KOHLS Corp
Form 4
March 05, 2015

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
BURD STEVEN A

(Last) (First) (Middle)

N56 W17000 RIDGEWOOD DRIVE

(Street)

MENOMONEE FALLS, WI 53051-5660

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
KOHLS Corp [KSS]

3. Date of Earliest Transaction (Month/Day/Year)
03/03/2015

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	03/03/2015		S		10,000	D	$ 74.46 (1)	11,783.72 (2)	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
BURD STEVEN A N56 W17000 RIDGEWOOD DRIVE MENOMONEE FALLS, WI 53051-5660	X			

Signatures

(Jason J. Kelroy P.O.A.)	03/05/2015
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) The price in Column 4 is a weighted average price. These shares were sold in multiple transactions at prices ranging from $74.45-$74.47, inclusive.

(2) Includes 1,953.72 unvested shares of restricted stock.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. e:10pt;">$
287,192

$
235,318

$
89,436

$
(324,754
)

$
287,192

34

Explanation of Responses:

LKQ CORPORATION AND SUBSIDIARIES
Unaudited Condensed Consolidating Statements of Income
(In thousands)

	For the Six Months Ended June 30, 2016				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenue	$—	$2,737,392	$ 1,555,389	$(66,499)	$4,226,282
Cost of goods sold	—	1,647,670	978,858	(66,499)	2,560,029
Gross margin	—	1,089,722	576,531	—	1,666,253
Facility and warehouse expenses	—	232,640	102,343	—	334,983
Distribution expenses	—	222,474	114,195	—	336,669
Selling, general and administrative expenses	19,266	255,641	193,497	—	468,404
Restructuring and acquisition related expenses	—	11,118	12,773	—	23,891
Depreciation and amortization	69	43,997	40,123	—	84,189
Operating (loss) income	(19,335)	323,852	113,600	—	418,117
Other expense (income):					
Interest expense (income), net	28,242	(166)	11,165	—	39,241
Intercompany interest (income) expense, net	(13,032)	8,966	4,066	—	—
Loss on debt extinguishment	2,894	—	23,756	—	26,650
Gains on foreign exchange contracts - acquisition related	(18,342)	—	—	—	(18,342)
Other (income) expense, net	(78)	(4,342)	1,069	—	(3,351)
Total other (income) expense, net	(316)	4,458	40,056	—	44,198
(Loss) income from continuing operations before (benefit) provision for income taxes	(19,019)	319,394	73,544	—	373,919
(Benefit) provision for income taxes	(9,557)	118,128	14,819	—	123,390
Equity in (loss) earnings of unconsolidated subsidiaries	(795)	19	228	—	(548)
Equity in earnings of subsidiaries	260,238	10,402	—	(270,640)	—
Income from continuing operations	249,981	211,687	58,953	(270,640)	249,981
Income from discontinued operations, net of tax	4,975	4,975	1,971	(6,946)	4,975
Net income	$254,956	$216,662	$ 60,924	$(277,586)	$254,956

LKQ CORPORATION AND SUBSIDIARIES
Unaudited Condensed Consolidating Statements of Comprehensive Income
(In thousands)

	For the Three Months Ended June 30, 2017				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net income	$150,914	$126,873	$ 41,983	$(168,856)	$ 150,914
Other comprehensive income (loss):					
Foreign currency translation	93,597	10,097	92,903	(103,000)	93,597
Net change in unrecognized gains/losses on derivative instruments, net of tax	(930)	—	—	—	(930)
Net change in unrealized gains/losses on pension plans, net of tax	(862)	(448)	(414)	862	(862)
Net change in other comprehensive loss from unconsolidated subsidiaries	(439)	—	(439)	439	(439)
Total other comprehensive income	91,366	9,649	92,050	(101,699)	91,366
Total comprehensive income	$242,280	$136,522	$ 134,033	$(270,555)	$ 242,280

LKQ CORPORATION AND SUBSIDIARIES
Unaudited Condensed Consolidating Statements of Comprehensive Income
(In thousands)

	For the Three Months Ended June 30, 2016				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net income	$142,785	$106,649	$ 49,620	$(156,269)	$ 142,785
Other comprehensive (loss) income:					
Foreign currency translation	(73,257)	(15,116)	(73,830)	88,946	(73,257)
Net change in unrecognized gains/losses on derivative instruments, net of tax	(3,614)	—	99	(99)	(3,614)
Net change in unrealized gains/losses on pension plans, net of tax	120	—	120	(120)	120
Total other comprehensive loss	(76,751)	(15,116)	(73,611)	88,727	(76,751)
Total comprehensive income (loss)	$66,034	$91,533	$ (23,991)	$(67,542)	$ 66,034

36

LKQ CORPORATION AND SUBSIDIARIES
Unaudited Condensed Consolidating Statements of Comprehensive Income
(In thousands)

	For the Six Months Ended June 30, 2017				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net income	$287,192	$235,318	$ 89,436	$(324,754)	$ 287,192
Other comprehensive income (loss):					
Foreign currency translation	115,176	13,975	114,035	(128,010)	115,176
Net change in unrecognized gains/losses on derivative instruments, net of tax	2,233	(133)	—	133	2,233
Net change in unrealized gains/losses on pension plans, net of tax	(3,903)	(3,253)	(650)	3,903	(3,903)
Net change in other comprehensive loss from unconsolidated subsidiaries	(601)	—	(601)	601	(601)
Total other comprehensive income	112,905	10,589	112,784	(123,373)	112,905
Total comprehensive income	$400,097	$245,907	$ 202,220	$(448,127)	$ 400,097

LKQ CORPORATION AND SUBSIDIARIES
Unaudited Condensed Consolidating Statements of Comprehensive Income
(In thousands)

	For the Six Months Ended June 30, 2016				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net income	$254,956	$216,662	$ 60,924	$(277,586)	$ 254,956
Other comprehensive (loss) income:					
Foreign currency translation	(73,117)	(17,971)	(76,869)	94,840	(73,117)
Net change in unrecognized gains/losses on derivative instruments, net of tax	(3,182)	—	195	(195)	(3,182)
Net change in unrealized gains/losses on pension plans, net of tax	267	—	267	(267)	267
Total other comprehensive loss	(76,032)	(17,971)	(76,407)	94,378	(76,032)
Total comprehensive income (loss)	$178,924	$198,691	$ (15,483)	$(183,208)	$ 178,924

37

LKQ CORPORATION AND SUBSIDIARIES
Unaudited Condensed Consolidating Balance Sheets
(In thousands)

	June 30, 2017				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	$27,445	$45,865	$ 230,234	$—	$ 303,544
Receivables, net	—	300,971	700,275	—	1,001,246
Intercompany receivables, net	3,259	—	18,809	(22,068)	—
Inventories	—	1,199,944	863,518	—	2,063,462
Prepaid expenses and other current assets	20,389	46,791	65,303	—	132,483
Total current assets	51,093	1,593,571	1,878,139	(22,068)	3,500,735
Property and equipment, net	310	538,159	303,139	—	841,608
Intangible assets:					
Goodwill	—	1,883,562	1,308,051	—	3,191,613
Other intangibles, net	—	154,082	441,251	—	595,333
Investment in subsidiaries	5,379,280	89,217	—	(5,468,497)	—
Intercompany notes receivable	1,182,590	796,682	—	(1,979,272)	—
Equity method investments	—	336	181,660	—	181,996
Other assets	62,025	36,177	25,765	(4,310)	119,657
Total assets	$6,675,298	$5,091,786	$ 4,138,005	$(7,474,147)	$ 8,430,942
Liabilities and Stockholders’ Equity					
Current liabilities:					
Accounts payable	$4,267	$303,516	$ 416,418	$—	$ 724,201
Intercompany payables, net	—	18,809	3,259	(22,068)	—
Accrued expenses:					
Accrued payroll-related liabilities	5,092	46,350	55,369	—	106,811
Other accrued expenses	4,940	101,199	140,608	—	246,747
Other current liabilities	283	24,621	22,137	—	47,041
Current portion of long-term obligations	36,397	1,842	58,621	—	96,860
Total current liabilities	50,979	496,337	696,412	(22,068)	1,221,660
Long-term obligations, excluding current portion	1,935,305	6,651	948,752	—	2,890,708
Intercompany notes payable	750,000	717,920	511,352	(1,979,272)	—
Deferred income taxes	—	118,207	111,365	(4,310)	225,262
Other noncurrent liabilities	82,329	111,961	42,337	—	236,627
Total stockholders’ equity	3,856,685	3,640,710	1,827,787	(5,468,497)	3,856,685
Total liabilities and stockholders' equity	$6,675,298	$5,091,786	$ 4,138,005	$(7,474,147)	$ 8,430,942

38

LKQ CORPORATION AND SUBSIDIARIES
Unaudited Condensed Consolidating Balance Sheets
(In thousands)

	December 31, 2016				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	$33,030	$35,360	$ 159,010	$—	$ 227,400
Receivables, net	—	248,188	612,361	—	860,549
Intercompany receivables, net	2,805	11,237	8,837	(22,879)	—
Inventories	—	1,149,763	785,474	—	1,935,237
Prepaid expenses and other current assets	1,640	43,165	42,963	—	87,768
Assets of discontinued operations	—	357,788	98,852	—	456,640
Total current assets	37,475	1,845,501	1,707,497	(22,879)	3,567,594
Property and equipment, net	239	527,705	283,632	—	811,576
Intangible assets:					
Goodwill	—	1,851,274	1,203,495	—	3,054,769
Other intangibles, net	—	153,689	430,542	—	584,231
Investment in subsidiaries	5,067,297	242,032	—	(5,309,329)	—
Intercompany notes receivable	1,510,534	800,283	—	(2,310,817)	—
Equity method investments	—	336	183,131	—	183,467
Other assets	59,726	25,177	22,347	(5,688)	101,562
Total assets	$6,675,271	$5,445,997	$ 3,830,644	$(7,648,713)	$ 8,303,199
Liabilities and Stockholders' Equity					
Current liabilities:					
Accounts payable	$1,309	$244,074	$ 388,390	$—	$ 633,773
Intercompany payables, net	11,237	8,837	2,805	(22,879)	—
Accrued expenses:					
Accrued payroll-related liabilities	6,404	58,187	54,164	—	118,755
Other accrued expenses	5,502	94,287	109,312	—	209,101
Other current liabilities	4,283	18,456	15,204	—	37,943
Current portion of long-term obligations	37,710	1,097	27,302	—	66,109
Liabilities of discontinued operations	—	110,890	34,214	—	145,104
Total current liabilities	66,445	535,828	631,391	(22,879)	1,210,785
Long-term obligations, excluding current portion	2,371,578	8,356	895,728	—	3,275,662
Intercompany notes payable	750,000	1,074,218	486,599	(2,310,817)	—
Deferred income taxes	—	95,765	109,580	(5,688)	199,657
Other noncurrent liabilities	44,299	90,722	39,125	—	174,146
Total stockholders' equity	3,442,949	3,641,108	1,668,221	(5,309,329)	3,442,949
Total liabilities and stockholders' equity	$6,675,271	$5,445,997	$ 3,830,644	$(7,648,713)	$ 8,303,199

