number of shares of Class A common stock repurchased under the July 27, 2015 program during the three and six months ended July 1, 2018 and July 2, 2017:

	For the Second Quarter Ended July 1, 2018		For the Second Quarter Ended July 2, 2017	
	Number of shares repurchased	Cost of shares repurchased	Number of shares repurchased	Cost of shares repurchased
	(amounts in millions, except share amount)			
Total stock repurchased during the period:	**58,579**	**$ 4.5**	72,674	$ 4.5

	For the Six Months Ended July 1, 2018		For the Six Months Ended July 2, 2017	
	Number of shares repurchased	Cost of shares repurchased	Number of shares repurchased	Cost of shares repurchased
	(amounts in millions, except share amount)			
Total stock repurchased during the period:	**138,634**	**$ 10.8**	141,786	$ 9.0

8. Stock-Based Compensation

The Company maintains one stock incentive plan, the Second Amended and Restated 2004 Stock Incentive Plan (the "2004 Stock Incentive Plan"). The Company grants shares of restricted stock and deferred shares to key employees and stock awards to non-employee members of the Company's Board of Directors under the 2004 Stock Incentive Plan. Stock awards to non-employee members of the Company's Board of Directors vest immediately. Employees' restricted stock awards and deferred shares typically vest over a three-year period at the rate of one-third per year. The restricted stock awards and deferred shares are amortized to expense on a straight-line basis over the vesting period. The Company issued 115,422 and 115,408 shares of restricted stock awards and deferred shares during the first six months of 2018 and 2017, respectively.

The Company also grants performance stock units to key employees under the 2004 Stock Incentive Plan. Performance stock units cliff vest at the end of a three-year performance period set by the Compensation Committee of the Board of Directors at the time of grant. Upon vesting, the number of shares of the Company's Class A common stock awarded to each performance stock unit recipient will be determined based on the Company's performance relative to certain performance goals set at the time the performance stock units were granted. The recipient of a performance stock unit award may earn from zero shares to twice the number of target shares awarded to such recipient. The performance stock units are amortized to expense over the vesting period, and based on the Company's performance relative to the performance goals, may be adjusted. Changes to the estimated shares expected to vest will result in adjustments to the related share-based compensation expense that will be recorded in the period of change. If the performance goals are not met, no awards are earned and previously recognized compensation expense is reversed. The Company granted 94,215 and 98,812 of annual awards for performance stock units during the first six months of 2018 and 2017, respectively. The performance goals for the performance stock units are based on the compound annual growth rate of the Company's revenue over the three-year performance period and the Company's return on invested capital ("ROIC") for the third year of the performance period.

The Company also has a Management Stock Purchase Plan that allows for the granting of restricted stock units (RSUs) to key employees. On an annual basis, key employees may elect to receive a portion of their annual incentive compensation in RSUs instead of cash. Participating employees may use up to 50% of their annual incentive bonus to purchase RSUs for a purchase price equal to 80% of the fair market value of the Company's Class A common stock as of the date of grant. Upon vesting, each RSU is converted into one share of Class A common stock. RSUs vest either annually over a three-year period from the grant date or upon the third anniversary of the grant date. Receipt of the shares underlying RSUs is deferred for a minimum of three years, or such greater number of years as is chosen by the employee, from the date of grant. An aggregate of 2,000,000 shares of Class A common stock may be issued under the Management Stock Purchase Plan. The Company granted 36,208 RSU's and 47,222 RSU's during the first six months of 2018 and 2017, respectively.

The fair value of the 20% discount on each RSU issued under the Management Stock Purchase Plan is estimated on the date of grant, using the Black-Scholes-Merton Model, based on the following weighted average assumptions:

	2018	2017
Expected life (years)	**3.0**	3.0
Expected stock price volatility	**24.1 %**	25.0 %
Expected dividend yield	**1.0 %**	1.2 %
Risk-free interest rate	**2.4 %**	1.5 %

The risk-free interest rate is based upon the U.S. Treasury yield curve at the time of grant for the respective expected life of the RSUs. The expected life (estimated period of time outstanding) of RSUs and volatility were calculated using historical data. The expected dividend yield of stock is the Company's best estimate of the expected future dividend yield.

The above assumptions were used to determine the weighted average grant-date fair value on the discount of RSUs granted of $21.80 and $16.84 in 2018 and 2017, respectively.

A more detailed description of each of these plans can be found in Note 13 of the Notes to Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

9. Segment Information

The Company operates in three geographic segments: Americas, Europe, and APMEA. Each of these segments sells similar products and has separate financial results that are reviewed by the Company's chief operating decision-maker. Each segment earns revenue and income almost exclusively from the sale of its products . The Company sells its products into various end markets around the world, with sales by region based upon location of the entity recording the sale. See Note 3 for further detail on the product lines sold into by region. All intercompany sales transactions have been eliminated. The accounting policies for each segment are the same as those described in Note 2, and in Note 2 of the Notes to Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

The following is a summary of the Company's significant accounts and balances by segment, reconciled to its consolidated totals:

	Second Quarter Ended		Six Months Ended	
	July 1, 2018	July 2, 2017	July 1, 2018	July 2, 2017
	(in millions)			
Net Sales				
Americas	**$ 272.0**	$ 250.5	**$ 513.1**	$ 479.2
Europe	**117.1**	110.7	**240.1**	215.6
APMEA	**18.8**	17.3	**33.2**	30.9
Consolidated net sales	**$ 407.9**	$ 378.5	**$ 786.4**	$ 725.7
Operating income				
Americas	**$ 46.7**	$ 39.6	**$ 83.1**	$ 70.7
Europe	**12.9**	12.7	**27.8**	25.1
APMEA	**1.6**	1.8	**3.0**	2.8
Subtotal reportable segments	**61.2**	54.1	**113.9**	98.6
Corporate(*)	**(9.0)**	(9.3)	**(17.8)**	(18.1)
Consolidated operating income	**52.2**	44.8	**96.1**	80.5
Interest income	**(0.1)**	(0.2)	**(0.5)**	(0.4)
Interest expense	**4.4**	5.0	**8.7**	9.8
Other (income) expense, net	**(1.8)**	0.2	**(1.1)**	0.5
Income before income taxes	**$ 49.7**	$ 39.8	**$ 89.0**	$ 70.6
Capital Expenditures				
Americas	**$ 5.3**	$ 3.8	**$ 9.9**	$ 8.1
Europe	**2.2**	1.3	**4.7**	2.6
APMEA	**0.4**	0.1	**0.6**	0.3
Consolidated capital expenditures	**$ 7.9**	$ 5.2	**$ 15.2**	$ 11.0
Depreciation and Amortization				
Americas	**$ 7.2**	$ 8.0	**$ 14.3**	$ 15.1
Europe	**4.5**	4.6	**9.4**	8.9
APMEA	**0.6**	1.0	**1.3**	1.7
Consolidated depreciation and amortization	**$ 12.3**	$ 13.6	**$ 25.0**	$ 25.7
Identifiable assets (at end of period)				
Americas			**$ 1,027.3**	$ 1,077.0
Europe			**510.1**	523.2
APMEA			**109.9**	111.7
Consolidated identifiable assets			**$ 1,647.3**	$ 1,711.9
Property, plant and equipment, net (at end of period)				
Americas			**$ 111.6**	$ 106.0
Europe			**77.8**	78.4
APMEA			**6.8**	7.2
Consolidated property, plant and equipment, net			**$ 196.2**	$ 191.6

* Corporate expenses are primarily for administrative compensation expense, compliance costs, professional fees, including corporate-related legal and audit expenses, shareholder services and benefit administration costs.

The above operating segments are presented on a basis consistent with the presentation included in the Company's December 31, 2017 consolidated financial statements included in its Annual Report on Form 10-K.

The U.S. property, plant and equipment of the Company's Americas segment was $107.6 million and $102.3 million at July 1, 2018 and July 2, 2017, respectively.

The following includes U.S. net sales of the Company's Americas segment:

	Second Quarter Ended		Six Months Ended	
	July 1, 2018	July 2, 2017	July 1, 2018	July 2, 2017
	(in millions)			
U.S. net sales	**$ 254.3**	$ 234.9	**$ 479.5**	$ 448.6

The following includes intersegment sales for Americas, Europe and APMEA:

	Second Quarter Ended		Six Months Ended	
	July 1, 2018	July 2, 2017	July 1, 2018	July 2, 2017
	(in millions)			
Intersegment Sales				
Americas	**$ 3.4**	$ 3.6	**$ 6.0**	$ 6.4
Europe	**3.5**	4.0	**6.9**	7.9
APMEA	**24.7**	20.4	**41.4**	40.0
Intersegment sales	**$ 31.6**	$ 28.0	**$ 54.3**	$ 54.3

10. Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss consists of the following:

	Foreign Currency Translation	Cash Flow Hedges (1)	Accumulated Other Comprehensive Loss
	(in millions)		
Balance December 31, 2017	**$ (102.6)**	**$ 3.5**	**$ (99.1)**
Change in period	**9.7**	**2.8**	**12.5**
Balance April 1, 2018	**$ (92.9)**	**$ 6.3**	**$ (86.6)**
Change in period	**(26.6)**	**1.0**	**(25.6)**
Balance July 1, 2018	**$ (119.5)**	**$ 7.3**	**$ (112.2)**
Balance December 31, 2016	$ (153.7)	$ 2.9	$ (150.8)
Change in period	7.9	0.1	8.0
Balance April 02, 2017	$ (145.8)	$ 3.0	$ (142.8)
Change in period	21.5	(0.7)	20.8
Balance July 02, 2017	$ (124.3)	$ 2.3	$ (122.0)

(1) Cash flow hedges include interest rate swaps and designated foreign currency hedges. See Note 6 for further details.

11. Debt

On February 12, 2016, the Company entered into the Credit Agreement among the Company, certain subsidiaries of the Company who become borrowers under the Credit Agreement, JPMorgan Chase Bank, N.A., as Administrative Agent, Swing Line Lender and Letter of Credit Issuer, and the other lenders referred to therein. The Credit Agreement provides for a $500 million, five-year, senior unsecured revolving credit facility (the "Revolving Credit Facility") with a sublimit of up to $100 million in letters of credit. As of July 1, 2018, the Company had drawn $70.0 million on this line of credit. The Credit Agreement also provides for a $300 million, five-year, term loan facility (the "Term Loan Facility") available to the Company in a single draw, of which the entire $300 million had been drawn in February 2016. The Company had $266.3 million of borrowings outstanding on the Term Loan Facility as of July 1, 2018 and $288.8 million outstanding as of July 2, 2017. Borrowings outstanding under the Revolving Credit Facility bear interest at a fluctuating rate per annum equal to an applicable percentage defined as (i) in the case of Eurocurrency rate loans, the ICE Benchmark Administration LIBOR rate plus an applicable percentage, ranging from 0.975% to 1.45%, determined by reference to the Company's consolidated leverage ratio, or (ii) in the case of base rate loans and swing line loans, the highest of

(a) the federal funds rate plus 0.5%, (b) the rate of interest in effect for such day as announced by JPMorgan Chase Bank, N.A. as its "prime rate," and (c) the ICE Benchmark Administration LIBOR rate plus 1.0%, plus an applicable percentage, ranging from 0.00% to 0.45%, determined by reference to the Company's consolidated leverage ratio. Borrowings outstanding under the Term Loan Facility will bear interest at a fluctuating rate per annum equal to an applicable percentage defined as the ICE Benchmark Administration LIBOR rate plus an applicable percentage, ranging from 1.125% to 1.75%, determined by reference to the Company's consolidated leverage ratio. The interest rates as of July 1, 2018 on the Revolving Credit Facility and on the Term Loan Facility were 3.13% and 3.58%, respectively.

The loan under the Term Loan Facility amortizes as follows: 0% per annum during the first year, 7.5% in the second and third years, 10% in the fourth and fifth years, and the remaining unpaid balance paid in full on the maturity date. Payments when due are made ratably each year in quarterly installments. The Company paid total installments of $11.2 million during the first half of 2018. In addition to paying interest under the Credit Agreement, the Company is also required to pay certain fees in connection with the Revolving Credit Facility, including, but not limited to, an unused facility fee and letter of credit fees. The Credit Agreement matures on February 12, 2021, subject to extension under certain circumstances and subject to the terms of the Credit Agreement. The Company may repay loans outstanding under the Credit Agreement from time to time without premium or penalty, other than customary breakage costs, if any, and subject to the terms of the Credit Agreement. Once repaid, amounts borrowed under the Term Loan Facility may not be borrowed again.

The Company maintains letters of credit that guarantee its performance or payment to third parties in accordance with specified terms and conditions. Amounts outstanding were $25.8 million as of July 1, 2018 and $25.7 million as of July 2, 2017. The Company's letters of credit are primarily associated with insurance coverage. The Company's letters of credit generally expire within one year of issuance and are drawn down against the Revolving Credit Facility. These instruments may exist or expire without being drawn down. Therefore, they do not necessarily represent future cash flow obligations.