39

LKQ CORPORATION AND SUBSIDIARIES
Unaudited Condensed Consolidating Statements of Cash Flows
(In thousands)

	For the Six Months Ended June 30, 2017				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net cash provided by operating activities	$156,127	$290,589	$ 114,476	$(199,095)	$ 362,097
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchases of property and equipment	(64)	(41,718)	(49,763)	—	(91,545)
Investment and intercompany note activity with subsidiaries	276,377	—	—	(276,377)	—
Acquisitions, net of cash acquired	—	(78,121)	(22,607)	—	(100,728)
Proceeds from disposals of business/investment	—	305,740	(4,443)	—	301,297
Other investing activities, net	—	(395)	5,107	—	4,712
Net cash provided by (used in) investing activities	276,313	185,506	(71,706)	(276,377)	113,736
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from exercise of stock options	5,151	—	—	—	5,151
Taxes paid related to net share settlements of stock-based compensation awards	(3,955)	—	—	—	(3,955)
Borrowings under revolving credit facilities	97,000	—	65,794	—	162,794
Repayments under revolving credit facilities	(515,931)	—	(69,523)	—	(585,454)
Repayments under term loans	(18,590)	—		—	(18,590)
Borrowings under receivables securitization facility	—	—	150	—	150
Repayments under receivables securitization facility	—	—	(5,000)	—	(5,000)
(Repayments) borrowings of other debt, net	(1,700)	(1,161)	22,452	—	19,591
Payments of other obligations	—	(1,336)	(743)	—	(2,079)
Other financing activities, net	—	5,000	(684)	—	4,316
Investment and intercompany note activity with parent	—	(269,668)	(6,709)	276,377	—
Dividends	—	(199,095)	—	199,095	—
Net cash (used in) provided by financing activities	(438,025)	(466,260)	5,737	475,472	(423,076)
Effect of exchange rate changes on cash and cash equivalents	—	521	15,750	—	16,271
Net (decrease) increase in cash and cash equivalents	(5,585)	10,356	64,257	—	69,028
Cash and cash equivalents of continuing operations, beginning of period	33,030	35,360	159,010	—	227,400
Add: Cash and cash equivalents of discontinued operations, beginning of period	—	149	6,967	—	7,116
Cash and cash equivalents of continuing and discontinued operations, beginning of period	33,030	35,509	165,977	—	234,516
Cash and cash equivalents, end of period	$27,445	$45,865	$ 230,234	$—	$ 303,544

40

LKQ CORPORATION AND SUBSIDIARIES
Unaudited Condensed Consolidating Statements of Cash Flows
(In thousands)

	For the Six Months Ended June 30, 2016				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net cash provided by operating activities	$142,783	$300,978	$ 66,346	$(148,192)	$ 361,915
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchases of property and equipment	(2)	(57,742)	(44,575)	—	(102,319)
Investment and intercompany note activity with subsidiaries	(1,293,298)	(34,448)	—	1,327,746	—
Acquisitions, net of cash acquired	—	(661,852)	(606,989)	—	(1,268,841)
Proceeds from disposals of business/investment	—	—	10,304	—	10,304
Proceeds from foreign exchange contracts	18,342	—	—	—	18,342
Other investing activities, net	—	400	609	—	1,009
Net cash used in investing activities	(1,274,958)	(753,642)	(640,651)	1,327,746	(1,341,505)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from exercise of stock options	4,889	—	—	—	4,889
Taxes paid related to net share settlements of stock-based compensation awards	(2,281)	—	—	—	(2,281)
Debt issuance costs	(7,100)	—	(9,071)	—	(16,171)
Proceeds from issuance of Euro notes	—	—	563,450	—	563,450
Borrowings under revolving credit facilities	1,204,000	—	618,020	—	1,822,020
Repayments under revolving credit facilities	(119,000)	—	(893,362)	—	(1,012,362)
Borrowings under term loans	89,317	—	249,161	—	338,478
Repayments under term loans	(3,122)	—	(1,599)	—	(4,721)
Borrowings under receivables securitization facility	—	—	97,000	—	97,000
Repayments under receivables securitization facility	—	—	(66,480)	—	(66,480)
Repayments of other debt, net	—	(1,657)	(6,167)	—	(7,824)
Payments of Rhiag debt and related payments	—	—	(543,347)	—	(543,347)
Payments of other obligations	—	(1,436)	—	—	(1,436)
Other financing activities, net	—	65	—	—	65
Investment and intercompany note activity with parent	—	621,619	706,127	(1,327,746)	—
Dividends	—	(148,192)	—	148,192	—
Net cash provided by financing activities	1,166,703	470,399	713,732	(1,179,554)	1,171,280
Effect of exchange rate changes on cash and cash equivalents	—	(27)	(5,857)	—	(5,884)
Net increase in cash and cash equivalents	34,528	17,708	133,570	—	185,806
Cash and cash equivalents of continuing operations, beginning of period	17,616	13,432	56,349	—	87,397
Cash and cash equivalents of continuing and discontinued operations, end of period	52,144	31,140	189,919	—	273,203
Less: Cash and cash equivalents of discontinued operations, end of period	—	12,094	9,246	—	21,340

Cash and cash equivalents, end of period	$52,144	$19,046	$ 180,673	$—	$ 251,863

41

Forward-Looking Statements

Statements and information in this Quarterly Report on Form 10-Q that are not historical are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and are made pursuant to the "safe harbor" provisions of such Act.
Forward-looking statements include, but are not limited to, statements regarding our outlook, guidance, expectations, beliefs, hopes, intentions and strategies. Words such as “may,” “will,” “plan,” “should,” “expect,” “anticipate,” “believe,” “if,” “intend,” “project” and similar words or expressions are used to identify these forward-looking statements. These statements are subject to a number of risks, uncertainties, assumptions and other factors that may cause our actual results, performance or achievements to be materially different. All forward-looking statements are based on information available to us at the time the statements are made. We undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.
You should not place undue reliance on our forward-looking statements. Actual events or results may differ materially from those expressed or implied in the forward-looking statements. The risks, uncertainties, assumptions and other factors that could cause actual results to differ from the results predicted or implied by our forward-looking statements include factors discussed in our filings with the SEC, including those disclosed under the captions “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the year ended December 31, 2016 and in our subsequent Quarterly Reports on Form 10-Q (including this Quarterly Report).

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

Overview
We are a global distributor of vehicle products, including replacement parts, components and systems used in the repair and maintenance of vehicles, as well as specialty vehicle products and accessories.
Buyers of vehicle replacement products have the option to purchase from primarily five sources: new products produced by original equipment manufacturers ("OEMs"); new products produced by companies other than the OEMs, which are sometimes referred to as aftermarket products; recycled products obtained from salvage vehicles; used products that have been refurbished; and used products that have been remanufactured. We distribute a variety of products to collision and mechanical repair shops, including aftermarket collision and mechanical products; recycled collision and mechanical products; refurbished collision products such as wheels, bumper covers and lights; and remanufactured engines. Collectively, we refer to the four sources that are not new OEM products as alternative parts.
We are the nation’s largest provider of alternative vehicle collision replacement products and a leading provider of alternative vehicle mechanical replacement products, with our sales, processing, and distribution facilities reaching most major markets in the United States and Canada. We are also a leading provider of alternative vehicle replacement and maintenance products in the United Kingdom, the Benelux region (Belgium, Netherlands, and Luxembourg), Italy, Czech Republic, Switzerland and other Eastern European countries. In addition to our wholesale operations, we operate self service retail facilities across the U.S. that sell recycled automotive products from end-of-life-vehicles. We are also a leading distributor of specialty vehicle aftermarket equipment and accessories reaching most major markets in the U.S. and Canada.
We are organized into four operating segments: Wholesale – North America; Europe; Specialty and Self Service. We aggregate our Wholesale –North America and Self Service operating segments into one reportable segment, North America, resulting in three reportable segments: North America, Europe and Specialty.
Our revenue, cost of goods sold, and operating results have fluctuated on a quarterly and annual basis in the past and can be expected to continue to fluctuate in the future as a result of a number of factors, some of which are beyond our control. Please refer to the factors discussed in Forward-Looking Statements above. Due to these factors and others, which may be unknown to us at this time, our operating results in future periods can be expected to fluctuate. Accordingly, our historical results of operations may not be indicative of future performance.
Acquisitions and Investments

Since our inception in 1998, we have pursued a growth strategy through both organic growth and acquisitions. We have pursued acquisitions that we believe will help drive profitability, cash flow and stockholder value. We target companies that are market leaders, will expand our geographic presence and will enhance our ability to provide a wide array of automotive products to our customers through our distribution network.