As of July 1, 2018, the Company had $404.2 million of unused and available credit under the Revolving Credit Facility and was in compliance with all covenants related to the Credit Agreement.

The Company is a party to a note agreement as further detailed in Note 11 of the Notes to Consolidated Financial Statements of the Annual Report on Form 10-K for the year ended December 31, 2017. This note agreement requires the Company to maintain a fixed charge coverage ratio of consolidated EBITDA plus consolidated rent expense during the period to consolidated fixed charges. Consolidated fixed charges are the sum of consolidated interest expense for the period and consolidated rent expense. As of July 1, 2018, the Company was in compliance with all covenants regarding this note agreement.

12. Contingencies and Environmental Remediation

The Company is a defendant in numerous legal matters arising from its ordinary course of operations, including those involving product liability, environmental matters, and commercial disputes.

Other than the items described below, significant commitments and contingencies at July 1, 2018 are consistent with those discussed in Note 15 of the Notes to Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

As of July 1, 2018, the Company estimates that the aggregate amount of reasonably possible loss in excess of the amount accrued for its legal contingencies is approximately $5.7 million pre-tax. With respect to the estimate of reasonably possible loss, management has estimated the upper end of the range of reasonably possible loss based on (i) the amount of money damages claimed, where applicable, (ii) the allegations and factual development to date, (iii) available defenses based on the allegations, and/or (iv) other potentially liable parties. This estimate is based upon currently available information and is subject to significant judgment and a variety of assumptions, and known and unknown uncertainties. The matters underlying the estimate will change from time to time, and actual results may vary significantly from the current estimate. In the event of an unfavorable outcome in one or more of the matters, the ultimate liability may be in excess of amounts currently accrued, if any, and may be material to the Company's operating results or cash flows for a particular quarterly or annual period. However, based on information currently known to it, management believes that the ultimate outcome of all matters, as they are resolved over time, is not likely to have a material adverse effect on the financial condition of the Company, though the outcome could be material to the Company's operating results for any particular period depending, in part, upon the operating results for such period.

Chemetco, Inc. Superfund Site, Hartford, Illinois

In August 2017, Watts Regulator Co. (a wholly-owned subsidiary of the Company) received a "Notice of Environmental Liability" from the Chemetco Site Group ("Group") alleging that it is a potentially responsible party for the Chemetco, Inc. Superfund Site in Hartford, Illinois (the Site) because it arranged for the disposal or treatment of hazardous substances that were contained in materials sent to the Site and that resulted in the release or threat of release of hazardous substances at the Site. As of August 2017, 162 companies were members of the Group. The letter offered Watts Regulator Co. the opportunity to join the Group and participate in the Remedial Investigation and Feasibility Study ("RI/FS") at the Site. Watts Regulator Co. joined the Group in September 2017 and was added in March 2018 as a signatory, together with 43 other new Group members, to the Administrative Settlement Agreement and Order on Consent with the United States Environmental Protection Agency ("USEPA") governing completion of the RI/FS. Based on information currently known to it, management believes that Watts Regulator Co.'s share of the costs of the RI/FS is not likely to have a material adverse effect on the financial condition of the Company, or have a material adverse effect on the Company's operating results for any particular period. In February 2018, the Group commenced suit in the United States District Court for the Southern District of Illinois seeking response costs from other potentially responsible parties for the Site. The Group has identified more than 2,000 additional potentially responsible parties to date. The Company is unable to estimate a range of reasonably possible loss for the above matter in which damages have not been specified because: (i) the RI/FS has not been completed to determine what remediation plan will be implemented and the costs of such plan; (ii) the total number of potentially responsible parties who may or may not agree to fund or perform any remediation has not yet been determined; (iii) the share contribution for potentially responsible parties to any remediation has not been determined; and (iv) the number of years required to complete the RI/FS and implement a remediation plan acceptable to USEPA is uncertain.

13. Subsequent Events

On July 30, 2018, the Company declared a quarterly dividend of twenty-one cents ($0.21) per share on each outstanding share of Class A common stock and Class B common stock payable on September 14, 2018 to stockholders of record on August 31, 2018.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

The following discussion and analysis are provided to increase the understanding of, and should be read in conjunction with, the accompanying unaudited consolidated financial statements and related notes. In this quarterly report on Form 10-Q, references to "the Company," "Watts," "we," "us" or "our" refer to Watts Water Technologies, Inc. and its consolidated subsidiaries.

We operate on a 52-week calendar year ending on December 31. Any quarterly data contained in this Quarterly Report on Form 10-Q generally reflect the results of operations for a 13-week period.

We are a leading supplier of products and solutions that conserve water and manage the flow of fluids and energy into, through and out of buildings in the residential and commercial markets in the Americas, Europe and APMEA. For over 140 years, we have designed and produced valve systems that safeguard and regulate water systems, energy efficient heating and hydronic systems, drainage systems and water filtration technology that helps purify and conserve water. We earn revenue and income almost exclusively from the sale of our products. Our principal product lines include:

- Residential & commercial flow control products—includes products typically sold into plumbing and hot water applications such as backflow preventers, water pressure regulators, temperature and pressure relief valves, and thermostatic mixing valves.

- HVAC & gas products—includes commercial high-efficiency boilers, water heaters and heating solutions, hydronic and electric heating systems for under-floor radiant applications, custom heat and hot water solutions, hydronic pump groups for boiler manufacturers and alternative energy control packages, and flexible stainless steel connectors for natural and liquid propane gas in commercial food service and residential applications. HVAC is an acronym for heating, ventilation and air conditioning.

- Drainage & water re-use products—includes drainage products and engineered rain water harvesting solutions for commercial, industrial, marine and residential applications.

- Water quality products—includes point-of-use and point-of-entry water filtration, conditioning and scale prevention systems for both commercial and residential applications.

We believe that the factors relating to our future growth include continued product innovation that meets the needs of our customers and our end markets; our ability to continue to make selective acquisitions, both in our core markets as well as in complementary markets; regulatory requirements relating to the quality and conservation of water and the safe use of water; increased demand for clean water; continued enforcement of plumbing and building codes; and a healthy economic environment. We have completed 11 acquisitions in the last decade. Our acquisition strategy focuses on businesses that promote our key macro themes around safety and regulation, energy efficiency and water conservation. We target businesses that will provide us with one or more of the following: an entry into new markets and/or new geographies, improved channel access, unique and/or proprietary technologies, advanced production capabilities or complementary solution offerings.

Our innovation strategy is focused on differentiated products that provide greater opportunity to distinguish ourselves in the marketplace. Conversely, we want to migrate away from commoditized products where we cannot add value. Our goal is to be a solutions provider, not just a components supplier. We continually look for strategic opportunities to invest in new products and markets or divest existing product lines where necessary in order to meet this goal.

Products representing a majority of our sales are subject to regulatory standards and code enforcement, which typically require that these products meet stringent performance criteria. Together with our commissioned manufacturers' representatives, we have consistently advocated for the development and enforcement of such plumbing codes. We are focused on maintaining stringent quality control and testing procedures at each of our manufacturing facilities in order to manufacture products in compliance with code requirements and take advantage of the resulting demand for compliant products. We believe that product development, product testing capability and investment in plant and equipment needed to manufacture products in compliance with code requirements, represent a competitive advantage for us.

During the second quarter of 2018, sales increased 7.8%, or $29.4 million, compared to the second quarter of 2017. The increase was related to organic sales growth of 5.1%, or $19.5 million, and an increase from foreign exchange of 2.7%, or $9.9 million. Organic sales is a non-GAAP financial measure that excludes the impacts of acquisitions, divestitures and foreign exchange from year-over-year comparisons. Management believes reporting organic sales growth provides useful information to investors, potential investors and others, because it allows for additional insight into underlying sales trends by providing sales growth on a consistent basis. We reconcile the change in organic sales to our reported sales for each region within our results below. Operating income of $52.2 million increased by $7.4 million, or 16.5%, in the second quarter of 2018 as compared to the second quarter of 2017. This increase is primarily driven by higher sales volume, increased pricing, productivity initiatives, and growth from foreign exchange due to the appreciation of the euro against the U.S. dollar, partially offset by higher material costs, increased R&D expenses, investments in strategic growth initiatives, and general inflation.

Recent Events

On July 30, 2018, the Company declared a quarterly dividend of twenty-one cents ($0.21) per share on each outstanding share of Class A common stock and Class B common stock payable on September 14, 2018 to stockholders of record on August 31, 2018.

Results of Operations

Second Quarter Ended July 1, 2018 Compared to Second Quarter Ended July 2, 2017

Net Sales. Our business is reported in three geographic segments: Americas, Europe and APMEA. Our net sales in each of these segments for each of the second quarters of 2018 and 2017 were as follows:

	Second Quarter Ended July 1, 2018		Second Quarter Ended July 2, 2017			% Change to Consolidated
	Net Sales	% Sales	Net Sales	% Sales	Change	Net Sales
	(dollars in millions)					
Americas	**$ 272.0**	**66.7 %**	$ 250.5	66.2 %	$ 21.5	5.7 %
Europe	**117.1**	**28.7**	110.7	29.2	6.4	1.7
APMEA	**18.8**	**4.6**	17.3	4.6	1.5	0.4
Total	**$ 407.9**	**100.0 %**	$ 378.5	100.0 %	$ 29.4	7.8 %

The change in net sales was attributable to the following:

					Change As a % of Consolidated Net Sales				Change As a % of Segment Net Sales		
	Americas	Europe	APMEA	Total	Americas	Europe	APMEA	Total	Americas	Europe	APMEA
	(dollars in millions)										
Organic	$ 20.8	$ (2.3)	$ 1.0	$19.5	5.5 %	(0.6)%	0.2 %	5.1 %	8.3 %	(2.1)%	5.3 %
Foreign exchange	0.7	8.7	0.5	9.9	0.2	2.3	0.2	2.7	0.3	7.9	3.0
Total	$ 21.5	$ 6.4	$ 1.5	$29.4	5.7 %	1.7 %	0.4 %	7.8 %	8.6 %	5.8 %	8.3 %

Our products are sold to wholesalers, OEMs, DIY chains, and through various specialty channels. The change in organic net sales by channel was attributable to the following:

						Change As a % of Prior Year Sales			
	Wholesale	OEMs	DIY	Specialty	Total	Wholesale	OEMs	DIY	Specialty
	(dollars in millions)								
Americas	$ 9.9	$ 1.0	$ 0.8	$ 9.1	$20.8	7.1 %	5.2 %	5.6 %	11.8 %
Europe	(0.3)	(1.7)	(0.3)	—	(2.3)	(0.4)	(4.6)	(30.0)	—
APMEA	1.9	(0.5)	—	(0.4)	1.0	13.0	(62.5)	—	(26.3)
Total	$ 11.5	$(1.2)	$ 0.5	$ 8.7	$19.5				

The increase in Americas organic net sales was primarily due to higher sales volume and price in our valve, drainage, and water quality products, which we sell through the wholesale, OEM, and DIY channels. In addition there was an increase in sales of our heating and hot water products, which includes boilers, stainless steel water heaters, and aftermarket products, which we sell through the specialty channel.

Organic net sales in Europe decreased primarily due to softness in the market for our HVAC and water and plumbing products. Our ongoing product rationalization efforts within our DIY and OEM channels also contributed to the decrease, as we continue to focus on our core product lines. These decreases were partially offset by increased sales in our drains products.

Organic net sales in APMEA increased primarily due to sales outside of China, including New Zealand, and the Middle East and increased demand within China for our commercial valves products. These increases were partially offset by softness in the residential underfloor heating market in China and product rationalization in the OEM channel.

The net increase in sales due to foreign exchange was primarily due to the appreciation of the euro against the U.S. dollar in the second quarter of 2018. We cannot predict whether foreign currencies will appreciate or depreciate against the U.S. dollar in future periods or whether future foreign exchange rate fluctuations will have a positive or negative impact on our net sales.

Gross Profit. Gross profit and gross profit as a percent of net sales (gross margin) for the second quarters of 2018 and 2017 were as follows:

	Second Quarter Ended	
	July 1, 2018	**July 2, 2017**
	(dollars in millions)	
Gross profit	**$ 169.4**	$ 156.7
Gross margin	**41.5 %**	41.4 %

Gross margin was fairly consistent in the second quarter of 2018 compared to the second quarter of 2017. Increases in gross profit during the second quarter of 2018 included sales volume, pricing, productivity initiatives, as well as savings from transformation and restructuring programs. These increases were partially offset by higher material costs, mainly due to increased copper and stainless steel commodity costs, as well as higher transportation costs and general inflation.

Selling, General and Administrative Expenses. Selling, general and administrative, or SG&A, expenses increased $7.0 million, or 6.4%, in the second quarter of 2018 compared to the second quarter of 2017. The increase in SG&A expenses was attributable to the following:

	(in millions)	% Change
Organic	$ 4.3	3.9 %
Foreign exchange	2.7	2.5
Total	$ 7.0	6.4 %

The organic increase was primarily related to investments in strategic growth initiatives, including research and development for new product initiatives, commercial excellence, and technology and information systems of $3.7 million. The organic increase was also due to higher commissions and freight costs related to improved sales volume, and higher travel costs, totaling $2.8 million. The remaining organic increase was related to general inflation. These increases were partially offset by decreased transformation costs of $0.7 million and restructuring savings within the Americas and Europe of $1.3 million compared to the second quarter of 2017. The increase in foreign exchange was mainly due to the appreciation of the euro against the U.S. dollar. Total SG&A expenses, as a percentage of sales, were 28.7% in the second quarter of 2018 compared to 29.1% in the second quarter of 2017.

Operating Income. Operating income (loss) by segment for the second quarters of 2018 and 2017 was as follows:

	Second Quarter Ended			% Change to Consolidated Operating Income
	July 1, 2018	**July 2, 2017**	**Change**	**Income**
	(dollars in millions)			
Americas	**$ 46.7**	$ 39.6	$ 7.1	15.8 %
Europe	**12.9**	12.7	0.2	0.4
APMEA	**1.6**	1.8	(0.2)	(0.4)
Corporate	**(9.0)**	(9.3)	0.3	0.7
Total	**$ 52.2**	$ 44.8	$ 7.4	16.5 %

The increase in operating income was attributable to the following:

						Change As a % of Consolidated Operating Income					Change As a % of Segment Operating Income			
	Americas	**Europe**	**APMEA**	**Corporate**	**Total**	**Americas**	**Europe**	**APMEA**	**Corporate**	**Total**	**Americas**	**Europe**	**APMEA**	**Corporate**
						(dollars in millions)								
Organic	$ 5.6	$ (0.7)	$ (0.5)	$ 0.3	$ 4.7	12.5 %	(1.6)%	(1.1)%	0.7 %	10.5 %	14.1 %	(5.5)%	(27.8)%	3.2 %
Foreign exchange	0.2	0.8	—	—	1.0	0.4	1.8	—	—	2.2	0.5	6.3	—	—
Restructuring	1.3	0.1	0.3	—	1.7	2.9	0.2	0.7	—	3.8	3.3	0.8	16.7	—
Total	$ 7.1	$ 0.2	$ (0.2)	$ 0.3	$ 7.4	15.8 %	0.4 %	(0.4)%	0.7 %	16.5 %	17.9 %	1.6 %	(11.1)%	3.2 %

Organic operating income increased by $4.7 million compared to the second quarter of 2017, mainly due to increased sales volume, pricing, productivity initiatives, operating savings from restructuring actions, and reduced transformation costs. This increase in operating income was partially offset by higher material costs due to increases in the prices of copper and stainless steel, general inflation, increased R&D expenses and investments in strategic growth initiatives.

Interest Expense. Interest expense decreased $0.6 million, or 12.0%, compared to the second quarter of 2017 due to a reduction in the principal balance of debt outstanding. The impact of the lower outstanding principal balance was partially offset by increased interest rates in the second quarter of 2018 compared to the second quarter of 2017. Refer to Note 11 of the Notes to Consolidated Financial Statements for further details.

Other (income) expense. Other (income) expense increased $2.0 million to a net other income balance of $1.8 million compared to the second quarter of 2017. The increase was primarily due to net foreign currency gains.

Income Taxes. Our effective income tax rate decreased to 27.6% in the second quarter of 2018, from 31.7% in the second quarter of 2017. The lower rate in the second quarter is associated with the lower U.S. federal tax rate in 2018 as a result of U.S. Tax Reform.

Net Income. Net income was $36.0 million, or $1.05 per common share, for the second quarter of 2018, compared to $27.2 million, or $0.79 per common share, for the second quarter of 2017. Results for the second quarter of 2017 include an after-tax charge of $1.1 million, or $0.03 per common share, for restructuring; and $0.5 million, or $0.01 per common share, for the Europe and Americas transformation deployment costs.

Six Months Ended July 1, 2018 Compared to Six Months Ended July 2, 2017

Net Sales . Our business is reported in three geographic segments: Americas, Europe and APMEA. Our net sales in each of these segments for each of the first six months ended 2018 and 2017 were as follows:

	Six Months Ended July 1, 2018		Six Months Ended July 2, 2017			% Change to Consolidated
	Net Sales	**% Sales**	**Net Sales**	**% Sales**	**Change**	**Net Sales**
	(dollars in millions)					
Americas	**$ 513.1**	**65.3 %**	$ 479.2	66.0 %	$ 33.9	4.7 %
Europe	**240.1**	**30.5**	215.6	29.7	24.5	3.4
APMEA	**33.2**	**4.2**	30.9	4.3	2.3	0.3
Total	**$ 786.4**	**100.0 %**	$ 725.7	100.0 %	$ 60.7	8.4 %

The change in net sales was attributable to the following:

					Change as a % of Consolidated Net Sales				Change as a % of Segment Net Sales		
	Americas	Europe	APMEA	Total	Americas	Europe	APMEA	Total	Americas	Europe	APMEA
					(dollars in millions)						
Organic	$ 32.5	$ (0.1)	$ 1.3	$ 33.7	4.5 %	— %	0.2 %	4.7 %	6.8 %	— %	4.1 %
Foreign exchange	1.4	24.6	1.0	27.0	0.2	3.4	0.1	3.7	0.3	11.4	3.3
Total	$ 33.9	$ 24.5	$ 2.3	$ 60.7	4.7 %	3.4 %	0.3 %	8.4 %	7.1 %	11.4 %	7.4 %

Our products are sold to wholesalers, OEMs, DIY chains, and through various specialty channels. The change in organic net sales by channel was attributable to the following:

						Change As a % of Prior Year Sales			
	Wholesale	OEMs	DIY	Specialty	Total	Wholesale	OEMs	DIY	Specialty
					(dollars in millions)				
Americas	$ 14.2	$ 1.1	$ 4.8	$ 12.4	$32.5	5.2 %	2.9 %	17.1 %	8.8 %
Europe	4.4	(3.9)	(0.6)	—	(0.1)	3.1	(5.3)	(30.0)	—
APMEA	2.6	(0.7)	—	(0.6)	1.3	9.9	(46.7)	—	(18.7)
Total	$ 21.2	$(3.5)	$ 4.2	$ 11.8	$33.7				

The increase in Americas organic net sales was primarily due to higher sales volume and price in our valve, drainage, and water quality products, which are sold through our wholesale, OEM, and DIY channels. There was also an increase in sales of our heating and hot water products which are sold through our specialty channel.

Organic net sales in Europe decreased slightly due to softness in the market for our HVAC and water and plumbing products. Our ongoing product rationalization efforts within our DIY and OEM channels also contributed to the decrease, as we continue to focus on our core product lines. These decreases were partially offset by increased sales in our drains products.

Organic net sales in APMEA increased primarily due to sales outside of China, including New Zealand and the Middle East and increased demand within China for our commercial valves products. These increases were partially offset by softness in the residential underfloor heating market in China and product rationalization in the OEM channel.

The net increase in sales due to foreign exchange was primarily due to the appreciation of the euro against the U.S. dollar in the first six months of 2018. We cannot predict whether foreign currencies will appreciate or depreciate against the U.S. dollar in future periods or whether future foreign exchange rate fluctuations will have a positive or negative impact on our net sales.

Gross Profit . Gross profit and gross profit as a percent of net sales (gross margin) for the first six months of 2018 and 2017 were as follows:

	Six Months Ended	
	July 1, 2018	July 2, 2017
	(dollars in millions)	
Gross profit	**$ 326.1**	$ 300.5
Gross margin	**41.5 %**	41.4 %

Gross margin was fairly consistent in the first six months of 2018 compared to the first six months of 2017. Increases to gross profit during the first six months of 2018 included increased sales volume, pricing, productivity initiatives, as well as savings from transformation and restructuring programs. These increases were partially offset by higher material costs, mainly due to increased copper and stainless steel commodity costs, as well as higher transportation costs and wage inflation.

Selling, General and Administrative Expenses . Selling, general and administrative, or SG&A, expenses for the first six months of 2018 increased $12.2 million, or 5.6%, compared to the first six months of 2017. The increase in SG&A expenses was attributable to the following:

	(in millions)	% Change
Organic	$ 5.1	2.4 %
Foreign exchange	7.1	3.2
Total	$ 12.2	5.6 %

The increase in foreign exchange was mainly due to the appreciation of the euro against the U.S. dollar. The organic increase was primarily related to investments in strategic growth initiatives, including research and development for new product initiatives, commercial excellence, and technology and information systems of $5.8 million. The organic increase was also due to higher commissions and freight costs related to improved sales volume, and higher travel costs, totaling $3.7 million. The remaining organic increase was related to general inflation. These increases were partially offset by decreased transformation and acquisition costs of $2.0 million and restructuring savings within the Americas and Europe of $3.3 million, compared to the first six months of 2017. Total SG&A expenses, as a percentage of sales, were 29.2% in the first six months of 2018 compared to 30.0% in the first six months of 2017.

Operating Income . Operating income (loss) by geographic segment for the first six months of 2018 and 2017 was as follows:

	Six Months Ended			% Change to Consolidated Operating Income
	July 1, 2018	July 2, 2017	Change	
	(Dollars in millions)			
Americas	**$ 83.1**	$ 70.7	$ 12.4	15.4 %
Europe	**27.8**	25.1	2.7	3.4
APMEA	**3.0**	2.8	0.2	0.2
Corporate	**(17.8)**	(18.1)	0.3	0.4
Total	**$ 96.1**	$ 80.5	$ 15.6	19.4 %

The increase (decrease) in operating income (loss) is attributable to the following:

						Change as a % of Consolidated Operating Income					Change as a % of Segment Operating Income			
	Americas	Europe	APMEA	Corporate	Total	Americas	Europe	APMEA	Corporate	Total	Americas	Europe	APMEA	Corporate
	(Dollars in millions)													
Organic	$ 10.3	$ —	$ (0.1)	$ 0.3	$ 10.5	12.8 %	— %	(0.1)%	0.4 %	13.1 %	14.6 %	— %	(3.6)%	1.7 %
Foreign exchange	0.3	2.6	—	—	2.9	0.4	3.2	—	—	3.6	0.4	10.4	—	—
Restructuring	1.8	0.1	0.3	—	2.2	2.2	0.2	0.3	—	2.7	2.6	0.4	10.7	—
Total	$ 12.4	$ 2.7	$ 0.2	$ 0.3	$ 15.6	15.4 %	3.4 %	0.2 %	0.4 %	19.4 %	17.6 %	10.8 %	7.1 %	1.7 %

Organic operating income increased by $10.5 million compared to the first six months of 2017, mainly due to increased sales volume, pricing, productivity initiatives, operating savings from restructuring actions, and reduced transformation costs. This increase in operating income was partially offset by higher material costs due to increases in the price of copper and stainless steel, higher R&D expenses, investments in strategic growth initiatives and inflation.

Interest Expense . Interest expense decreased $1.1 million, or 11.2%, in the first six months of 2018 as compared to the first six months of 2017 due to a reduction in the principal balance of debt outstanding. The impact of the lower outstanding principal balance was partially offset by increased interest rates for the first six months of 2018 compared to the first six months of 2017. Refer to Note 11 of the Notes to Consolidated Financial Statements for further details.

Other (income) expense, net . Other (income) expense increased $1.6 million to a net other income balance of $1.1 million compared to the first six months 2017. The increase was primarily due to net foreign currency gains.

Income Taxes . Our effective income tax rate decreased to 27.9% in the first six months of 2018, from 30.7% in the first six months of 2017. The lower rate in the in the first six months of 2018 is associated with the lower U.S. federal tax rate in 2018 as a result of U.S. Tax Reform. In 2017, we recognized a benefit for decreases in tax rates for certain foreign jurisdictions which did not recur in 2018.

Net Income . Net income was $64.2 million, or $1.87 per common share, for the first six months of 2018, compared to $48.9 million, or $1.42 per common share, for the first six months of 2017. Results for the first six months of 2017 include an after-tax charge of $1.8 million, or $0.05 per common share, for the Europe and Americas transformation deployment costs; $1.5 million, or $0.04 per common share, for restructuring; partially offset by $1.3 million or $0.04 per common share in tax benefits.

Liquidity and Capital Resources

We generated $1.5 million of net cash from operating activities in the first six months of 2018 as compared to $9.0 million of net cash generated from operating activities in the first six months of 2017. The decrease in cash generated was primarily related to the timing of working capital fluctuations, the timing of tax payments, as well as payments made related to the 2017 Tax Act including for the Toll Charge and withholdings on repatriated cash. This decrease was partially offset by higher net income net of non-cash adjustments to net income compared to the first six months of 2017.

We used $16.8 million of net cash for investing activities compared to $8.9 million used in the first six months of 2017. We used $4.2 million more cash in the first six months of 2018 for purchases of capital equipment and $1.9 million for immaterial acquisitions and other investments. We received $1.7 million less in cash proceeds from the sale of assets compared to the first six months of 2017. For the remainder of 2018, we expect to invest approximately $20 to $25 million in capital equipment as part of our ongoing commitment to improve our operating capabilities.