42

During the six months ended June 30, 2017, we completed 10 acquisitions, including 3 wholesale businesses in North America, 6 wholesale businesses in Europe and a Specialty vehicle aftermarket business.
On July 3, 2017, we acquired four aftermarket parts distribution businesses in Belgium. The objective of these acquisitions is to transform the existing three-step distribution model in Belgium to a two-step distribution model to align with our Netherlands operations.
On March 18, 2016, LKQ acquired Rhiag, a distributor of aftermarket spare parts for passenger cars and commercial vehicles in Italy, Czech Republic, Switzerland, Hungary, Romania, Ukraine, Bulgaria, Slovakia, Poland and Spain. This acquisition expanded LKQ's geographic presence in continental Europe, and we believe the acquisition will generate potential procurement synergies in our Europe segment.
On April 21, 2016, LKQ acquired PGW, a leading global distributor and manufacturer of automotive glass products. PGW's business comprised aftermarket automotive replacement glass distribution services and automotive glass manufacturing. On March 1, 2017, we sold the automotive glass manufacturing component of PGW. Unless otherwise noted, the discussion related to PGW throughout Part I, Item 2 of this quarterly report on Form 10-Q refers to ARG, which is included within continuing operations. See Note 3, "Discontinued Operations" to the unaudited condensed consolidated financial statements in Item 1 of this Quarterly Report on Form 10-Q for further information related to our discontinued operations. The acquisition of ARG expanded our addressable market in North America. Additionally, we believe the acquisition will create potential distribution synergies with our existing network.
In October 2016, we acquired substantially all of the business assets of Andrew Page, a distributor of aftermarket automotive parts in the United Kingdom. The acquisition is subject to regulatory approval by the Competition and Markets Authority ("CMA") in the U.K. The CMA's review is ongoing as of the date of this report.
In addition to our acquisitions of Rhiag, PGW, and Andrew Page, we acquired seven wholesale businesses in Europe and five wholesale business in North America during the year ended December 31, 2016.
On December 1, 2016, we acquired a 26.5% equity interest in Mekonomen, the leading independent car parts and service chain in the Nordic region of Europe, offering a wide range of quality products including spare parts and accessories for cars, and workshop services for consumers and businesses. We are accounting for our interest in Mekonomen using the equity method of accounting, as our investment gives us the ability to exercise significant influence, but not control, over the investee.
See Note 2, "Business Combinations" to the unaudited condensed consolidated financial statements in Item 1 of this Quarterly Report on Form 10-Q for additional information related to our acquisitions.
Sources of Revenue
We report our revenue in two categories: (i) parts and services and (ii) other. Our parts revenue is generated from the sale of vehicle products including (i) aftermarket, other new and refurbished products and (ii) recycled, remanufactured and related products. Our service revenue is generated primarily from the sale of extended warranties, fees for admission to our self service yards, and processing fees related to the secure disposal of vehicles. During the six months ended June 30, 2017, parts and services revenue represented approximately 95% of our consolidated revenue.
The majority of our parts and services revenue is generated from the sale of vehicle replacement products to collision and mechanical repair shops. In North America, our vehicle replacement products include sheet metal crash parts such as doors, hoods, and fenders; bumper covers; head and tail lamps; automotive glass products such as windshields; mirrors and grills; wheels; and large mechanical items such as engines and transmissions. In Europe, our products include a wide variety of small mechanical products such as filters, belts and hoses, spark plugs, alternators and water pumps, batteries, suspension and brake parts, clutches, and oil and lubricants. The demand for these products is influenced by several factors, including the number of vehicles in operation, the number of miles being driven, the frequency and severity of vehicle accidents, the age profile of vehicles in accidents, seasonal weather patterns and local weather conditions, and the availability and pricing of new OEM parts. With respect to collision related products, automobile insurers exert significant influence over collision repair shops as to how an insured vehicle is repaired and the cost level of the products used in the repair process. Accordingly, we consider automobile insurers to be key demand drivers of our vehicle replacement products in North America. While they are not our direct customers, we do provide insurance carriers services in an effort to promote the increased usage of alternative

replacement products in the repair process. Such services include the review of vehicle repair order estimates, direct quotation services to insurance company adjusters and an aftermarket parts quality and service assurance program. We neither charge a fee to the insurance carriers for these services nor adjust our pricing to our customers when we perform these services for insurance carriers. There is no standard price for many of our vehicle replacement products, but rather a pricing structure that varies from day to day based upon such factors as new OEM product prices, product availability, quality, demand, the age and mileage of the vehicle from which the part was obtained (in the case of recycled products), competitor pricing and our product cost.

43

Our revenue from aftermarket, other new and refurbished products also includes revenue generated from the sale of specialty aftermarket vehicle equipment and accessories. These products are primarily sold to a large customer base of specialty vehicle retailers and equipment installers, including mostly independent, single-site operators. Specialty vehicle aftermarket products are typically installed on vehicles within the first three years of ownership to enhance functionality, performance or aesthetics. As a result, the demand for these products is influenced by new and used vehicle sales and the overall economic health of vehicle owners, which may be affected by general business conditions, interest rates, inflation, consumer debt levels and other matters that influence consumer confidence and spending. The prices for our specialty vehicle products are based on manufacturers' suggested retail prices, with discounts applied based on prevailing market conditions, customer volumes and promotions that we may offer from time to time.

For the six months ended June 30, 2017, revenue from other sources represented approximately 5% of our consolidated sales. These other sources include scrap sales, bulk sales to mechanical manufacturers (including cores) and sales of aluminum ingots and sows from our furnace operations. We derive scrap metal from several sources, including vehicles that have been used in both our wholesale and self service recycling operations and from OEMs and other entities that contract with us for secure disposal of "crush only" vehicles. Other revenue will vary from period to period based on fluctuations in commodity prices and the volume of materials sold.

Cost of Goods Sold

Our cost of goods sold for aftermarket products includes the price we pay for the parts, freight, and overhead costs related to the purchasing, warehousing and distribution of our inventory, including labor, facility and equipment costs and depreciation. Our aftermarket products are acquired from a number of vendors. Our cost of goods sold for refurbished products includes the price we pay for cores, freight, and costs to refurbish the parts, including direct and indirect labor, facility and equipment costs, depreciation and other overhead related to our refurbishing operations.

Our cost of goods sold for recycled products includes the price we pay for the salvage vehicle and, where applicable, auction, towing and storage fees. Prices for salvage vehicles may be impacted by a variety of factors, including the number of buyers competing to purchase the vehicles, the demand and pricing trends for used vehicles, the number of vehicles designated as “total losses” by insurance companies, the production level of new vehicles (which provides the source from which salvage vehicles ultimately come), the age of vehicles at auction and the status of laws regulating bidders or exporters of salvage vehicles. From time to time, we may also adjust our buying strategy to target vehicles with different attributes (for example, age, level of damage, and revenue potential). Due to changes relating to these factors, we have seen the prices we pay for salvage vehicles fluctuate over time. Our cost of goods sold also includes labor and other costs we incur to acquire and dismantle such vehicles. Our labor and labor-related costs related to acquisition and dismantling generally account for between 10% and 15% of our cost of goods sold for vehicles we dismantle. The acquisition and dismantling of salvage vehicles is a manual process and, as a result, energy costs are not material.

Our cost of goods sold for remanufactured products includes the price we pay for cores; freight; and costs to remanufacture the products, including direct and indirect labor, facility and equipment costs, depreciation and other overhead related to our remanufacturing operations.

Some of our salvage mechanical products are sold with a standard six-month warranty against defects. Additionally, some of our remanufactured engines are sold with a standard three-year warranty against defects. We also provide a limited lifetime warranty for certain of our aftermarket products that is supported by certain of the suppliers of those products. We record the estimated warranty costs at the time of sale using historical warranty claims information to project future warranty claims activity and related expenses.

Other revenue is primarily generated from the hulks and unusable parts of the vehicles we acquire for our wholesale and self service recycled product operations, and therefore, the costs of these sales include the proportionate share of the price we pay for the salvage vehicles as well as the applicable auction, storage and towing fees and internal costs to purchase and dismantle the vehicles. Our cost of goods sold for other revenue will fluctuate based on the prices paid for salvage vehicles, which may be impacted by a variety of factors as discussed above.

Expenses

Our facility and warehouse expenses primarily include our costs to operate our aftermarket warehouses, salvage yards and self service retail facilities. These costs include personnel expenses such as wages, incentive compensation and employee benefits for plant management and facility and warehouse personnel, as well as rent for our facilities and related utilities, property taxes, and repairs and maintenance. The costs included in facility and warehouse expenses do not relate to inventory processing or conversion activities and, as such, are classified below the gross margin line on our Unaudited Condensed Consolidated Statements of Income.

44

Our distribution expenses primarily include our costs to prepare and deliver our products to our customers. Included in our distribution expense category are personnel costs such as wages, employee benefits and incentive compensation for drivers; third party freight costs; fuel; and expenses related to our delivery and transfer trucks, including vehicle leases, repairs and maintenance, and insurance.

Our selling and marketing expenses primarily include salary, commission and other incentive compensation expenses for sales personnel; advertising, promotion and marketing costs; credit card fees; telephone and other communication expenses; and bad debt expense. Personnel costs generally account for between 75% and 80% of our selling and marketing expenses. Most of our sales personnel are paid on a commission basis. The number and quality of our sales force is critical to our ability to respond to our customers' needs and increase our sales volume. Our objective is to continually evaluate our sales force, develop and implement training programs, and utilize appropriate measurements to assess our selling effectiveness.

Our general and administrative expenses primarily include the costs of our corporate offices and field support center, which provide management, treasury, accounting, legal, payroll, business development, human resources and information systems functions. General and administrative expenses include wages, benefits, stock-based compensation and other incentive compensation for corporate, regional and administrative personnel; information systems support and maintenance expenses; and accounting, legal and other professional fees.

Seasonality

Our operating results are subject to quarterly variations based on a variety of factors, influenced primarily by seasonal changes in weather patterns. During the winter months, we tend to have higher demand for our vehicle replacement products because there are more weather related repairs. Our specialty vehicle operations typically generate greater revenue and earnings in the first half of the year, when vehicle owners tend to install this equipment. We expect our aftermarket glass operations to generate greater revenue and earnings in the second and third quarters, when the demand for automotive replacement glass increases after the winter weather.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations are based upon our unaudited condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of these financial statements requires us to make estimates, assumptions, and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. Our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, which we filed with the SEC on February 27, 2017, includes a summary of the critical accounting policies and estimates we believe are the most important to aid in understanding our financial results. There have been no changes to those critical accounting policies or estimates that have had a material impact on our reported amounts of assets, liabilities, revenue or expenses during the six months ended June 30, 2017.

Recently Issued Accounting Pronouncements

See "Recent Accounting Pronouncements" in Note 4, "Financial Statement Information" to the unaudited condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for information related to new accounting standards.

Financial Information by Geographic Area

See Note 14, "Segment and Geographic Information" to the unaudited condensed consolidated financial statements in Part I, Item I of this Quarterly Report on Form 10-Q for information related to our revenue and long-lived assets by geographic region.

Results of Operations—Consolidated

The following table sets forth statements of income data as a percentage of total revenue for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Revenue	100.0 %	100.0 %	100.0 %	100.0 %
Cost of goods sold	60.7 %	60.7 %	60.5 %	60.6 %
Gross margin	39.3 %	39.3 %	39.5 %	39.4 %
Facility and warehouse expenses	7.8 %	7.7 %	7.9 %	7.9 %
Distribution expenses	7.9 %	8.0 %	7.9 %	8.0 %
Selling, general and administrative expenses	11.3 %	10.9 %	11.4 %	11.1 %
Restructuring and acquisition related expenses	0.1 %	0.4 %	0.1 %	0.6 %
Depreciation and amortization	2.2 %	2.3 %	2.1 %	2.0 %
Operating income	9.9 %	10.1 %	10.0 %	9.9 %
Other expense, net	0.8 %	1.0 %	0.9 %	1.0 %
Income from continuing operations before provision for income taxes	9.2 %	9.0 %	9.1 %	8.8 %
Provision for income taxes	3.1 %	3.0 %	3.1 %	2.9 %
Equity in earnings (loss) of unconsolidated subsidiaries	0.0 %	(0.0)%	0.0 %	(0.0)%
Income from continuing operations	6.1 %	6.0 %	6.1 %	5.9 %
Loss (income) from discontinued operations	0.0 %	0.2 %	(0.1)%	0.1 %
Net income	6.1 %	6.2 %	6.0 %	6.0 %

Note: In the table above, the sum of the individual percentages may not equal the total due to rounding.

Three Months Ended June 30, 2017 Compared to Three Months Ended June 30, 2016

Revenue. The following table summarizes the changes in revenue by category (in thousands):

	Three Months Ended June 30,		Percentage Change in Revenue			
	2017	2016	Organic	Acquisition	Foreign Exchange	Total Change
Parts & services revenue	$2,325,883	$2,186,102	3.8 %	5.1 %	(2.5)%	6.4 %
Other revenue	132,528	118,704	11.4 %	0.4 %	(0.2)%	11.6 %
Total revenue	$2,458,411	$2,304,806	4.2 %	4.9 %	(2.4)%	6.7 %

Note: In the table above, the sum of the individual percentages may not equal the total due to rounding.

The change in parts and services revenue of 6.4% represented increases in segment revenue of 5.5% in North America, 7.9% in Europe, and 5.5% in Specialty. The increase in other revenue of 11.6% primarily consisted of a $13.5 million organic increase in other revenue, which was largely attributable to our North America segment. Refer to the discussion of our segment results of operations for factors contributing to the change in revenue during the second quarter of 2017 compared to the prior year period.

Cost of Goods Sold. Cost of goods sold remained flat at 60.7% of revenue for the second quarter of 2017 and 2016. Cost of goods sold decreased 0.2% as a result of our North America segment, primarily related to our salvage operations. Offsetting this decrease were roughly equal increases in cost of goods sold in our Europe and Specialty segments. Refer to the discussion of our segment results of operations for factors contributing to the changes in cost of goods sold as a percentage of revenue by segment for the three months ended June 30, 2017 compared to the three months ended June 30, 2016.

Facility and Warehouse Expenses. As a percentage of revenue, facility and warehouse expenses for the three months ended June 30, 2017 increased to 7.8% from 7.7% in the same period of 2016. The change in facility and warehouse expense reflected a 0.3% increase from our North America segment primarily due to an increase in personnel expenses. Partially

46

offsetting this increase were a number of individually insignificant decreases in facility and warehouse expense as a percentage of revenue across our other segments.

Distribution Expenses. As a percentage of revenue, distribution expenses for the three month ended June 30, 2017 decreased to 7.9% from 8.0% in the same period of 2016. The decrease reflected a number of individually insignificant fluctuations in distribution expense as a percentage of revenue across all of our segments.

Selling, General and Administrative Expenses. As a percentage of revenue, selling, general and administrative ("SG&A") expenses for the three months ended June 30, 2017 increased to 11.3% from 10.9% in the same period of 2016, primarily as a result of our Europe operations. Refer to the discussion of our segment results of operations for factors contributing to the change in SG&A expenses for our Europe segment during the second quarter of 2017 compared to the prior year period.

Restructuring and Acquisition Related Expenses. The following table summarizes restructuring and acquisition related expenses for the periods indicated (in thousands):

	Three Months Ended June 30,		
	2017	2016	Change
Restructuring expenses	$381 (1)	$6,051 (2)	$(5,670)
Acquisition related expenses	2,140 (3)	3,029 (4)	(889)
Total restructuring and acquisition related expenses	$2,521	$9,080	$(6,559)

(1) Restructuring expenses of $0.2 million and $0.1 million for the quarter ended June 30, 2017 were primarily related to the integration of acquired businesses in our Specialty and Europe segments, respectively. These integration activities included the closure of duplicate facilities and termination of employees.

(2) Restructuring expenses of $4.6 million, $1.0 million and $0.5 million for the quarter ended June 30, 2016 were primarily related to the integration of acquired businesses in our Specialty, Europe and North America segments, respectively. These integration activities included the closure of duplicate facilities and termination of employees.

(3) Acquisition related expenses for the quarter ended June 30, 2017 consisted of external costs for completed acquisitions and acquisitions that were pending as of June 30, 2017.

(4) Acquisition related expenses for the quarter ended June 30, 2016 included $2.1 million for our acquisition of PGW, $0.4 million for our acquisition of Rhiag, and $0.5 million of external costs related to acquisitions that were pending as of June 30, 2016.

See Note 5, "Restructuring and Acquisition Related Expenses" to the unaudited condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for further information on our restructuring and integration plans.

Depreciation and Amortization. The following table summarizes depreciation and amortization for the periods indicated (in thousands):

	Three Months Ended June 30,		
	2017	2016	Change
Depreciation	$28,975	$28,251	$724 (1)
Amortization	24,670	24,250	420 (2)
Total depreciation and amortization	$53,645	$52,501	$1,144

(1) The increase in depreciation expense primarily reflects the depreciation expense for property and equipment recorded related to our acquisition of Andrew Page.

(2) The increase in amortization expense primarily reflects amortization expense for intangibles recorded for our North America acquisitions.

Other Expense, Net. The following table summarizes the components of the quarter-over-quarter increase in other expense, net (in thousands):

47

Other expense, net for the three months ended June 30, 2016	$24,187
Increase (decrease) due to:	
Interest expense, net	(53)
Gain on bargain purchase	(3,077) [1]
Other income, net	(2,269)
Net decrease	(5,399)
Other expense, net for the three months ended June 30, 2017	$18,788

(1) In October 2016, we acquired Andrew Page out of receivership. We recorded a gain on bargain purchase of $8.2 million in the fourth quarter of 2016, as the fair value of the net assets acquired exceeded the purchase price. During the second quarter of 2017, we increased the gain on bargain purchase for this acquisition by $1.9 million as a result of changes to our estimate of the fair value of net assets acquired. We also recorded a gain on bargain purchase for another acquisition in Europe completed in the second quarter of 2017, as the fair value of the net assets acquired exceeded the purchase price.

Provision for Income Taxes. Our effective income tax rate was 33.6% for the three months ended June 30, 2017, compared to 33.7% for the three months ended June 30, 2016. Our effective tax rate for the three months ended June 30, 2017 reflected a favorable impact related to the gain on bargain purchase, partially offset by an increase to our effective tax rate for our Europe operations as a result of changes in tax laws and expected geographic blend of earnings.

Equity in Earnings (Loss) of Unconsolidated Subsidiaries. Equity in earnings of unconsolidated subsidiaries for the three months ended June 30, 2017 primarily related to our investment in Mekonomen.

Foreign Currency Impact. We translate our statements of income at the average exchange rates in effect for the period. Relative to the rates used during the second quarter of 2016, the pound sterling, Canadian dollar and euro rates used to translate the 2017 statements of income declined by 10.9%, 4.2% and 2.6%, respectively. The translation effect of the change in these currencies against the U.S. dollar and realized and unrealized currency losses for the second quarter of 2017 resulted in a $0.01 negative effect on diluted earnings per share from continuing operations relative to the prior year.

Income from Discontinued Operations, net of tax. Income from discontinued operations, net of tax totaled $5.0 million for the three months ended June 30, 2016 and represented the automotive glass manufacturing business of PGW, which was acquired in April 2016. As this business was sold on March 1, 2017, there was no income from discontinued operations for the three months ended June 30, 2017.

Six Months Ended June 30, 2017 Compared to Six Months Ended June 30, 2016

Revenue. The following table summarizes the changes in revenue by category (in thousands):

	Six Months Ended June 30,		Percentage Change in Revenue			
	2017	2016	Organic	Acquisition	Foreign Exchange	Total Change
Parts & services revenue	$4,538,824	$4,004,427	4.1 %	11.9 %	(2.6)%	13.3 %
Other revenue	262,430	221,855	18.1%	0.3 %	(0.1)%	18.3 %
Total revenue	$4,801,254	$4,226,282	4.9 %	11.3 %	(2.5)%	13.6 %

Note: In the table above, the sum of the individual percentages may not equal the total due to rounding.

The change in parts and services revenue of 13.3% represented increases in segment revenue of 7.9% in North America, 24.7% in Europe, and 6.1% in Specialty. The increase in other revenue of 18.3% primarily consisted of a $40.2 million organic increase in other revenue, which was largely attributable to our North America segment. Refer to the discussion of our segment results of operations for factors contributing to the change in revenue during the six months ended June 30, 2017 compared to the prior year period.

Cost of Goods Sold. Cost of goods sold decreased to 60.5% of revenue in the six months ended June 30, 2017 from 60.6% of revenue in the comparable prior year period. Cost of goods sold decreased 0.5% as a result of our North America segment, primarily related to our salvage operations. Partially offsetting this decrease were roughly equal increases in cost of goods sold in our Specialty and Europe segments. Refer to the discussion of our segment results of operations for factors contributing to the changes in cost of goods sold as a percentage of revenue by segment for the six months ended June 30, 2017 compared to the six months ended June 30, 2016.

48

Facility and Warehouse Expenses. As a percentage of revenue, facility and warehouse expenses for the six months ended June 30, 2017 and 2016 were flat at 7.9%. Facility and warehouse expenses included a number of individually insignificant fluctuations as a percentage of revenue across all of our segments that netted to no year over year change.
Distribution Expenses. As a percentage of revenue, distribution expenses decreased to 7.9% in the six months ended June 30, 2017 from 8.0% in the comparable prior year period. Distribution expense as a percentage of revenue reflected a number of individually insignificant fluctuations in distribution expense as a percentage of revenue across all of our segments.
Selling, General and Administrative Expenses. SG&A expenses for the six months ended June 30, 2017 increased to 11.4% from 11.1% in the comparable prior year period, primarily due to our Europe operations. Refer to the discussion of our segment results of operations for factors contributing to the change in SG&A expenses for our Europe segment during the first half of 2017 compared to the prior year period.
Restructuring and Acquisition Related Expenses. The following table summarizes restructuring and acquisition related expenses for the periods indicated (in thousands):

	Six Months Ended June 30,		
	2017	2016	Change
Restructuring expenses	$696 (1)	$8,187 (2)	$(7,491)
Acquisition related expenses	4,753 (3)	15,704 (4)	(10,951)
Total restructuring and acquisition related expenses	$5,449	$23,891	$(18,442)

(1) Restructuring expenses of $0.5 million, $0.1 million, and $0.1 million for the six months ended June 30, 2017 were primarily related to the integration of acquired businesses in our Specialty, North America and Europe segments, respectively. These integration activities included the closure of duplicate facilities and termination of employees.
(2) Restructuring expenses of $6.1 million, $1.2 million and $0.9 million for the six months ended June 30, 2016 were primarily related to the integration of acquired businesses in our Specialty, North America and Europe segments, respectively. These integration activities included the closure of duplicate facilities and termination of employees.
(3) Acquisition related expenses for the six months ended June 30, 2017 consisted of external costs for completed acquisitions and acquisitions that were pending as of June 30, 2017.
(4) Acquisition related expenses for the six months ended June 30, 2016 included $11.0 million and $3.9 million related to the acquisitions of Rhiag and PGW, respectively. The remaining expense was related to other completed acquisitions and acquisitions that were pending as of June 30, 2016.