We used $118.1 million of net cash from financing activities for the first six months of 2018 primarily due to payments of long-term debt of $133.2 million, payment of dividends of $13.9 million, and payments to repurchase approximately 139,000 shares of Class A common stock at a cost of $10.8 million. This was partially offset by proceeds from additional draws on our line of credit of $45.0 million during the first six months of 2018.

On February 12, 2016, we entered into the Credit Agreement among the Company, certain subsidiaries of the Company who become borrowers under the Credit Agreement, JPMorgan Chase Bank, N.A., as Administrative Agent, Swing Line Lender and Letter of Credit Issuer, and the other lenders referred to therein. The Credit Agreement provides for a $500 million, five-year, senior unsecured revolving credit facility (the “Revolving Credit Facility”) with a sublimit of up to $100 million in letters of credit. The Credit Agreement also provided for a $300 million, five-year, term loan facility (the “Term Loan Facility”) available to us in a single draw. The Credit Agreement matures on February 12, 2021, subject to extension under certain circumstances and subject to the terms of the Credit Agreement. As of July 1, 2018, we had $266.3 million of borrowings outstanding on the Term Loan Facility and $70.0 million drawn on the Revolving Credit Facility; had $25.8 million of stand-by letters of credit outstanding and had $404.2 million of unused and available credit under the Revolving Credit Facility. As of July 1, 2018, we were in compliance with all covenants related to the Credit Agreement.

As of July 1, 2018, we held $142.6 million in cash and cash equivalents. Of this amount, $127.8 million of cash and cash equivalents were held by foreign subsidiaries. The 2017 Tax Act requires us to pay a one-time deemed repatriation toll charge on cumulative undistributed foreign earnings for which we had not previously recorded U.S. taxes. Cumulative earnings in the form of cash and cash equivalents, as defined in the 2017 Tax Act, will be taxed at a rate of 15.5% and all other earnings will be taxed at a rate of 8.0%. We estimate that our obligation associated with this one-time deemed repatriation toll charge to be $23.3 million, which will be paid in installments over eight years. During 2018, we expect to repatriate approximately $125 million of cash back to the U.S. As of July 1, 2018, we had repatriated approximately $110.0 million in undistributed foreign earnings, and have used the majority of that cash to reduce our outstanding debt. Our U.S. operations typically generate sufficient cash flows to meet our domestic obligations. However, if we did have to borrow to fund some or all of our expected cash outlay, we can do so at reasonable interest rates by utilizing the uncommitted borrowings under our Revolving Credit Facility. Our intent is to permanently reinvest undistributed future earnings of foreign subsidiaries, and we do not have any current plans to repatriate future earnings to fund operations in the United States. However, if amounts held by foreign subsidiaries were needed to fund operations in the United States, we could be required to accrue and pay taxes to repatriate these funds. Such charges may include potential state income taxes and other tax charges.

Non-GAAP Financial Measures

In accordance with the SEC's Regulation G and Item 10(e) of Regulation S-K, the following provides definitions of the non-GAAP financial measures used by management. We believe that these measures provide additional insight into underlying business results and trends. These non-GAAP financial measures are not intended to be considered by the user in place of the related GAAP financial measure, but rather as supplemental information to more fully understand our business results. These non-GAAP financial measures may not be the same as similar measures used by other companies due to possible differences in method and in the items or events being adjusted.

Organic sales growth is a non-GAAP financial measure of sales growth that excludes the impacts of acquisitions, divestitures and foreign exchange from period-over-period comparisons. A reconciliation to the most closely related U.S. GAAP financial measure, net sales, has been included in our discussion within "Results of Operations" above. Organic net sales should be considered in addition to, and not as a replacement for or as a superior measure to net sales. Management believes reporting organic sales growth provides useful information to investors, potential investors and others, by facilitating easier comparisons of our revenue performance with prior and future periods.

Free cash outflow is a non-GAAP financial measure that does not represent cash generated from operating activities in accordance with U.S. GAAP. Therefore it should not be considered an alternative to net cash generated from operating activities as an indication of our performance. We believe free cash outflow to be an appropriate supplemental measure of our operating performance because it provides investors with a measure of our ability to generate cash, repay debt, pay dividends, repurchase stock and fund acquisitions.

A reconciliation of net cash provided by operating activities to free cash outflow is provided below:

	Six Months Ended	
	July 1, 2018	**July 2, 2017**
	(in millions)	
Net cash provided by operating activities	**$ 1.5**	$ 9.0
Less: additions to property, plant, and equipment	**(15.2)**	(11.0)
Plus: proceeds from the sale of property, plant, and equipment	**—**	0.1
Free cash outflow	**$ (13.7)**	$ (1.9)

Our free cash outflow increased in the first six months of 2018 when compared to the free cash outflow for the first six months of 2017 due to the timing of working capital fluctuations, timing of tax payments, as well as payments made related to the 2017 Tax Act including for the Toll Charge and withholdings on repatriated cash, and higher capital expenditures in the first six months of 2018.

Our net debt to capitalization ratio, a non-GAAP financial measure used by management, at July 1, 2018 was 23.7% compared to 20.7% at December 31, 2017. Management believes the net debt to capitalization ratio is an appropriate supplemental measure because it helps investors understand our ability to meet our financing needs and serves as a basis to evaluate our financial structure. Our computation may not be comparable to other companies that may define their net debt to capitalization ratios differently.

A reconciliation of long-term debt (including current portion) to net debt and our net debt to capitalization ratio is provided below:

	July 1, 2018	**December 31, 2017**
	(in millions)	
Current portion of long-term debt	**$ 26.2**	$ 22.5
Plus: long-term debt, net of current portion	**383.0**	474.6
Less: cash and cash equivalents	**(142.6)**	(280.2)
Net debt	**$ 266.6**	$ 216.9

A reconciliation of capitalization is provided below:

	July 1, 2018	December 31, 2017
	(in millions)	
Net debt	**$ 266.6**	$ 216.9
Total stockholders' equity	**858.2**	829.0
Capitalization	**$ 1,124.8**	$ 1,045.9
Net debt to capitalization ratio	**23.7 %**	20.7 %

Off-Balance Sheet Arrangements

Except for operating lease commitments, we have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Application of Critical Accounting Policies and Key Estimates

We believe that our critical accounting policies are those related to revenue recognition, inventory valuation, goodwill and other intangibles, product liability costs, legal contingencies and income taxes. We believe these accounting policies are particularly important to an understanding of our financial position and results of operations and requires application of significant judgment by our management. In applying these policies, management uses its judgment in making certain assumptions and estimates. Our critical accounting policies are more fully described under the heading "Accounting Policies" in Note 2 of the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K as filed with the SEC on February 23, 2018, with the exception of the change in our Revenue Recognition accounting policy resulting from the adoption of ASC 606 as described in Note 2 in the Notes to Consolidated Financial Statements in this Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We use derivative financial instruments primarily to reduce exposure to adverse fluctuations in foreign exchange rates, interest rates and costs of certain raw materials used in the manufacturing process. We do not enter into derivative financial instruments for trading purposes. As a matter of policy, all derivative positions are used to reduce risk by hedging underlying economic exposure. The derivatives we use are instruments with liquid markets. See Note 6 of Notes to the Consolidated Financial Statements for further details.

Our consolidated earnings, which are reported in United States dollars, are subject to translation risks due to changes in foreign currency exchange rates. This risk is concentrated in the exchange rate between the U.S. dollar and the euro; the U.S. dollar and the Canadian dollar; and the U.S. dollar and the Chinese yuan.

Our non-U.S. subsidiaries transact most business, including certain intercompany transactions, in foreign currencies. Such transactions are principally purchases or sales of materials and are denominated in European currencies or the U.S. or Canadian dollar. We use foreign currency forward exchange contracts from time to time to manage the risk related to intercompany loans, intercompany purchases that occur during the course of a year, and certain open foreign currency denominated commitments to sell products to third parties. Beginning in the first quarter of 2018, the Company entered into forward exchange contracts which hedge approximately 70% of the forecasted intercompany purchases between one of our Canadian and U.S. operating subsidiaries for the next twelve months. The Company will record the effective portion of the designated foreign currency hedge contracts in other comprehensive income until inventory turns and is sold to a third-party. Once the third-party transaction occurs associated with the hedged forecasted transaction, the effective portion of any related gain or loss on the designated foreign currency hedge will be reclassified into earnings. The Company had designated foreign hedge contracts outstanding as of July 1, 2018 with a fair value of $0.3 million.

On February 12, 2016, the Company entered into a new Credit Agreement pursuant to which it received a funding commitment under a Term Loan Facility of $300 million, of which the entire $300 million has been drawn on, and $266.3 million is outstanding and a Revolving Credit Facility of $500 million, of which $70.0 million has been drawn as of July 1, 2018. Both facilities mature on February 12, 2021. For each facility, the Company can choose either an Adjusted LIBOR or Alternative Base Rate ("ABR"). Accordingly, the Company's earnings and cash flows are exposed to interest rate risk from changes in Adjusted LIBOR. In order to manage the Company's exposure to changes in cash flows attributable to fluctuations in LIBOR-indexed interest payments related to our floating rate debt, the Company entered into two interest rate swaps. For each interest rate swap, the Company receives the three-month USD-LIBOR subject to a 0% floor, and pays a fixed rate of 1.31375% on a notional amount of $225.0 million. Information about our long-term debt including principal amounts and related interest rates appears in Note 11 of Notes to the Consolidated Financial Statements.

We purchase significant amounts of bronze ingot, brass rod, cast iron, stainless steel and plastic, which are utilized in manufacturing our many product lines. Our operating results can be adversely affected by changes in commodity prices if we are unable to pass on related price increases to our customers. We manage this risk by monitoring related market prices, working with our suppliers to achieve the maximum level of stability in their costs and related pricing, seeking alternative supply sources when necessary and passing increases in commodity costs to our customers, to the maximum extent possible, when they occur.

Item 4. Controls and Procedures

As required by Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended, or Exchange Act, as of the end of the period covered by this report, we carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures. In designing and evaluating our disclosure controls and procedures, we recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management necessarily applies its judgment in evaluating and implementing possible controls and procedures. The effectiveness of our disclosure controls and procedures is also necessarily limited by the staff and other resources available to us and the geographic diversity of our operations. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective, in that they provide reasonable assurance that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act are accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There was no change in our internal control over financial reporting that occurred during the quarter ended July 1, 2018, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting, with the exception of the change in our Revenue Recognition controls resulting from the adoption of ASC 606 as described in Note 2 in the Notes to Consolidated Financial Statements. Although the new revenue standard is expected to have an immaterial impact on our ongoing revenue recognition, we did implement changes to our processes related to revenue recognition and the control activities within them. These included the development of new policies based on the five-step model provided in the new revenue standard, new training, ongoing contract review and certification requirements, and gathering information provided for disclosures. We will continue to review and document our disclosure controls and procedures, including our internal control over financial reporting, and may from time to time make changes aimed at enhancing their effectiveness and to ensure that our systems evolve with our business.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

As disclosed in Part I, Item 1, "Product Liability, Environmental and Other Litigation Matters" and Item 3, "Legal Proceedings" of our Annual Report on Form 10-K for the year ended December 31, 2017, we are party to certain litigation. There have been no material developments with respect to our contingencies and environmental remediation proceedings during the quarter ended July 1, 2018, other than as described in Note 12 of the Notes to Consolidated Financial Statements, which is incorporated herein by reference.

Item 1A. Risk Factors

There have been no material changes to the risk factors included in our Annual Report on Form 10-K for the year ended December 31, 2017, which risk factors are incorporated herein by reference.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

We satisfy the minimum withholding tax obligation due upon the vesting of shares of restricted stock and the conversion of restricted stock units into shares of Class A common stock by automatically withholding from the shares being issued a number of shares with an aggregate fair market value on the date of such vesting or conversion that would satisfy the withholding amount due.

The following table includes information with respect to shares of our Class A common stock withheld to satisfy withholding tax obligations during the three month period ended July 1, 2018.

	Issuer Purchases of Equity Securities			
Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
April 2, 2018 – April 29, 2018	2,797	$ 75.24	—	—
April 30, 2018 – May 27, 2018	—	$ —	—	—
May 28, 2018 - July 1, 2018	—	$ —	—	—
Total	2,797	$ 75.24	—	—

The following table includes information with respect to repurchases of our Class A common stock during the three month period ended July 1, 2018 under our stock repurchase program.

	Issuer Purchases of Equity Securities			
Period	(a) Total Number of Shares (or Units) Purchased(1)	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
April 2, 2018 – April 29, 2018	17,392	$ 77.24	17,392	$ 30,212,079
April 30, 2018 – May 27, 2018	18,707	$ 76.30	18,707	$ 28,784,788
May 28, 2018 - July 1, 2018	22,480	$ 79.06	22,480	$ 27,007,571
Total	58,579	$ 77.64	58,579	

(1) On July 27, 2015, the Board of Directors authorized a stock repurchase program of up to $100 million of the Company's Class A common stock to be purchased from time to time on the open market or in privately negotiated transactions. The timing and number of shares repurchased will be determined by the Company's management based on its evaluation of market conditions and other factors.

Item 6. Exhibits

Exhibit No.	Description
3.1	Restated Certificate of Incorporation, as amended. Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 3, 2005 (File No. 001-11499).
3.2	Amended and Restated By-Laws. Incorporated by reference to the Registrant's Current Report on Form 8-K dated July 27, 2015 (File No. 001- 11499).
10.1†	Watts Water Technologies, Inc. Executive Severance Plan, as amended and restated as of February 8, 2018.
10.2†	Form of Indemnification Agreement between the Registrant and certain directors and officers of the Registrant.
10.3†	Form of Restricted Stock Award Agreement under the Watts Water Technologies, Inc. Second Amended and Restated 2004 Stock Incentive Plan.
31.1†	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended
31.2†	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended
32.1††	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350
32.2††	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.

† Filed herewith.

†† Furnished herewith.

* Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets at July 1, 2018 and December 31, 2017, (ii) Consolidated Statements of Operations for the Second Quarters Ended July 1, 2018 and July 2, 2017, (iii) Consolidated Statements of Comprehensive Income for the Second Quarters Ended July 1, 2018 and July 2, 2017, (iv) Consolidated Statements of Cash Flows for the Second Quarters Ended July 1, 2018 and July 2, 2017, and (v) Notes to Consolidated Financial Statements.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WATTS WATER TECHNOLOGIES, INC.

Date: August 2, 2018

By: /s/ Robert J. Pagano, Jr.
Robert J. Pagano, Jr.
Chief Executive Officer (principal executive officer)

Date: August 2, 2018

By: /s/ Shashank Patel
Shashank Patel
Chief Financial Officer (principal financial officer)

Date: August 2, 2018

By: /s/ Virginia A. Halloran
Virginia A. Halloran
Chief Accounting Officer (principal accounting officer)

Exhibit 10.1

WATTS WATER TECHNOLOGIES, INC.

EXECUTIVE SEVERANCE PLAN

(As Amended and Restated Effective February 8, 2018)

WATTS WATER TECHNOLOGIES, INC.
EXECUTIVE SEVERANCE PLAN
(As Amended and Restated Effective February 8, 2018)

ARTICLE I
PURPOSE

This Watts Water Technologies, Inc. Executive Severance Plan (the " Plan ") provides severance benefits to Eligible Executives upon certain terminations of employment. The Plan was originally effective June 1, 2014 and was amended and restated in its current form effective as of February 8, 2018.

The Plan is intended (1) to be exempt from Code section 409A, and (2) to be a welfare plan which is unfunded and is maintained by an employer for the purpose of providing benefits for a select group of management or "highly compensated employees" within the meaning of Department of Labor Regulation section 2520.104-24. Notwithstanding any other provision of this Plan, this Plan shall be interpreted, operated and administered in a manner consistent with these intentions.

ARTICLE II
DEFINED TERMS

Whenever used in the Plan, the following terms shall have the meanings set forth below:

" Cause " shall mean (a) an act constituting a felony; (b) fraud or dishonesty that results in or is likely to result in economic damage to the Company; or (c) willful misconduct in the performance of duties.

" Change in Control " shall mean the consummation of (a) the dissolution or liquidation of the Company, (b) the sale of all or substantially all of the assets of the Company on a consolidated basis to an unrelated person or entity, (c) a merger, reorganization, consolidation or business combination (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) which results in (i) the beneficial holders of the Company's voting securities outstanding immediately before such transaction beneficially owning less than 60% of the combined voting power of the Company or any person or entity that, as a result of the transaction, controls directly or indirectly, the Company (the Company or such person or entity, the " Successor Entity "), or (ii) any person or entity or group of persons or entities that beneficially owned more than 60% of the combined voting power of the Company immediately before such transaction beneficially owning less than 60% of the combined voting power of the Successor Entity immediately after such transaction, or (d) the sale of all of the Stock to an unrelated person or entity. For this purpose, " Stock " means the Class A Common Stock, par value $.10 per share, of the Company. For the purposes of clarity, a conversion of shares of the Company's Class B Common Stock, par value $.10 per share, into Class A Common Stock shall not, in and of itself, be deemed a Change in Control.

" Code " shall mean the Internal Revenue Code of 1986, as amended.

" Committee " shall mean the Compensation Committee of the Board of Directors of the Company (or its successor). The Committee shall be the "named fiduciary" for purposes of ERISA.

“ Company ” shall mean Watts Water Technologies, Inc.

“ Eligible Executive ” shall have the meaning set forth in Article III.

“ ERISA ” shall mean the Employee Retirement Income Security Act, as amended.

“ Good Reason ” shall mean, without an Eligible Executive’s written consent, (a) a reduction of more than ten percent (10%) in the Eligible Executive’s annual base salary and annual bonus target opportunity as in effect immediately prior to the date of the Change in Control; (b) the Eligible Executive’s mandatory relocation to an office more than fifty (50) miles from the primary location at which Eligible Executive is required to perform Eligible Executive’s duties immediately prior to the date of the Change in Control; or (c) a material reduction in the Eligible Executive’s responsibilities, duties or authority as in effect immediately prior to the date of the Change in Control. In each case, Eligible Executive must provide the Company with notice of the facts giving rise to a claim that “Good Reason” exists within 90 days of the initial existence of such Good Reason event, and the Company shall have a right to remedy such event within 30 days after receipt of Eligible Executive’s notice. The Eligible Employee must resign within twenty-four months from the occurrence of the event giving rise to Good Reason. It is intended that terminations for Good Reason under the Plan qualify as involuntary terminations under Code section 409A and this definition shall be interpreted consistent with that intent.

“ Plan ” shall mean this Watts Water Technologies, Inc. Executive Severance Plan, as amended from time to time.

“ Protection Period ” shall mean the 24-month period beginning on the date of the first instance of a Change in Control.

“ Termination of Employment ” shall mean an individual’s termination of employment with the Company and all of its subsidiaries and affiliates.

ARTICLE III
ELIGIBILITY

An officer of the Company will be eligible for participation in the Plan and considered an “Eligible Executive” only if, at the time of his Termination of Employment, he has been designated as an Eligible Executive by the Committee. A listing of such Eligible Executives is contained in Appendix A to the Plan. The Committee shall revise the listing of Eligible Executives from time to time in its sole discretion.

ARTICLE IV
TERMINATION OUTSIDE PROTECTION PERIOD

If an Eligible Executive’s Termination of Employment does not occur during the Protection Period, this Article IV shall govern the Eligible Executive’s eligibility for Plan benefits.

4.1 Entitlement to Benefits

An Eligible Executive who (a) is involuntarily terminated without Cause and (b) signs and does not revoke a separation agreement within the time period required by law for an effective release of claims, but no more than fifty (50) days following the date of such Termination of Employment, will be entitled to receive Plan benefits under this Article IV. Such separation agreement shall contain a release of claims against the Company and its affiliates and such restrictive covenants (e.g., non-competition, non-solicitation, and non-disparagement covenants) as the Committee determines appropriate in its sole discretion.

An Eligible Executive will not be eligible for severance benefits under this Article IV if his employment terminates due to his division, location or other business unit being sold.

4.2 Amount of Benefits

An Eligible Executive entitled to benefits under this Article IV shall receive a lump sum payment, net of all applicable tax withholding, within 60 days of his Termination of Employment; provided however, that if the period during which the Eligible Executive may consider and sign the separation agreement would span more than one taxable year, then such payment shall not be made until the later taxable year. The amount of the lump sum payment shall equal the sum of:

(a) the monthly premium the Eligible Executive would have to pay for COBRA medical coverage (based on his coverage in effect at Termination of Employment) times 12, and

(b) the Eligible Executive's annual base salary on the date of his Termination of Employment.

Notwithstanding the foregoing, if the Eligible Executive is the Chief Executive Officer of the Company at the time of his Termination of Employment, the amount in subsection (b) shall be multiplied by two.

ARTICLE V
TERMINATION DURING PROTECTION PERIOD

If an Eligible Executive's Termination of Employment occurs during the Protection Period or under the circumstances described in Section 5.4, this Article V shall govern the Eligible Executive's eligibility for Plan benefits.

5.1 Entitlement to Benefits

An Eligible Executive who is involuntarily terminated without Cause or resigns for Good Reason will be entitled to receive Plan benefits under this Article V, provided such Eligible Executive signs and does not revoke a general release of claims within the time period required by law, but no more than fifty (50) days following the date of such Termination of Employment.

5.2 Amount of Benefits

An Eligible Executive entitled to benefits under this Article V shall receive a lump sum payment, net of all applicable tax withholding, within 60 days of his Termination of Employment; provided however, that if the period during which the Eligible Executive may consider and sign the general release of claims would span more than one taxable year, then such payment shall not be made until the later taxable year. The amount of the lump sum payment shall equal the sum of:

(a) the monthly premium the Eligible Executive would have to pay for COBRA medical coverage (based on his coverage in effect at Termination of Employment) times 24, and

(b) two times the sum of the Eligible Executive's annual base salary and target annual bonus immediately prior to the commencement of the Protection Period.

In addition, if an Eligible Executive is entitled to benefits under this Article V, all unvested equity or equity-based awards of the Company held by the Eligible Executive will, as of the Eligible Executive's Termination of Employment and automatically without any further action by the Company or its Board of Directors, (i) if not subject to performance based vesting conditions, become fully vested, non-forfeitable and, if applicable, exercisable, or (ii) if subject to performance based vesting conditions, become vested, non-forfeitable and, if applicable, exercisable at the greater of (a) the target award or performance level or (b) the level that would apply based on actual performance calculated as if the final day of the Company's last completed fiscal quarter prior to the date of the Eligible Executive's Termination of Employment were the final day of the applicable performance period (without any reduction to the overall award to reflect the shortened performance period). The immediately preceding sentence will apply to all equity and equity-based awards held by an Eligible Executive entitled to benefits under this Article V notwithstanding any contrary terms of the documents governing the equity or equity-based awards (but subject to Section 5.3) and any stock options or stock appreciation rights that become exercisable under the immediately preceding sentence will not expire for at least sixty (60) days following the later of the relevant Change in Control or the Executive's Termination of Employment (provided that (x) such awards may be earlier terminated in connection with a corporate transaction as set forth in the documents governing the awards and (y) no such stock option or stock appreciation right will remain outstanding beyond its final expiration date). For the avoidance of doubt, nothing in this Section 5.2 will alter the payment schedule of any non-qualified deferred compensation that is subject to Section 409A of the Code.

5.3 Excise Tax

Notwithstanding anything contained in this Plan to the contrary, if upon or following a Change in Control, the tax imposed by Code section 4999 or any similar or successor tax (the "Excise Tax") applies, solely because of the Change in Control, to any payments, benefits and/or amounts received by an Eligible Executive under the Plan or otherwise, including, without limitation, any amounts received or deemed received, within the meaning of any provision of the Code, by the Eligible Executive as a result of (and not by way of limitation) any automatic vesting, lapse of restrictions and/or accelerated target or performance achievement provisions, or otherwise, applicable to outstanding grants or awards to the Eligible Executive under any of the Company's incentive plans (collectively, the "Total Payments"), then the Total Payments shall be reduced (but not below zero) so that the maximum amount of the Total Payments (after reduction) shall be one dollar ($1.00) less than the amount which would cause the Total Payments to be subject to the Excise Tax; provided that such reduction to the Total Payments shall be made only if the total after-tax benefit to the Eligible Executive is greater after giving effect to such reduction than if no such reduction had been made. If such a reduction is required, the Company shall reduce or eliminate the Total Payments by first reducing or eliminating any cash severance benefits, then by reducing or eliminating any accelerated vesting of stock options, then by reducing or eliminating any accelerated vesting of other equity awards, then by reducing or eliminating any other remaining Total Payments, in each case in reverse order beginning with the payments which are to be paid the farthest in time from the Change in Control. The preceding provisions of this Section 5.3 shall take precedence over the provisions of any other plan, arrangement or agreement governing the Eligible Executive's rights and entitlements to any benefits or compensation.

All determinations required under this Section shall be made by the Company's independent auditors at the Company's expense and in accordance with Code section 280G.

5.4 Termination Before Protection Period

Notwithstanding anything to the contrary in this Plan, an Eligible Executive who is involuntarily terminated without Cause in the six-month period immediately preceding the commencement of the Protection Period will be entitled to receive the benefits for unvested equity and equity-based awards described in Section 5.2 and a benefit under this Section 5.4 equal to the amount described in Section 5.2 less the amount described in Section 4.2 for such Eligible Executive (regardless of whether the amount described in Section 4.2 is actually paid), provided such Eligible Executive signs and does not revoke a general release of claims within the time period required by law, but no more than fifty (50) days following the Change in Control. The amount payable under this Section 5.4 shall be paid in a lump sum payment, net of all applicable tax withholding, within 60 days of the first instance of a Change in Control; provided however, that if the period during which the Eligible Executive may consider and sign the general release of claims would span more than one taxable year, then such payment shall not be made until the later taxable year.