See Note 5, "Restructuring and Acquisition Related Expenses" to the unaudited condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for further information on our restructuring and integration plans.
Depreciation and Amortization. The following table summarizes depreciation and amortization for the periods indicated (in thousands):

	Six Months Ended June 30,		
	2017	2016	Change
Depreciation	$54,368	$51,038	$3,330 (1)
Amortization	47,933	33,151	14,782 (2)
Total depreciation and amortization	$102,301	$84,189	$18,112

(1) The increase in depreciation expense primarily reflected the depreciation expense for property and equipment recorded related to our acquisitions of Andrew Page and Rhiag in the amount of $2.3 million and $0.9 million, respectively.
(2) The increase in amortization expense primarily reflected amortization expense for intangibles recorded for our acquisitions of Rhiag and ARG of $10.3 million and $2.8 million, respectively.

Other Expense, Net. The following table summarizes the components of the year-over-year increase in other expense, net (in thousands):

49

Explanation of Responses:

Other expense, net for the six months ended June 30, 2016	$ 44,198	
Increase (decrease) due to:		
Interest expense, net	9,343	(1)
Loss on debt extinguishment	(26,650)	(2)
Gains on foreign exchange contracts - acquisition related	18,342	(3)
Gain on bargain purchase	(3,077)	(4)
Other expense, net	(426)	
Net decrease	(2,468)	
Other expense, net for the six months ended June 30,	$ 41,730	

2017

(1) Additional interest primarily related to borrowings used to fund our acquisitions of Rhiag and PGW.

(2) During the first quarter of 2016, we incurred a $23.8 million loss on debt extinguishment as a result of our early payment of Rhiag debt assumed as part of the acquisition, and we incurred a $2.9 million loss on debt extinguishment as a result of our January 2016 amendment to our senior secured credit agreement.

(3) In March 2016, we entered into foreign currency forward contracts to acquire a total of €588 million used to fund the purchase price of the Rhiag acquisition. The rates under the foreign currency forwards were favorable to the spot rate on the date the funds were drawn to complete the acquisition, and as a result, these derivatives contracts generated a gain of $18.3 million.

(4) In October 2016, we acquired Andrew Page out of receivership. We recorded a gain on bargain purchase of $8.2 million in the fourth quarter of 2016, as the fair value of the net assets acquired exceeded the purchase price. During the second quarter of 2017, we increased the gain on bargain purchase for this acquisition by $1.9 million as a result of changes to our estimate of the fair value of net assets acquired. We also recorded a gain on bargain purchase for another acquisition in Europe completed in the second quarter of 2017, as the fair value of the net assets acquired exceeded the purchase price.

Provision for Income Taxes. Our effective income tax rate was 33.8% for the six months ended June 30, 2017, compared to 33.0% for the six months ended June 30, 2016. The effective tax rate reflected the impact of favorable discrete items of $5.5 million and $6.5 million for the six months ended June 30, 2017 and 2016, respectively, for excess tax benefits from stock-based payments. The year over year change in these amounts increased the effective tax rate by 0.5% compared to the prior year. Our effective tax rate was also negatively impacted by an increase in the effective tax rate for our Europe operations as a result of changes in tax laws and expected geographic blend of earnings. Excluding the impact of discrete items, our annual effective tax rate has been close to 35% over the last three years. The tax rate will fluctuate from year to year based on the geographic mix of earnings and changes in tax laws, but absent significant movements in either of these factors, we expect our annual effective rate to hold near 35%.

Equity in Earnings (Loss) of Unconsolidated Subsidiaries. Equity in earnings of unconsolidated subsidiaries for the six months ended June 30, 2017 primarily related to our investment in Mekonomen.

Foreign Currency Impact. We translate our statements of income at the average exchange rates in effect for the period. Relative to the rates used during the six months ended June 30, 2016, the pound sterling and euro rates used to translate the 2017 statements of income declined by 12.1% and 3.0%, respectively, while the Canadian dollar rate was relatively flat compared to the first half of the prior year. The translation effect of the change in these currencies against the U.S. dollar and realized and unrealized currency losses for the first half of 2017 resulted in a $0.02 negative effect on diluted earnings per share from continuing operations relative to the prior year.

Income from Discontinued Operations, net of tax. During the six months ended June 30, 2017, we recorded a loss from discontinued operations, net of tax totaling $4.5 million, of which $4.3 million was for the loss on sale of discontinued operations, compared to income from discontinued operations, net of tax totaling $5.0 million for the six months ended June 30, 2016. Discontinued operations for 2017 and 2016 represents the automotive glass manufacturing business of PGW, which was acquired in April 2016 and sold on March 1, 2017.

Results of Operations—Segment Reporting

We have four operating segments: Wholesale – North America; Europe; Specialty and Self Service. Our Wholesale – North America and Self Service operating segments are aggregated into one reportable segment, North America, because they possess similar economic characteristics and have common products and services, customers, and methods of distribution. Therefore, we present three reportable segments: North America, Europe and Specialty.

50

We have presented the growth of our revenue and profitability in our operations on both an as reported and a constant currency basis. The constant currency presentation, which is a non-GAAP measure, excludes the impact of fluctuations in foreign currency exchange rates. We believe providing constant currency information provides valuable supplemental information regarding our growth and profitability, consistent with how we evaluate our performance, as this statistic removes the translation impact of exchange rate fluctuations, which are outside of our control and do not reflect our operational performance. Constant currency revenue and Segment EBITDA results are calculated by translating prior year revenue and Segment EBITDA in local currency using the current year's currency conversion rate. This non-GAAP financial measure has important limitations as an analytical tool and should not be considered in isolation or as a substitute for an analysis of our results as reported under GAAP. Our use of this term may vary from the use of similarly-titled measures by other issuers due to potential inconsistencies in the method of calculation and differences due to items subject to interpretation. In addition, not all companies that report revenue or profitability on a constant currency basis calculate such measures in the same manner as we do, and accordingly, our calculations are not necessarily comparable to similarly-named measures of other companies and may not be appropriate measures for performance relative to other companies.

The following table presents our financial performance, including third party revenue, total revenue and Segment EBITDA, by reportable segment for the periods indicated (in thousands):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2017	% of Total Segment Revenue	2016 [1]	% of Total Segment Revenue	2017	% of Total Segment Revenue	2016 [1]	% of Total Segment Revenue
Third Party Revenue								
North America	$1,206,305		$1,137,213		$2,414,352		$2,217,819	
Europe	889,751		824,216		1,710,648		1,370,967	
Specialty	362,355		343,377		676,254		637,496	
Total third party revenue	$2,458,411		$2,304,806		$4,801,254		$4,226,282	
Total Revenue								
North America	$1,206,514		$1,137,406		$2,414,754		$2,218,226	
Europe	889,751		824,206		1,710,648		1,370,967	
Specialty	363,470		344,471		678,404		639,541	
Eliminations	(1,324)		(1,277)		(2,552)		(2,452)	
Total revenue	$2,458,411		$2,304,806		$4,801,254		$4,226,282	
Segment EBITDA								
North America	$173,732	14.4%	$166,075	14.6%	$349,867	14.5%	$311,766	14.1%
Europe	83,549	9.4%	89,982	10.9%	162,243	9.5%	147,480	10.8%
Specialty	48,578	13.4%	43,546	12.6%	84,019	12.4%	76,968	12.0%

(1) In the first quarter of 2017, we realigned a portion of our North America operations under our Specialty segment. Prior year results have been recast to reflect the shift in reporting structure in order to present segment results on a comparable basis.

The key measure of segment profit or loss reviewed by our chief operating decision maker, who is our Chief Executive Officer, is Segment EBITDA. Segment EBITDA includes revenue and expenses that are controllable by the segment. Corporate general and administrative expenses are allocated to the segments based on usage, with shared

expenses apportioned based on the segment's percentage of consolidated revenue. We calculate Segment EBITDA as EBITDA excluding restructuring and acquisition related expenses, change in fair value of contingent consideration liabilities, other acquisition related gains and losses and equity in earnings (loss) of unconsolidated subsidiaries. EBITDA, which is the basis for Segment EBITDA, is calculated as net income excluding discontinued operations, depreciation, amortization, interest (which includes loss on debt extinguishment) and income tax expense. See Note 14, "Segment and Geographic Information" to the unaudited condensed consolidated financial statements in Part I, Item I of this Quarterly Report on Form 10-Q for a reconciliation of total Segment EBITDA to Net Income.

Three Months Ended June 30, 2017 Compared to Three Months Ended June 30, 2016

North America

51

Third Party Revenue. The following table summarizes the changes in third party revenue by category in our North America segment (in thousands):

	Three Months Ended June 30,		Percentage Change in Revenue			
North America	2017	2016	Organic	Acquisition (3)	Foreign Exchange (4)	Total Change
Parts & services revenue	$1,075,656	$1,019,766	2.8 % (1)	2.9 %	(0.2)%	5.5 %
Other revenue	130,649	117,447	11.2% (2)	0.1 %	(0.1)%	11.2 %
Total third party revenue	$1,206,305	$1,137,213	3.7 %	2.6 %	(0.2)%	6.1 %

Note: In the table above, the sum of the individual percentages may not equal the total due to rounding.

(1) Organic growth in parts and services revenue was largely attributable to increased sales volumes in our wholesale operations, primarily in our salvage operations. Within our salvage operations, the favorable volume impact, which was primarily related to mechanical parts, was a result of refinements to our buying algorithms. Also, an emphasis on inventorying more parts off of each car purchased contributed to an increase in the number of parts sold per vehicle. Similar to the prior year, we experienced mild winter weather conditions in sections of North America. While we were able to increase parts and services revenue over the prior year, we believe the weather conditions contributed to a lower growth rate than generated in prior years, as sales volumes in the first half of the second quarter are typically influenced by accident activity in the winter months.

(2) The $13.2 million increase in other revenue primarily related to (i) a $7.9 million increase in revenue from scrap steel and other metals due to roughly equal impacts from higher prices and increased volumes year over year and (ii) a $5.1 million increase in revenue from metals found in catalytic converters (platinum, palladium, and rhodium) primarily due to higher prices year over year.

(3) Acquisition related growth in the second quarter of 2017 included $18.6 million, or 1.6%, from our ARG acquisition. The remainder of our acquired revenue growth reflects revenue from our acquisition of eight wholesale businesses from the beginning of the second quarter of 2016 up to the one-year anniversary of the acquisition dates.