ARTICLE VI
ADMINISTRATION OF THE PLAN

6.1 General Administration

The Committee shall be responsible for the operation and administration of the Plan and for carrying out the provisions hereof. The Committee shall have the full authority and discretion to make, amend, interpret, and enforce all appropriate rules and regulations for the administration of this Plan and decide or resolve any and all questions, including interpretations of this Plan, as may arise in connection with this Plan. Any such action taken by the Committee shall be final and conclusive on any party. To the extent the Committee has been granted discretionary authority under the Plan, the Committee's prior exercise of such authority shall not obligate it to exercise its authority in a like fashion thereafter. The Committee shall be entitled to rely conclusively upon all tables, valuations, certificates, opinions and reports furnished by any actuary, accountant, controller, counsel or other person employed or engaged by the Company with respect to the Plan. The

Committee may, from time to time, employ agents and delegate to such agents, including employees of the Company, such administrative or other duties as it sees fit.

6.2 Claims for Benefits

(a) Filing a Claim. An Eligible Executive or his authorized representative may file a claim for benefits under the Plan. Any claim must be in writing and submitted to the Committee at the Company's corporate headquarters office. Claimants will be notified in writing of approved claims, which will be processed as claimed. A claim is considered approved only if its approval is communicated in writing to a claimant.

(b) Denial of Claim. In the case of the denial of a claim respecting benefits paid or payable with respect to an Eligible Executive, a written notice will be furnished to the claimant within 90 days of the date on which the claim is received by the Committee. If special circumstances (such as for a hearing) require a longer period, the claimant will be notified in writing, prior to the expiration of the 90-day period, of the reasons for an extension of time; provided, however, that no extensions will be permitted beyond 90 days after the expiration of the initial 90-day period.

(c) Reasons for Denial. A denial or partial denial of a claim will be dated and will clearly set forth:

(i) the specific reason or reasons for the denial;

(ii) specific reference to pertinent Plan provisions on which the denial is based;

(iii) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and

(iv) an explanation of the procedure for review of the denied or partially denied claim set forth below, including the claimant's right to bring a civil action under ERISA section 502(a) following an adverse benefit determination on review.

(d) Review of Denial. Upon denial of a claim, in whole or in part, a claimant or his duly authorized representative will have the right to submit a written request to the Committee for a full and fair review of the denied claim by filing a written notice of appeal with the Committee within 60 days of the receipt by the claimant of written notice of the denial of the claim. A claimant or the claimant's authorized representative will have, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claimant's claim for benefits and may submit issues and comments in writing. The review will take into account all comments, documents, records, and other information submitted by the claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination.

If the claimant fails to file a request for review within 60 days of the denial notification, the claim will be deemed abandoned and the claimant precluded from reasserting it. If the claimant does file a request for review, his request must include a description of the issues and evidence he deems relevant. Failure to raise issues or present evidence on review will preclude those issues or evidence from being presented in any subsequent proceeding or judicial review of the claim.

(e) Decision Upon Review. The Committee will provide a prompt written decision on review. If the claim is denied on review, the decision shall set forth:

(i) the specific reason or reasons for the adverse determination;

(ii) specific reference to pertinent Plan provisions on which the adverse determination is based;

(iii) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claimant's claim for benefits; and

(iv) a statement describing any voluntary appeal procedures offered by the Plan and the claimant's right to obtain the information about such procedures, as well as a statement of the claimant's right to bring an action under ERISA section 502(a).

A decision will be rendered no more than 60 days after the Committee's receipt of the request for review, except that such period may be extended for an additional 60 days if the Committee determines that special circumstances (such as for a hearing) require such extension. If an extension of time is required, written notice of the extension will be furnished to the claimant before the end of the initial 60-day period.

(f) Protection Period Terminations. If an Eligible Executive files a claim related to a Termination of Employment occurring during the Protection Period, all of the time periods related to the Committee's decisions described in this Section 6.2 shall be reduced by two-thirds (e.g., from 90 days to 30 days).

(g) Limitations Period. Any suit or legal action initiated by a claimant under the Plan must be brought by the claimant no later than one year following a final decision on the claim for benefits by the Committee. The one-year limitation on suits for benefits will apply in any forum where a claimant initiates such suit or legal action.

6.3 Indemnification

To the extent not covered by insurance, the Company shall indemnify the Committee, each employee, officer, director, and agent of the Company, and all persons formerly serving in such capacities, against any and all liabilities or expenses, including all legal fees relating thereto, arising in connection with the exercise of their duties and responsibilities with respect to the Plan, provided however that the Company shall not indemnify any person for liabilities or expenses due to that person's own gross negligence or willful misconduct.

ARTICLE VII
TERMINATION AND AMENDMENT OF PLAN

7.1 Termination of Plan

The Company's Board of Directors may terminate the Plan at any time, without prior notice. Upon termination of the Plan, except with respect to benefits due resulting from a Termination of Employment prior to such Plan termination, all rights to benefits hereunder, if any, shall cease. Any separation agreement executed by an Eligible Executive under Section 4.1 shall survive the Plan's termination.

7.2 Amendment of Plan

The severance benefits provided for in the Plan are not vested benefits. Accordingly, the Company reserves the right in its sole and absolute discretion, to amend or modify the Plan at any time, in whole or in part, including any or all of the provisions of the Plan, by action of its Board of Directors, without prior notice.

7.3 Protection Period Changes

Notwithstanding anything in the Plan to the contrary, no amendment or termination of the Plan, including deletions to the listing of Eligible Executives, may occur during the Protection Period without the written consent of all Eligible Executives.

7.4 Successors to the Company

The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, or otherwise) of all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform the Company's obligations under this Plan in the same manner and to the same extent that the Company would be required to perform them if such succession had not taken place.

ARTICLE VIII
MISCELLANEOUS

8.1 Funding

The benefits provided herein shall be funded by the Company's general assets. The Plan shall constitute an unfunded mechanism for the Company to pay Plan benefits to Eligible Executives determined to be entitled to payments hereunder. No fund or trust is created with respect to the Plan, and no Eligible Executive shall have any security or other interest in the assets of the Company.

8.2 No Contract of Employment

The Plan does not constitute or imply the existence of an employment contract between the Company or any affiliate and any Eligible Executive. Employment with the Company is "at will."

8.3 Governing Law

To the extent not governed by federal law, the Plan shall be interpreted under the laws of the State of Delaware notwithstanding any conflict of law principles.

8.4 Severability

In the event any provision of the Plan shall be held invalid or illegal for any reason, any illegality or invalidity shall not affect the remaining parts of the Plan, but the Plan shall be construed and enforced as if the illegal or invalid provision had never been inserted.

8.5 Words and Headings

Words in the masculine gender shall include the feminine and the singular shall include the plural, and vice versa, unless qualified by the context. Any headings used herein are included for ease of reference only, and are not to be construed so as to alter the terms hereof.

THIS PLAN WAS ORIGINALLY ADOPTED BY THE COMPANY'S BOARD OF DIRECTORS ON MAY 26, 2014 AND AMENDED AND RESTATED IN THE CURRENT FORM ON FEBRUARY 8, 2018.

APPENDIX A

ELIGIBLE EXECUTIVES
(as of July 2, 2018)

Jennifer L. Congdon
Kenneth R. Lepage
Elie Melhem
Munish Nanda
Robert J. Pagano, Jr.
Shashank Patel
Navalpakkam Ramakrishnan

Exhibit 10.2

INDEMNIFICATION AGREEMENT

This Agreement made and entered into this ___ day of ________ ____, (the "Agreement"), by and between Watts Water Technologies, Inc., a Delaware corporation (the "Company," which term shall include, where appropriate, any Entity (as hereinafter defined) controlled directly or indirectly by the Company) and ____________ (the "Indemnitee"):

WHEREAS, it is essential to the Company that it be able to retain and attract as directors and officers the most capable persons available;

WHEREAS, increased corporate litigation has subjected directors and officers to litigation risks and expenses, and the limitations on the availability of directors and officers liability insurance have made it increasingly difficult for the Company to attract and retain such persons;

WHEREAS, the Company's Certificate of Incorporation and By-laws (the "Certificate of Incorporation" and "By-laws," respectively) require it to indemnify its directors and officers to the fullest extent permitted by law and permit it to make other indemnification arrangements and agreements;

WHEREAS, the Company desires to provide Indemnitee with specific contractual assurance of Indemnitee's rights to full indemnification against litigation risks and expenses (regardless, among other things, of any amendment to or revocation of the Certificate of Incorporation or By-laws or any change in the ownership of the Company or the composition of its Board of Directors);

WHEREAS, the Company intends that this Agreement provide Indemnitee with greater protection than that which is provided by the Company's Certificate of Incorporation and By-laws; and

WHEREAS, Indemnitee is relying upon the rights afforded under this Agreement in continuing as a director or officer of the Company.

NOW, THEREFORE, in consideration of the promises and the covenants contained herein, the Company and Indemnitee do hereby covenant and agree as follows:

1. Definitions **.**

(a) "Corporate Status" describes the status of a person who is serving or has served (i) as a director or officer of the Company, (ii) in any capacity with respect to any employee benefit plan of the Company, or (iii) as a director, partner, trustee, officer, employee, or agent of any other Entity at the request of the Company. For purposes of subsection (iii) of this Section 1(a), if Indemnitee is serving or has served as a director, partner, trustee, officer, employee or agent of a

Subsidiary, Indemnitee shall be deemed to be serving at the request of the Company.

(b) “Entity” shall mean any corporation, partnership, limited liability company, joint venture, trust, foundation, association, organization or other legal entity.

(c) “Expenses” shall mean all fees, costs and expenses incurred by Indemnitee in connection with any Proceeding (as defined below), including, without limitation, attorneys’ fees, disbursements and retainers (including, without limitation, any such fees, disbursements and retainers incurred by Indemnitee pursuant to Sections 10 and 11(c) of this Agreement), fees and disbursements of expert witnesses, private investigators and professional advisors (including, without limitation, accountants and investment bankers), court costs, transcript costs, fees of experts, travel expenses, duplicating, printing and binding costs, telephone and fax transmission charges, postage, delivery services, secretarial services, and other disbursements and expenses.

(d) “Indemnifiable Expenses,” “Indemnifiable Liabilities” and “Indemnifiable Amounts” shall have the meanings ascribed to those terms in Section 3(a) below.

(e) “Liabilities” shall mean judgments, damages, liabilities, losses, penalties, excise taxes, fines and amounts paid in settlement.

(f) “Proceeding” shall mean any threatened, pending or completed claim, action, suit, arbitration, alternate dispute resolution process, investigation, administrative hearing, appeal, or any other proceeding, whether civil, criminal, administrative, arbitrative or investigative, whether formal or informal, including a proceeding initiated by Indemnitee pursuant to Section 10 of this Agreement to enforce Indemnitee’s rights hereunder.

(g) “Subsidiary” shall mean any corporation, partnership, limited liability company, joint venture, trust or other Entity of which the Company owns (either directly or through or together with another Subsidiary of the Company) either (i) a general partner, managing member or other similar interest or (ii) (A) 50% or more of the voting power of the voting capital equity interests of such corporation, partnership, limited liability company, joint venture or other Entity, or (B) 50% or more of the outstanding voting capital stock or other voting equity interests of such corporation, partnership, limited liability company, joint venture or other Entity.

2. Services of Indemnitee. In consideration of the Company's covenants and commitments hereunder, Indemnitee agrees to serve or continue to serve as a director and/or officer of the Company. However, this Agreement shall not impose any obligation on Indemnitee or the Company to continue Indemnitee's service to the Company beyond any period otherwise required by law or by other agreements or commitments of the parties, if any.

3. Agreement to Indemnify. The Company agrees to indemnify Indemnitee as follows:

(a) Proceedings Other Than By or In the Right of the Company. Subject to the exceptions contained in Section 4(a) below, if Indemnitee was or is a party or is threatened to be made a party to any Proceeding (other than an action by or in the right of the Company) by reason of Indemnitee's Corporate Status, Indemnitee shall be indemnified by the Company against all Expenses and Liabilities incurred or paid by Indemnitee in connection with such Proceeding (referred to herein as "Indemnifiable Expenses" and "Indemnifiable Liabilities," respectively, and collectively as "Indemnifiable Amounts").

(b) Proceedings By or In the Right of the Company. Subject to the exceptions contained in Section 4(b) below, if Indemnitee was or is a party or is threatened to be made a party to any Proceeding by or in the right of the Company by reason of Indemnitee's Corporate Status, Indemnitee shall be indemnified by the Company against all Indemnifiable Expenses.