(4) Compared to the prior year, exchange rates decreased our revenue growth by 0.2%, primarily due to the weakening of the Canadian dollar against the U.S. dollar in the second quarter of 2017 compared to the prior year second quarter.

Segment EBITDA. Segment EBITDA increased $7.7 million, or 4.6%, in the second quarter of 2017 compared to the prior year second quarter. Sequential increases in scrap steel prices in our salvage and self service operations benefited gross margins and had a favorable impact of $3.9 million on North America Segment EBITDA and approximately a $0.01 positive effect on diluted earnings per share. This favorable impact resulted from the increase in scrap steel prices between the date we purchased a car, which influences the price we pay for a car, and the date we scrapped a car, which influences the price we receive for scrapping a car.

The following table summarizes the changes in Segment EBITDA as a percentage of revenue in our North America segment:

North America	Percentage of Total Segment Revenue	
Segment EBITDA for the three months ended June 30, 2016	14.6 %	
Increase (decrease) due to:		
Change in gross margin	0.4 %	(1)
Change in segment operating expenses	(0.5)%	(2)
Change in other expenses	(0.1)%	
Segment EBITDA for the three months ended June 30, 2017	14.4 %	

Note: In the table above, the sum of the individual percentages may not equal
the total due to rounding.

(1) The improvement in gross margin reflected a 1.1% favorable impact related to our salvage operations, primarily attributable to raising revenue per car by a greater rate than car costs. Revenue per car improved due to higher volumes of parts sold per car, which was a result of refinements to our buying algorithms, an emphasis on inventorying more parts off of each car purchased, and an increase in the number of days we hold each car before it is scrapped. This improvement was partially offset by unfavorable impacts of 0.5% and 0.4% on North America gross margin attributable to our aftermarket and self service operations, respectively. Within our aftermarket operations, we

52

experienced a decline in gross margin primarily as a result of decreases in net prices caused by higher customer discounts, partially offset by a 0.3% favorable impact on North America gross margin as a result of our procurement initiatives in our aftermarket operations, which reduced our product costs. Gross margin within our self service operations declined compared to the prior year period, as the positive impact of rising scrap prices was greater in the second quarter of 2016 than the comparable period in 2017.

(2) The increase in segment operating expenses as a percentage of revenue reflected (i) an increase of 0.4% in other SG&A costs attributable to a number of individually insignificant increases in SG&A costs as a percentage of revenue and (ii) an increase in personnel costs of 0.3%, primarily related to increased headcount within our facilities & warehouse department. Partially offsetting these increases was a 0.3% decrease in segment operating expenses as a percentage of revenue due to $3.3 million of shared PGW corporate expenses incurred during the second quarter of 2016; these costs, which were primarily SG&A costs, ceased being incurred upon the closing of the sale of the glass manufacturing business on March 1, 2017.

Europe

Third Party Revenue. The following table summarizes the changes in third party revenue by category in our Europe segment (in thousands):

	Three Months Ended June 30,		Percentage Change in Revenue			
Europe	2017	2016	Organic (1)	Acquisition (2)	Foreign Exchange (3)	Total Change
Parts & services revenue	$887,872	$822,959	4.1 %	10.0 %	(6.2)%	7.9 %
Other revenue	1,879	1,257	27.4%	30.5 %	(8.4)%	49.4 %
Total third party revenue	$889,751	$824,216	4.1 %	10.0 %	(6.2)%	8.0 %

Note: In the table above, the sum of the individual percentages may not equal the total due to rounding.

(1) Parts and services revenue grew organically across all of our aftermarket business units in Europe from both existing locations and new branches. In Eastern Europe and the U.K., we added 40 and 7 branches, respectively, since the second quarter of 2016. Organic revenue growth for our Europe segment on a per day basis was 7.1% as there were fewer selling days in the second quarter of 2017 due to the timing of the Easter holiday compared to the prior year period.

(2) Acquisition related growth for the second quarter of 2017 included $47.0 million, or 5.7%, from our acquisition of Andrew Page. The remainder of our acquired revenue growth included revenue from our acquisitions of five wholesale businesses in our U.K. operations and one wholesale business in our Rhiag operations, three distribution companies in the Netherlands, and two salvage businesses in Sweden since the beginning of the second quarter of 2016 through the one-year anniversary of the acquisitions.

(3) Compared to the prior year, exchange rates reduced our revenue growth by $50.9 million, or 6.2%, primarily due to the stronger U.S. dollar against the pound sterling in the second quarter of 2017 relative to the second quarter of 2016.

Segment EBITDA. Segment EBITDA decreased $6.4 million, or 7.1%, in the second quarter of 2017 compared to the prior year second quarter. Our Europe Segment EBITDA includes a negative year over year impact of $5.4 million related to the translation of local currency results into U.S. dollars at lower exchange rates than those experienced during 2016. On a constant currency basis (i.e. excluding the translation impact), Segment EBITDA decreased by $1.0 million, or 1.1%, compared to the second quarter of the prior year. Refer to the Foreign Currency Impact discussion within the Results of Operations - Consolidated section above for further detail regarding foreign currency impact on our results for the quarter ended June 30, 2017.

The following table summarizes the changes in Segment EBITDA as a percentage of revenue in our Europe segment:

Europe	Percentage of Total Segment Revenue	
Segment EBITDA for the three months ended June 30, 2016	10.9 %	
(Decrease) increase due to:		
Change in gross margin	(0.2)%	(1)
Change in segment operating expenses	(1.4)%	(2)
Change in other expense, net	0.1 %	
Segment EBITDA for the three months ended June 30, 2017	9.4 %	

Note: In the table above, the sum of the individual percentages may not equal the total due to rounding.

Rhiag is reflected in the full quarterly results for both 2016 and 2017, and therefore, the mix impacts on gross margin and operating expenses related to this acquisition (refer to the six months discussion) are no longer a factor in the changes.

(1) The decrease in gross margin was due to a 0.4% decline in gross margin from our Rhiag operations, resulting from an increase in customer rebates issued, and a 0.3% decline in gross margin in our U.K. operations due to incremental costs related to the Tamworth distribution facility, partially offset by a 0.3% increase in gross margin in our Benelux operations resulting from increased private label sales, which have higher gross margins. The remaining change in gross margin was attributable to individually insignificant declines and improvements in gross margin across our other Europe operations.

(2) The increase in segment operating expenses as a percentage of revenue reflected (i) an increase of 0.7% in operating expenses as a result of the acquisition of Andrew Page, which has higher operating expenses as a percentage of revenue than our other Europe operations, (ii) an increase of 0.3% in operating expenses in our Benelux operations, primarily related to increased personnel costs due to higher temporary headcount in the second quarter of 2017 compared to the prior year second quarter and (iii) an increase of 0.2% in facility and warehouse expenses from our U.K. operations, primarily related to increased personnel costs due to the opening of 14 new branches and 1 new hub since the beginning of the second quarter of the prior year. While we have closed the Andrew Page acquisition and are consolidating its results, we are not permitted to integrate this acquisition with our existing U.K. operations until we receive approval from the CMA.

Specialty

Third Party Revenue. The following table summarizes the changes in third party revenue by category in our Specialty segment (in thousands):

	Three Months Ended June 30,		Percentage Change in Revenue			
Specialty	2017	2016	Organic (1)	Acquisition	Foreign Exchange	Total Change
Parts & services revenue	$362,355	$343,377	5.9%	0.1 %	(0.5)%	5.5 %
Other revenue	—	—	— %	— %	— %	— %
Total third party revenue	$362,355	$343,377	5.9%	0.1 %	(0.5)%	5.5 %

Note: In the table above, the sum of the individual percentages may not equal the total due to rounding.

(1) Organic growth in Specialty parts & services revenue was driven primarily by increased volumes of Truck, Towing and RV parts sales. This organic growth was fueled by favorable economic conditions in most of our primary selling regions, as well as increased sales volumes of light trucks and RVs.

Segment EBITDA. Segment EBITDA increased $5.0 million, or 11.6%, in the second quarter of 2017 compared to the prior year second quarter.

The following table summarizes the changes in Segment EBITDA as a percentage of revenue in our Specialty segment:

54

Specialty	Percentage of Total Segment Revenue	
Segment EBITDA for the three months ended June 30, 2016	12.6 %	
(Decrease) increase due to:		
Change in gross margin	(0.9)%	(1)
Change in segment operating expenses	1.7 %	(2)
Segment EBITDA for the three months ended June 30, 2017	13.4 %	

Note: In the table above, the sum of the individual percentages may not equal the total due to rounding.

(1) The decline in gross margin primarily reflected unfavorable impacts of (i) 0.7% due to unfavorable product mix, (ii) a 0.3% decrease due to higher overhead costs in inventory, partially offset by (iii) 0.3% of favorable volume rebates and sales allowances.

(2) The decrease in segment operating expenses reflected favorable facilities and warehouse expenses of 0.9% primarily related to the integration of Coast facilities. Selling, general and administrative expenses were favorable by 0.8% which primarily relates to (i) a 0.4% decline in personnel costs from the realization of integration synergies and the ability to achieve sales growth with a consistent headcount and (ii) a 0.3% decline in advertising expenses.

Six Months Ended June 30, 2017 Compared to Six Months Ended June 30, 2016

North America

Third Party Revenue. The following table summarizes the changes in third party revenue by category in our North America segment (in thousands):

	Six Months Ended June 30,		Percentage Change in Revenue			
North America	2017	2016	Organic	Acquisition (3)	Foreign Exchange	Total Change
Parts & services revenue	$2,155,531	$1,998,265	2.3 % (1)	5.6 %	(0.0)%	7.9 %
Other revenue	258,821	219,554	17.9% (2)	0.1 %	(0.0)%	17.9 %
Total third party revenue	$2,414,352	$2,217,819	3.9 %	5.0 %	(0.0)%	8.9 %

Note: In the table above, the sum of the individual percentages may not equal the total due to rounding.

(1) Organic growth in parts and services revenue was largely attributable to increased sales volumes in our wholesale operations, primarily in our salvage operations. Within our salvage operations, the favorable volume impact, which was primarily related to mechanical parts, was a result of refinements to our buying algorithms. Also, an emphasis on inventorying more parts off of each car purchased contributed to the increase to the number of parts sold per vehicle. Similar to the prior year, we experienced mild winter weather conditions in sections of North America. While we were able to increase parts and services revenue over the prior year, we believe the weather conditions contributed to a lower growth rate than generated in prior years.

(2) The $39.3 million increase in other revenue primarily related to (i) a $27.4 million increase in revenue from scrap steel and other metals primarily related to higher prices and, to a lesser extent, increased volumes, and (ii) a $12.8 million increase in revenue from metals found in catalytic converters (platinum, palladium, and rhodium) primarily due to higher prices and, to a lesser extent, increased volumes, year over year.