(c) Conclusive Presumption Regarding Standard of Care. In making any determination required to be made under Delaware law with respect to entitlement to indemnification hereunder, the person, persons or entity making such determination shall presume that Indemnitee is entitled to indemnification under this Agreement if Indemnitee submitted a request therefor in accordance with Section 5 of this Agreement, and the Company shall have the burden of proof to overcome that presumption in connection with the making by any person, persons or entity of any determination contrary to that presumption.

4. Exceptions to Indemnification. Indemnitee shall be entitled to indemnification under Sections 3(a) and 3(b) above in all circumstances other than with respect to any specific claim, issue or matter involved in the Proceeding out of which Indemnitee's claim for indemnification has arisen, as follows:

(a) Proceedings Other Than By or In the Right of the Company. If indemnification is requested under Section 3(a) and it has been finally adjudicated by a court of competent jurisdiction that, in connection with such specific claim, issue or matter, Indemnitee failed to act (i) in good faith and (ii) in a manner

Indemnitee reasonably believed to be in or not opposed to the best interests of the Company, or, with respect to any criminal Proceeding, Indemnitee had reasonable cause to believe that Indemnitee's conduct was unlawful, Indemnitee shall not be entitled to payment of Indemnifiable Amounts hereunder.

(b) Proceedings By or In the Right of the Company. If indemnification is requested under Section 3(b) and

(i) it has been finally adjudicated by a court of competent jurisdiction that, in connection with such specific claim, issue or matter, Indemnitee failed to act (A) in good faith and (B) in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company, Indemnitee shall not be entitled to payment of Indemnifiable Expenses hereunder; or

(ii) it has been finally adjudicated by a court of competent jurisdiction that Indemnitee is liable to the Company with respect to such specific claim, Indemnitee shall not be entitled to payment of Indemnifiable Expenses hereunder with respect to such claim, issue or matter unless the Court of Chancery or another court in which such Proceeding was brought shall determine upon application that, despite the adjudication of liability, but in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnification for such Indemnifiable Expenses which such court shall deem proper; or

(iii) it has been finally adjudicated by a court of competent jurisdiction that Indemnitee is liable to the Company for an accounting of profits made from the purchase or sale by the Indemnitee of securities of the Company pursuant to the provisions of Section 16(b) of the Securities Exchange Act of 1934, the rules and regulations promulgated thereunder and amendments thereto or similar provisions of any federal, state or local statutory law, Indemnitee shall not be entitled to payment of Indemnifiable Expenses hereunder.

(c) Insurance Proceeds. To the extent payment is actually made to the Indemnitee under a valid and collectible insurance policy in respect of Indemnifiable Amounts in connection with such specific claim, issue or matter, Indemnitee shall not be entitled to payment of Indemnifiable Amounts hereunder except in respect of any excess beyond the amount of payment under such insurance.

5. Procedure for Payment of Indemnifiable Amounts. Indemnitee shall submit to the Company a written request specifying the Indemnifiable Amounts for which Indemnitee seeks payment under Section 3 of this Agreement and the basis for the claim. The Company shall pay such Indemnifiable Amounts to Indemnitee within sixty (60) calendar days of receipt of the request. At the request of the Company, Indemnitee shall furnish such documentation and information as are reasonably available to Indemnitee and necessary to establish that Indemnitee is entitled to indemnification hereunder.

6. Indemnification for Expenses of a Party Who is Wholly or Partly Successful. Notwithstanding any other provision of this Agreement, and without limiting any such provision, to the extent that Indemnitee is, by reason of Indemnitee's Corporate Status, a party to and is successful, on the merits or otherwise, in any Proceeding, Indemnitee shall be indemnified against all Expenses reasonably incurred by Indemnitee or on Indemnitee's behalf in connection therewith. If Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify Indemnitee against all Expenses reasonably incurred by Indemnitee or on Indemnitee's behalf in connection with each successfully resolved claim, issue or matter. For purposes of this Agreement, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, by reason of settlement, judgment, order or otherwise, shall be deemed to be a successful result as to such claim, issue or matter.

7. Effect of Certain Resolutions. Neither the settlement or termination of any Proceeding nor the failure of the Company to award indemnification or to determine that indemnification is payable shall create a presumption that Indemnitee is not entitled to indemnification hereunder. In addition, the termination of any proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent shall not create a presumption that Indemnitee did not act in good faith and in a manner which Indemnitee reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal Proceeding, had reasonable cause to believe that Indemnitee's action was unlawful.

8. Agreement to Advance Expenses; Undertaking. The Company shall advance all Expenses incurred by or on behalf of Indemnitee in connection with any Proceeding, including a Proceeding by or in the right of the Company, in which Indemnitee is involved by reason of such Indemnitee's Corporate Status within ten (10) calendar days after the receipt by the Company of a written statement from Indemnitee requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. To the extent required by Delaware law, Indemnitee hereby undertakes to repay any and all of the amount of Indemnifiable Expenses paid to Indemnitee if it is finally determined by a court of competent jurisdiction that Indemnitee is not entitled under this Agreement to indemnification with respect to such Expenses. This undertaking is an unlimited general obligation of Indemnitee.

9. Procedure for Advance Payment of Expenses. Indemnitee shall submit to the Company a written request specifying the Indemnifiable Expenses for which Indemnitee seeks an advancement under Section 8 of this Agreement, together with documentation evidencing that Indemnitee has incurred such Indemnifiable Expenses. Payment of Indemnifiable Expenses under Section 8 shall be made no later than ten (10) calendar days after the Company's receipt of such request.

10. Remedies of Indemnitee.

(a) Right to Petition Court. In the event that Indemnitee makes a request for payment of Indemnifiable Amounts under Sections 3 and 5 above or a request for an advancement of Indemnifiable Expenses under Sections 8 and 9 above and the Company fails to make such payment or advancement in a timely manner pursuant to the terms of this Agreement, Indemnitee may petition the Court of Chancery to enforce the Company's obligations under this Agreement.

(b) Burden of Proof. In any judicial proceeding brought under Section 10(a) above, the Company shall have the burden of proving that Indemnitee is not entitled to payment of Indemnifiable Amounts hereunder.

(c) Expenses. The Company agrees to reimburse Indemnitee in full for any Expenses incurred by Indemnitee in connection with investigating, preparing for, litigating, defending or settling any action brought by Indemnitee under Section 10(a) above, or in connection with any claim or counterclaim brought by the Company in connection therewith, whether or not Indemnitee is successful in whole or in part in connection with any such action.

(d) Failure to Act Not a Defense. The failure of the Company (including its Board of Directors or any committee thereof, independent legal counsel, or stockholders) to make a determination concerning the permissibility of the payment of Indemnifiable Amounts or the advancement of Indemnifiable Expenses under this Agreement shall not be a defense in any action brought under Section 10(a) above, and shall not create a presumption that such payment or advancement is not permissible.

11. Defense of the Underlying Proceeding.

(a) Notice by Indemnitee. Indemnitee agrees to notify the Company promptly upon being served with any summons, citation, subpoena, complaint, indictment, information, or other document relating to any Proceeding which may result in the payment of Indemnifiable Amounts or the advancement of Indemnifiable Expenses hereunder; provided, however, that the failure to give any such notice shall not disqualify Indemnitee from the right, or otherwise affect in any manner any right of Indemnitee, to receive payments of Indemnifiable Amounts or advancements of Indemnifiable Expenses unless the Company's ability to defend in such Proceeding is materially and adversely prejudiced thereby.

(b) Defense by Company. Subject to the provisions of the last sentence of this Section 11(b) and of Section 11(c) below, the Company shall have the right to defend Indemnitee in any Proceeding which may give rise to the payment of Indemnifiable Amounts hereunder; provided, however that the Company shall notify Indemnitee of any such decision to defend within ten (10) calendar days of receipt of notice of any such Proceeding under Section 11(a) above. The Company shall not, without the prior written consent of Indemnitee, consent to the entry of any judgment against Indemnitee or enter into any settlement or compromise which (i) includes an admission of fault of Indemnitee or (ii) does not include, as an unconditional term thereof, the full release of Indemnitee from all liability in respect of such Proceeding, which release shall be in form and substance reasonably satisfactory to Indemnitee. This Section 11(b) shall not apply to a Proceeding brought by Indemnitee under Section 10(a) above or pursuant to Section 19 below.

(c) Indemnitee's Right to Counsel. Notwithstanding the provisions of Section 11(b) above, if in a Proceeding to which Indemnitee is a party by reason of Indemnitee's Corporate Status, (i) Indemnitee reasonably concludes that he or she may have separate defenses or counterclaims to assert with respect to any issue which may not be consistent with the position of other defendants in such Proceeding, (ii) a conflict of interest or potential conflict of interest exists between Indemnitee and the Company, or (iii) if the Company fails to assume the defense of such proceeding in a timely manner, Indemnitee shall be entitled to be represented by separate legal counsel of Indemnitee's choice at the expense of the Company. In addition, if the Company fails to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes any action to declare this Agreement void or unenforceable, or institutes any action, suit or proceeding to deny or to recover from Indemnitee the benefits intended to be provided to Indemnitee hereunder, Indemnitee shall have the right to retain counsel of Indemnitee's choice, at the expense of the Company, to represent Indemnitee in connection with any such matter.

12. Representations and Warranties of the Company. The Company hereby represents and warrants to Indemnitee as follows:

(a) Authority. The Company has all necessary power and authority to enter into, and be bound by the terms of, this Agreement, and the execution, delivery and performance of the undertakings contemplated by this Agreement have been duly authorized by the Company.

(b) Enforceability. This Agreement, when executed and delivered by the Company in accordance with the provisions hereof, shall be a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or similar laws affecting the enforcement of creditors' rights generally.

13. Insurance. For a period of six (6) years following the date on which Indemnitee no longer serves as a director, officer or employee of the Company or any Subsidiary, and for such longer period, if any, for which Indemnitee may be subject to a Proceeding by reason of Indemnitee's Corporate Status, the Company (i) shall maintain a policy or policies of insurance with one or more reputable insurance companies providing the Indemnitee with coverage in an amount not less than, and of a type and scope not materially less favorable to Indemnitee than, the directors' and officers' liability insurance coverage presently maintained by the Company, (ii) shall pay on a timely basis all premiums on such insurance and (iii) shall provide such notices and renewals in a complete and timely manner and take such other actions as may be required in order to keep such insurance in full force and effect. In all policies of director and officer liability insurance, Indemnitee shall be named as an insured in such a manner as to provide Indemnitee the same rights and benefits as are accorded to the most favorably insured of the Company's officers and directors.

14. Contract Rights Not Exclusive. The rights to payment of Indemnifiable Amounts and advancement of Indemnifiable Expenses provided by this Agreement shall be in addition to, but not exclusive of, any other rights which Indemnitee may have at any time under applicable law, the Company's Certificate of Incorporation or By-laws, or any other agreement, vote of stockholders or directors (or a committee of directors), or otherwise, both as to action in Indemnitee's official capacity and as to action in any other capacity as a result of Indemnitee's serving as a director or officer of the Company.

15. Successors. This Agreement shall be (a) binding upon all successors and assigns of the Company (including any transferee of all or a substantial portion of the business, stock and/or assets of the Company and any direct or indirect successor by merger or consolidation or otherwise by operation of law) and (b) binding on and shall inure to the benefit of the heirs, personal representatives, executors and administrators of Indemnitee. In the event that the Company or any of its successors or assigns (i) consolidates with or merges into any other person or entity and shall not be the continuing or surviving corporation or entity of such consolidation or merger or (ii) transfers or conveys all or substantially all of its properties and assets to any person or entity, then, and in each such case, proper provision shall be made so that the successors and assigns of the Company assume the obligations of the Company under this Agreement. This Agreement shall continue for the benefit of Indemnitee and such heirs, personal representatives, executors and administrators after Indemnitee has ceased to have Corporate Status.

16. Subrogation. In the event of any payment of Indemnifiable Amounts under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of contribution or recovery of Indemnitee against other persons, and Indemnitee shall take, at the request of the Company, all reasonable action necessary to secure such rights, including the execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

17. Change in Law. To the extent that a change in Delaware law (whether by statute or judicial decision) shall permit broader indemnification or advancement of expenses than is provided under the terms of the By-laws and this Agreement, Indemnitee shall be entitled to such broader indemnification and advancements, and this Agreement shall be deemed to be amended to such extent.

18. Severability. Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement, or any clause thereof, shall be determined by a court of competent jurisdiction to be illegal, invalid or unenforceable, in whole or in part, such provision or clause shall be limited or modified in its application to the minimum extent necessary to make such provision or clause valid, legal and enforceable, and the remaining provisions and clauses of this Agreement shall remain fully enforceable and binding on the parties.

19. Indemnitee as Plaintiff. Except as provided in Section 10(c) of this Agreement and in the next sentence, Indemnitee shall not be entitled to payment of Indemnifiable Amounts or advancement of Indemnifiable Expenses with respect to any Proceeding brought by Indemnitee against the Company, any Entity which it controls, any director or officer thereof, or any third party, unless the Board of Directors of the Company has consented to the initiation of such Proceeding. This Section shall not apply to counterclaims or affirmative defenses asserted by Indemnitee in an action brought against Indemnitee.

20. Modifications and Waiver. Except as provided in Section 17 above with respect to changes in Delaware law which broaden the right of Indemnitee to be indemnified by the Company, no supplement, modification or amendment of this Agreement shall be binding unless executed in writing by each of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions of this Agreement (whether or not similar), nor shall such waiver constitute a continuing waiver.

21. General Notices. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given (a) when delivered by hand, (b) when transmitted by facsimile and receipt is acknowledged, or (c) if mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed:

(i) If to Indemnitee, to:

____
____
____
____

(ii) If to the Company, to:

Watts Water Technologies, Inc.
815 Chestnut Street
North Andover, MA 01845
Facsimile: (978) 688-2976
Attention:

or to such other address as may have been furnished in the same manner by any party to the others.

22. Governing Law; Consent to Jurisdiction; Service of Process. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without regard to its rules of conflict of laws. Each of the Company and the Indemnitee hereby irrevocably and unconditionally consents to submit to the exclusive jurisdiction of the Court of Chancery of the State of Delaware and the courts of the United States of America located in the State of Delaware (the "Delaware Courts") for any litigation arising out of or relating to this Agreement and the transactions contemplated hereby (and agrees not to commence any litigation relating thereto except in such courts), waives any objection to the laying of venue of any such litigation in the Delaware Courts and agrees not to plead or claim in any Delaware Court that such litigation brought therein has been brought in an inconvenient forum. Each of the parties hereto agrees, (a) to the extent such party is not otherwise subject to service of process in the State of Delaware, to appoint and maintain an agent in the State of Delaware as such party's agent for acceptance of legal process, and (b) that service of process may also be made on such party by prepaid certified mail with a proof of mailing receipt validated by the United States Postal Service constituting evidence of valid service. Service made pursuant to (a) or (b) above shall have the same legal force and effect as if served upon such party personally within the State of Delaware. For purposes of implementing the parties' agreement to appoint and maintain an agent for service of process in the State of Delaware, each such party does hereby appoint The Corporation Trust Company, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801, as such agent and each such party hereby agrees to complete all actions necessary for such appointment.

23. [Prior Agreement. This Agreement supersedes and replaces in its entirety the Indemnification Agreement between the Indemnitee and the Company dated as of _______, ___.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

WATTS WATER TECHNOLOGIES, INC.

By: ______________________________

Name:

Title:

INDEMNITEE

____

Name:

Schedule of Omitted Information

Name of Indemnitee	Date of Agreement	Date of Prior Agreement (Section 23)	Person Signing on behalf of the Company
Timothy P. Horne	February 10, 2004	August 7, 2002	Patrick S. O'Keefe Chief Executive Officer
Kenneth R. Lepage	February 10, 2004	November 5, 2003	Patrick S. O'Keefe Chief Executive Officer
Merilee Raines	February 7, 2011	Not Applicable	David J. Coghlan Chief Executive Officer
W. Craig Kissel	October 30, 2011	Not Applicable	David J. Coghlan Chief Executive Officer
Joseph T. Noonan	May 15, 2013	Not Applicable	David J. Coghlan Chief Executive Officer
Robert J. Pagano, Jr.	May 27, 2014	Not Applicable	Kenneth R. Lepage General Counsel
Munish Nanda	April 6, 2015	Not Applicable	Kenneth R. Lepage General Counsel
Christopher L. Conway	June 2, 2015	Not Applicable	Robert J. Pagano, Jr. Chief Executive Officer
Joseph W. Reitmeier	February 10, 2016	Not Applicable	Robert J. Pagano, Jr. Chief Executive Officer
Jennifer L. Congdon	December 12, 2016	Not Applicable	Robert J. Pagano, Jr. Chief Executive Officer
David A. Dunbar	February 8, 2017	Not Applicable	Robert J. Pagano, Jr. Chief Executive Officer
Jes Munk Hansen	February 8, 2017	Not Applicable	Robert J. Pagano, Jr. Chief Executive Officer
Louise K. Goeser	March 12, 2018	Not Applicable	Robert J. Pagano, Jr. Chief Executive Officer
Shashank Patel	July 2, 2018	Not Applicable	Robert J. Pagano, Jr. Chief Executive Officer

RESTRICTED STOCK AWARD AGREEMENT
FOR COMPANY EMPLOYEES

UNDER THE WATTS WATER TECHNOLOGIES, INC.
SECOND AMENDED AND RESTATED 2004 STOCK INCENTIVE PLAN

The award of shares of restricted Class A Common Stock (the “Restricted Stock”) of Watts Water Technologies, Inc. (the “Company”) made to the grantee (the “Grantee”), as set forth in the Restricted Stock award notification provided through the Grantee’s stock plan account on the E*TRADE website, is subject to the provisions of the Company’s Second Amended and Restated 2004 Stock Incentive Plan (the “Plan”) and the terms and conditions contained in this Restricted Stock Award Agreement (the “Agreement”). By accepting the award of Restricted Stock on the E*TRADE website, the Grantee agrees to the terms and conditions of this Agreement.

1. <u>Acceptance of Award</u>. The Grantee shall have no rights with respect to the Restricted Stock unless he or she shall have accepted the Restricted Stock award through the E*TRADE website. Upon acceptance of the award of Restricted Stock by the Grantee, (i) the shares of Restricted Stock so accepted shall be issued by the Company and held by the Company’s transfer agent in book entry form in a restricted account until such Restricted Stock is vested as provided in Paragraph 3 below, and (ii) the Grantee’s name shall be entered as the stockholder of record on the books of the Company. Thereupon, the Grantee shall have all the rights of a shareholder with respect to such shares, including voting and dividend rights, subject, however, to the restrictions and conditions specified in Paragraph 2 below.

2. <u>Restrictions and Conditions</u>.

(a) As set forth in Paragraph 1, the book entries representing the shares of Restricted Stock granted herein shall bear an appropriate legend, as determined by the Administrator in its sole discretion, to the effect that such shares are subject to restrictions as set forth herein and in the Plan.

(b) Shares of Restricted Stock granted herein may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of by the Grantee prior to vesting.

(c) If the Grantee’s employment with the Company and its Subsidiaries is voluntarily or involuntarily terminated for any reason (other than death or disability) prior to vesting of shares of Restricted Stock granted herein, the unvested shares of Restricted Stock shall be immediately and automatically forfeited to the Company upon termination of employment, without payment of any consideration to the Grantee. The Grantee shall have no further rights with respect to any shares of Restricted Stock that are so forfeited.

3. <u>Vesting of Restricted Stock</u>. Unless otherwise provided in this Agreement or the Plan, the Restricted Stock shall vest in accordance with the following vesting schedule: [_____]. The restrictions and conditions in Paragraph 2 shall lapse with respect to the number of shares of Restricted Stock specified as vested on each such vesting date.

Subsequent to such Vesting Date or Dates, the shares of Stock on which all restrictions and conditions have lapsed shall no longer be deemed Restricted Stock. Notwithstanding the foregoing, if the Grantee's employment is terminated by reason of death or disability (as determined by the Administrator) prior to the vesting of shares of Restricted Stock granted herein, the unvested shares of Restricted Stock held by the Grantee shall become fully vested. The Administrator may at any time accelerate the vesting schedule specified in this Paragraph 3.

4. Dividends. Dividends on shares of Restricted Stock shall be paid currently to the Grantee.

5. Incorporation of Plan. Notwithstanding anything herein to the contrary, this Agreement shall be subject to and governed by all the terms and conditions of the Plan, including the powers of the Administrator set forth in Section 2(b) of the Plan. Capitalized terms in this Agreement shall have the meaning specified in the Plan, unless a different meaning is specified herein.

6. Limitations on Transferability. This Agreement is personal to the Grantee, is non-assignable and is not transferable in any manner, by operation of law or otherwise, other than by will or the laws of descent and distribution.

7. Tax Withholding. The Grantee acknowledges and agrees that the Company has the right to deduct from payments of any kind otherwise due to the Grantee any federal, state, local or other taxes of any kind required by law to be withheld with respect to the vesting of the shares of Restricted Stock. The Grantee shall satisfy such tax withholding obligations by transferring to the Company, on each date on which shares of Restricted Stock vest under this Agreement, such number of shares of Restricted Stock that vest on such date as have a Fair Market Value equal to the amount of the Company's tax withholding obligation in connection with the vesting of such shares of Restricted Stock. Such delivery of Restricted Stock to the Company shall be deemed to happen automatically, without any action required on the part of the Grantee, and the Company is hereby authorized to take such actions as are necessary to effect such delivery.

8. Non-Competition, Non-Solicitation and Non-Disparagement. In consideration of the Company entering into this Agreement with the Grantee, the Grantee agrees that throughout his or her term of employment with the Company and for a period of twelve (12) months following the Grantee's date of termination with the Company, the Grantee shall not, directly or indirectly, divert or attempt to divert or assist others in diverting any business of the Company by soliciting, contacting or communicating with any customer or supplier of the Company with whom the Grantee has direct or indirect contact or upon termination of employment has had direct or indirect contact during the twelve (12) month period immediately preceding the Grantee's date of termination with the Company. The Grantee further agrees that for a period of twelve (12) months following his or her date of termination with the Company the Grantee shall not, directly or indirectly, solicit, induce, attempt to induce or assist others in attempting to induce any employee of the Company with whom the Grantee has worked or had material contact with, during the twelve (12) month period immediately preceding the termination of the Grantee's employment, to leave the employment of the Company or a subsidiary of the Company or to accept employment or affiliation with any other company or firm of which the

Grantee becomes an employee, owner, partner or consultant. The Grantee agrees that throughout his or her term of employment with the Company and for a period of twelve (12) months following the Grantee's date of termination that the Grantee will not make any statements, orally or in writing, cause to be published or in any way disseminate any information concerning the Company or any subsidiaries of the Company concerning the Company's business, business operations or business practices that in any way, in form or substance, harms, disparages or otherwise casts an unfavorable light upon the Company or any subsidiaries of the Company or upon any of their reputations or standing in the business community or the community as a whole. The provisions of this Section 810 do not prohibit the Grantee from communicating with, cooperating with, or providing information to the Securities and Exchange Commission, the Department of Labor, the EEOC, the NLRB, or any government agency that might be interpreted as disparaging.

9. Compensation Recovery Policy. Notwithstanding anything contained in this Agreement to the contrary, all Restricted Stock awarded under this Agreement, and any shares of Class A Common Stock delivered to the Grantee upon vesting of Restricted Stock hereunder shall be subject to forfeiture or repayment pursuant to the terms of the Company's Compensation Recovery Policy as in effect from time to time, including any amendments necessary for compliance with the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

10. Miscellaneous.

(a) Notice hereunder shall be given to the Company at its principal place of business, and shall be given to the Grantee at the address on file with the Company, or in either case at such other address as one party may subsequently furnish to the other party in writing.

(b) This Agreement does not confer upon the Grantee any rights with respect to continuation of employment by the Company or any Subsidiary.

Exhibit 31.1

WATTS WATER TECHNOLOGIES, INC.
CERTIFICATION PURSUANT TO

SECTION 302 OF

THE SARBANES-OXLEY ACT OF 2002

I, Robert J. Pagano, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Watts Water Technologies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2018

/s/ Robert J. Pagano, Jr.
Robert J. Pagano, Jr.
Chief Executive Officer

Exhibit 31.2

**WATTS WATER TECHNOLOGIES, INC.
CERTIFICATION PURSUANT TO**

SECTION 302 OF

THE SARBANES-OXLEY ACT OF 2002

I, Shashank Patel, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Watts Water Technologies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2018

/s/ Shashank Patel
Shashank Patel
Chief Financial Officer

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned officer of Watts Water Technologies, Inc. (the "Company") hereby certifies that, to his knowledge, the Company's quarterly report on Form 10-Q to which this certification is attached (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company. This certification is provided solely pursuant to 18 U.S.C. Section 1350 and Item 601(b)(32) of Regulation S-K ("Item 601(b)(32)") promulgated under the Securities Act of 1933, as amended (the "Securities Act"), and the Exchange Act. In accordance with clause (ii) of Item 601(b)(32), this certification (A) shall not be deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and (B) shall not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

Date: August 2, 2018

/s/ Robert J. Pagano, Jr.
Robert J. Pagano, Jr.
Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned officer of Watts Water Technologies, Inc. (the "Company") hereby certifies that, to his knowledge, the Company's quarterly report on Form 10-Q to which this certification is attached (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company. This certification is provided solely pursuant to 18 U.S.C. Section 1350 and Item 601(b)(32) of Regulation S-K ("Item 601(b)(32)") promulgated under the Securities Act of 1933, as amended (the "Securities Act"), and the Exchange Act. In accordance with clause (ii) of Item 601(b)(32), this certification (A) shall not be deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and (B) shall not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

Date: August 2, 2018	/s/ Shashank Patel
	Shashank Patel
	Chief Financial Officer