(3) Acquisition related growth in the first half of 2017 included $91.7 million, or 4.6%, from our ARG acquisition. The remainder of our acquired revenue growth reflected revenue from our acquisition of eight wholesale businesses from the beginning of 2016 up to the one-year anniversary of the acquisition dates.

Segment EBITDA. Segment EBITDA increased $38.1 million, or 12.2%, in the first half of 2017 compared to the prior year period. Sequential increases in scrap steel prices in our salvage and self service operations benefited gross

margins and had a favorable impact of $9.9 million on North America Segment EBITDA and approximately a $0.02 positive effect on diluted earnings per share. This favorable impact resulted from the increase in scrap steel prices between the date we purchased a car, which influences the price we pay for a car, and the date we scrapped a car, which influences the price we receive for scrapping a car.
The following table summarizes the changes in Segment EBITDA as a percentage of revenue in our North America

55

---

segment:

North America	Percentage of Total Segment Revenue		
Segment EBITDA for the six months ended June 30, 2016	14.1	%	
Increase (decrease) due to:			
Change in gross margin	1.0	%	(1)
Change in segment operating expenses	(0.4	)%	(2)
Change in other expenses	(0.2	)%	
Segment EBITDA for the six months ended June 30, 2017	14.5	%	

Note: In the table above, the sum of the individual percentages may not equal the total due to rounding.

(1) The improvement in gross margin reflected a 1.2% favorable impact in our salvage operations, primarily attributable to raising revenue per car by a greater rate than car costs. Revenue per car improved due to higher volumes of parts sold per car, which was a result of refinements to our buying algorithms, an emphasis on inventorying more parts off of each car purchased, and an increase in the number of days we hold each car before it is scrapped. Partially offsetting this increase was an unfavorable mix impact of 0.3% primarily related to our ARG acquisition, which has lower gross margins than our other North America operations.

(2) The increase in segment operating expenses as a percentage of revenue reflected an unfavorable mix impact of 0.3% related to our ARG acquisition, which has higher operating expenses as a percentage of revenue than our existing North America operations.

Europe

Third Party Revenue. The following table summarizes the changes in third party revenue by category in our Europe segment (in thousands):

	Six Months Ended June 30,		Percentage Change in Revenue			
Europe	2017	2016	Organic (1)	Acquisition (2)	Foreign Exchange (3)	Total Change
Parts & services revenue	$1,707,038	$1,368,666	5.8 %	26.5 %	(7.7)%	24.7 %
Other revenue	3,610	2,301	43.3 %	22.7 %	(9.1)%	56.8 %
Total third party revenue	$1,710,648	$1,370,967	5.9 %	26.5 %	(7.7)%	24.8 %

Note: In the table above, the sum of the individual percentages may not equal the total due to rounding.

(1) Parts and services revenue grew organically across all of our aftermarket business units in Europe from both existing locations and new branches. In Eastern Europe and the U.K., we added 52 and 14 branches, respectively, since the beginning of the prior year, and organic revenue growth includes revenue from those locations.

(2) Acquisition related growth for the first half of 2017 included $215.9 million, or 15.7%, from our acquisition of Rhiag and $93.2 million, or 6.8%, from our acquisition of Andrew Page. The remainder of our acquired revenue growth included revenue from our acquisitions of five wholesale businesses in our U.K. operations and one wholesale business in our Rhiag operations, three distribution companies in the Netherlands, and three salvage businesses in Sweden since the beginning of 2016 through the one-year anniversary of the acquisitions.

(3) Compared to the prior year, exchange rates reduced our revenue growth by $104.8 million, or 7.7%, primarily due to the stronger U.S. dollar against the pound sterling relative to the first half of 2016.

Segment EBITDA. Segment EBITDA increased $14.8 million, or 10.0%, in the first half of 2017 compared to the prior year period. Our Europe Segment EBITDA included a negative year over year impact of $11.5 million related to the translation of local currency results into U.S. dollars at lower exchange rates than those experienced during 2016. On a constant currency basis (i.e. excluding the translation impact), Segment EBITDA increased by $26.3 million, or 17.8%, compared to the prior year. Refer to the Foreign Currency Impact discussion within the Results of Operations -

Consolidated section above for further detail regarding foreign currency impact on our results for the six months ended June 30, 2017.
The following table summarizes the changes in Segment EBITDA as a percentage of revenue in our Europe segment:

Europe	Percentage of Total Segment Revenue	
Segment EBITDA for the six months ended June 30, 2016	10.8 %	
(Decrease) increase due to:		
Change in gross margin	(0.6)%	(1)
Change in segment operating expenses	(0.8)%	(2)
Change in other expense, net	0.1 %	
Segment EBITDA for the six months ended June 30, 2017	9.5 %	

Note: In the table above, the sum of the individual percentages may not equal the total due to rounding.

(1) The decline in gross margin was due to (i) a 0.4% unfavorable mix impact primarily as a result of generating a higher proportion of our revenue from our Rhiag operations, which have lower gross margins than our other Europe operations, (ii) a 0.4% unfavorable impact due to an increase in customer rebates issued in our Rhiag operations, and (iii) a 0.2% decrease due to our U.K. operations, partially offset by (iv) a 0.2% increase due to our Benelux operations. The gross margin decline in our U.K. operations was primarily a result of incremental costs related to the Tamworth distribution facility. The gross margin improvement in our Benelux operations was primarily a result of increased private label sales, which have higher gross margins. The remaining change in gross margin was attributable to individually insignificant improvements in gross margin across our other Europe operations.

(2) The increase in segment operating expenses as a percentage of revenue reflected (i) an increase of 0.8% in operating expenses as a result of the acquisition of Andrew Page, which has higher operating expenses as a percentage of revenue than our other Europe operations, (ii) an increase of 0.3% in operating expenses in our U.K. operations, primarily related to increased personnel costs due to the opening of 14 new branches and 1 new hub since the beginning of the prior year and (iii) an increase of 0.2% in operating expenses in our Rhiag operations, primarily related to increased personnel costs due to the increased cost of labor, partially offset by (iv) a 0.6% favorable impact due to mix as a result of the acquisition of Rhiag, which has lower operating expenses as a percentage of revenue than our other Europe operations.

Specialty

Third Party Revenue. The following table summarizes the changes in third party revenue by category in our Specialty segment (in thousands):

	Six Months Ended June 30,		Percentage Change in Revenue			
Specialty	2017	2016	Organic (1)	Acquisition	Foreign Exchange	Total Change
Parts & services revenue	$676,254	$637,496	6.1%	0.1 %	(0.1)%	6.1 %
Other revenue	—	—	— %	— %	— %	— %
Total third party revenue	$676,254	$637,496	6.1%	0.1 %	(0.1)%	6.1 %

Note: In the table above, the sum of the individual percentages may not equal the total due to rounding.

(1) Organic growth in Specialty parts & services revenue was driven by increased sales volumes of Truck, Towing and RV parts sales, partially offset by lower sales volumes of Wheels, Tires and Performance accessories. This organic growth was fueled by favorable economic conditions in most of our primary selling regions, as well as increased sales volumes of light trucks and RVs.

Segment EBITDA. Segment EBITDA increased $7.1 million, or 9.2%, in the first half of 2017 compared to the prior year period.

The following table summarizes the changes in Segment EBITDA as a percentage of revenue in our Specialty segment:

57

Explanation of Responses:

Specialty	Percentage of Total Segment Revenue	
Segment EBITDA for the six months ended June 30, 2016	12.0 %	
(Decrease) increase due to:		
Change in gross margin	(1.6)%	(1)
Change in segment operating expenses	2.0 %	(2)
Segment EBITDA for the six months ended June 30, 2017	12.4 %	

Note: In the table above, the sum of the individual percentages may not equal the total due to rounding.

(1) The decline in gross margin primarily reflected unfavorable impacts of (i) 0.6% of unfavorable product mix, (ii) a 0.6% decrease due to higher overhead costs in inventory, which is driven by warehouse costs for two new distribution centers that became fully functional in 2016, and (iii) a 0.3% decrease in overall supplier discounts as the first half of 2016 was more favorably impacted by higher volume purchase discounts from the initial stocking of the two new distribution centers.

(2) The decrease in segment operating expenses reflected favorable facilities and warehouse expenses of 1.0% primarily related to the integration of Coast facilities. Selling, general and administrative expenses were favorable by 0.8% which primarily related to (i) a 0.5% decline in personnel costs from the realization of integration synergies and the ability to achieve sales growth with a consistent headcount and (ii) a 0.2% decline in advertising expenses. Distribution expenses were favorable by 0.2%, which also reflected Coast integration synergies through the shift from use of third party carriers to shipments through the Specialty distribution network.

Liquidity and Capital Resources

The following table summarizes liquidity data as of the dates indicated (in thousands):

	June 30, 2017	December 31, 2016	June 30, 2016
Cash and equivalents	$303,544	$ 227,400	$251,863
Total debt (1)	3,009,927	3,365,687	3,361,684
Current maturities (2)	99,254	68,414	63,130
Capacity under credit facilities (3)	2,550,000	2,550,000	2,547,000
Availability under credit facilities (3)	1,431,674	1,019,112	1,088,846
Total liquidity (cash and equivalents plus availability under credit facilities)	1,735,218	1,246,512	1,340,709

(1) Debt amounts reflect the gross values to be repaid (excluding debt issuance costs of $22.4 million, $23.9 million, and $26.2 million as of June 30, 2017, December 31, 2016 and June 30, 2016, respectively).

(2) Debt amounts reflect the gross values to be repaid (excluding debt issuance costs of $2.4 million, $2.3 million and $2.3 million as of June 30, 2017, December 31, 2016 and June 30, 2016, respectively).

(3) Capacity under credit facilities includes our revolving credit facilities and our receivables securitization facility. Availability under credit facilities is reduced by our letters of credit.

We assess our liquidity in terms of our ability to fund our operations and provide for expansion through both internal development and acquisitions. Our primary sources of liquidity are cash flows from operations and our credit facilities. We utilize our cash flows from operations to fund working capital and capital expenditures, with the excess amounts going towards funding acquisitions or paying down outstanding debt. As we have pursued acquisitions as part of our growth strategy, our cash flows from operations have not always been sufficient to cover our investing activities. To fund our acquisitions, we have accessed various forms of debt financing, including revolving credit facilities, senior notes, and a receivables securitization facility.

As of June 30, 2017, we had debt outstanding and additional available sources of financing as follows:

- Senior secured credit facilities maturing in January 2021, composed of term loans totaling $750 million ($714 million outstanding at June 30, 2017) and $2.45 billion in revolving credit ($0.95 billion outstanding at June 30, 2017),

bearing interest at variable rates (although a portion of this debt is

58

---

hedged through interest rate swap contracts), reduced by $72.2 million of amounts outstanding under letters of credit

- U.S. Notes totaling $600 million, maturing in May 2023 and bearing interest at a 4.75% fixed rate
- Euro Notes totaling $571 million (€500 million), maturing in April 2024 and bearing interest at a 3.875% fixed rate
- Receivables securitization facility with availability up to $100 million ($95 million outstanding as of June 30, 2017), maturing in November 2019 and bearing interest at variable commercial paper rates

From time to time, we may undertake financing transactions to increase our available liquidity, such as our January 2016 amendment to our senior secured credit facilities, the issuance of €500 million of Euro Notes in April 2016, and the November 2016 amendment to our receivables securitization facility. Our financing structure, which includes our senior secured credit facilities, senior notes, and receivables securitization facility, provides financial flexibility to execute our long-term growth strategy. If we see an attractive acquisition opportunity, we have the ability to use our revolver to move quickly and have certainty of funding up to the amount of our then-available liquidity.

As of June 30, 2017, we had approximately $1.4 billion available under our credit facilities. Combined with approximately $304 million of cash and equivalents at June 30, 2017, we had approximately $1.7 billion in available liquidity, an increase of $489 million over our available liquidity as of December 31, 2016. The increase in available liquidity in 2017 is primarily attributable to the proceeds from the sale of the glass manufacturing business in March for $301 million.

We believe that our current liquidity and cash expected to be generated by operating activities in future periods will be sufficient to meet our current operating and capital requirements, although such sources may not be sufficient for future acquisitions depending on their size. While we believe that we have adequate capacity, from time to time we may need to raise additional funds through public or private financing, strategic relationships or other arrangements. There can be no assurance that additional funding, or refinancing of our credit facilities, if needed, will be available on terms attractive to us, or at all. Furthermore, any additional equity financing may be dilutive to stockholders, and debt financing, if available, may involve restrictive covenants or higher interest costs. Our failure to raise capital if and when needed could have a material adverse impact on our business, operating results, and financial condition.

Borrowings under the credit agreement accrue interest at variable rates which are tied to LIBOR or CDOR, depending on the currency and the duration of the borrowing, plus an applicable margin rate which is subject to change quarterly based on our reported leverage ratio. We hold interest rate swaps to hedge the variable rates on a portion of our credit agreement borrowings, with the effect of fixing the interest rates on the respective notional amounts. In addition, in 2016, we entered into cross currency swaps that contain an interest rate swap component and a foreign currency forward contract component that, when combined with related intercompany financing arrangements, effectively convert variable rate U.S. dollar-denominated borrowings into fixed rate euro-denominated borrowings. These derivative transactions are described in Note 10, "Derivative Instruments and Hedging Activities" to the unaudited condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q. After giving effect to these contracts, the weighted average interest rate on borrowings outstanding under our credit agreement at June 30, 2017 was 2.1%. Including our senior notes and the borrowings on our receivables securitization program, our overall weighted average interest rate on borrowings was 3.0% at June 30, 2017.

Cash interest payments were $46.6 million for the six months ended June 30, 2017, including $24.6 million in semi-annual interest payments as a result of our U.S. Notes and our Euro Notes. Interest payments on our U.S. Notes are made in May and November, and interest payments on our Euro Notes are scheduled for April and October.

We had outstanding credit agreement borrowings of $1.7 billion and $2.1 billion at June 30, 2017 and December 31, 2016, respectively. Of these amounts, $37.2 million was classified as current maturities at both June 30, 2017 and December 31, 2016.

The scheduled maturities of long-term obligations outstanding at June 30, 2017 are as follows (in thousands):

Six months ending December 31, 2017	$76,010
Years ending December 31:	
2018	44,316
2019	136,594
2020	39,287
2021	1,535,742
2022	415
Thereafter	1,177,563
Total debt [1]	$3,009,927

(1) The total debt amounts presented above reflect the gross values to be repaid (excluding debt issuance costs of $22.4 million as of June 30, 2017).

Our credit agreement contains customary covenants that provide limitations and conditions on our ability to enter into certain transactions. The credit agreement also contains financial and affirmative covenants, including limitations on our net leverage ratio and a minimum interest coverage ratio. We were in compliance with all restrictive covenants under our credit agreement as of June 30, 2017.

As of June 30, 2017, the Company had cash of $303.5 million, of which $251.0 million was held by foreign subsidiaries. We consider the undistributed earnings of these foreign subsidiaries to be indefinitely reinvested, and accordingly, no provision for U.S. income taxes has been provided thereon. Should these earnings be repatriated in the future, in the form of dividends or otherwise, we would be subject to both U.S. income taxes (subject to adjustment for foreign tax credits) and potential withholding taxes payable to the various foreign countries. We believe that we have sufficient cash flow and liquidity to meet our financial obligations in the U.S. without resorting to repatriation of foreign earnings.

The procurement of inventory is the largest operating use of our funds. We normally pay for aftermarket product purchases at the time of shipment or on standard payment terms, depending on the manufacturer and the negotiated payment terms. We normally pay for salvage vehicles acquired at salvage auctions and under direct procurement arrangements at the time that we take possession of the vehicles.

The following table sets forth a summary of our aftermarket inventory procurement for the three and six months ended June 30, 2017 and 2016 (in thousands):

	Three Months Ended June 30,			Six Months Ended June 30,			
	2017	2016	Change	2017	2016	Change	
North America	$393,300	$308,100	$85,200	$659,100	$568,300	$90,800	(1)
Europe	536,100	568,900	(32,800)	1,063,500	868,100	195,400	(2)
Specialty	263,100	237,100	26,000	495,000	499,400	(4,400)	(3)
Total	$1,192,500	$1,114,100	$78,400	$2,217,600	$1,935,800	$281,800	

(1) In North America, aftermarket purchases during the six months ended June 30, 2017 increased primarily as a result of our acquisition of ARG in April 2017, which added incremental purchases of $62.7 million in the first half of 2017. Prior year amounts have been recast to include purchases from ARG.

(2) In our Europe segment, the increase in purchases during the six months ended June 30, 2017 is primarily related to our acquisition of Rhiag in March 2016, which added incremental purchases of $148.9 million in the first half of 2017. Purchases for our U.K. operations increased in the six months ended June 30, 2017 compared to the prior year period primarily as a result of our acquisition of Andrew Page in October 2016, which added incremental purchases of $69.4 million in the first half of 2017.

(3) The decrease in Specialty aftermarket purchases during the six months ended June 30, 2017 compared to the first half of 2016 is primarily due to (i) higher inventory purchases in the first quarter of 2016 to stock a new distribution center that opened in March 2016 and (ii) the closure of several warehouses as part of the integration of our Coast acquisition, which resulted in lower inventory purchases in the first quarter of 2017, partially offset by additional inventory purchases in the second quarter due to increased sales volumes for Truck, Towing and RV

parts.

60

The following table sets forth a summary of our global salvage and self service procurement for the three and six months ended June 30, 2017 and 2016 (in thousands):

	Three Months Ended June 30,			Six Months Ended June 30,			
	2017	2016	% Change	2017	2016	% Change	
North America Wholesale salvage cars and trucks	77	72	6.9 %	152	144	5.6 %	(1)
Europe Wholesale salvage cars and trucks	5	6	(16.7)%	12	12	— %	
Self service and "crush only" cars	141	138	2.2 %	274	263	4.2 %	(2)

(1) The number of salvage cars and trucks purchased during the three and six months ended June 30, 2017 increased primarily due to a decision to increase the number of salvage cars and trucks dismantled compared to the prior year periods.

(2) With the increase in scrap prices compared to the prior year period, we have increased the number of self service and "crush only" vehicles purchased.

Net cash provided by operating activities totaled $362.1 million for the six months ended June 30, 2017, compared to $361.9 million during the six months ended June 30, 2016. During the first three months of 2017, our glass manufacturing business used $3.9 million of cash for operating activities compared to $31.2 million of cash provided by operating activities in the first half of 2016; these operating cash flows are nonrecurring as we closed the sale of this business on March 1, 2017.

The remaining change in cash provided by operating activities was attributable to our continuing operations. During the six months ended June 30, 2017, our operating income increased by $62.1 million compared to the first half of 2016, due to both acquisition related growth and organic growth. The increase in operating income was negatively impacted by non-cash depreciation and amortization expense, which increased by $19.5 million compared to the prior year period, primarily as a result of our Rhiag acquisition. Cash paid for taxes increased by $35.2 million during the first half of 2017 compared to the prior year period as a result of growth in the business, primarily related to our Rhiag acquisition. Cash paid for interest increased by $4.3 million in 2017 primarily as a result of increased borrowings due to 2016 acquisitions. Cash provided by operating activities decreased during the six months ended June 30, 2017 as a result of a $3.6 million inventory step-up adjustment recorded in the first half of 2016 related to our acquisition of ARG; we had no such adjustment in the current year period. Cash provided by operating activities increased during the six months ended June 30, 2017 as a result of a cash dividend related to our equity method investment in Mekonomen, of which $2.3 million was classified within operating activities.

Cash outflows for our primary working capital accounts (receivables, inventory and payables) from our continuing operations totaled $53.3 million during the six months ended June 30, 2017 compared to $27.6 million during the comparable period in 2016. In the first half of 2017, cash outflows for receivables totaled $81.4 million compared to $94.1 million for the prior year period; the decrease in cash outflows was primarily attributable to our Europe segment. During the first half of 2017, cash outflows for inventory were $15.8 million compared to cash inflows of $43.4 million in the prior year period. The period over period increase in cash outflows for inventory was primarily related to our North America and Europe segments, partially offset by a decrease in cash outflows for inventory in our Specialty segment. During the first half of 2017, cash inflows for accounts payable were $43.9 million compared to cash inflows of $23.1 million in the prior year period. The period over period increase in cash inflows for accounts payable was primarily related to our North America and Europe segments. Cash flows related to our primary working capital accounts can be volatile as the purchases, payments and collections can be timed differently from period to period and can be influenced by factors outside of our control. However, we expect that the net change in these working capital items will generally be a cash outflow as we expect to grow our business each year. Other operating assets and liabilities represented a $26.2 million smaller cash outflow in 2017 than the comparable period in 2016; the largest components of the change related to growth in other accrued expenses for our North America and Europe segments.

Net cash provided by investing activities totaled $113.7 million for the six months ended June 30, 2017, compared to $1.3 billion of cash used in investing activities during the six months ended June 30, 2016. We invested $100.7 million of cash, net of cash acquired, in business acquisitions during the six months ended June 30, 2017 compared to $1.3 billion in the first half of 2016, which included $601.4 million for our Rhiag acquisition and $661.9 million for our PGW acquisition. In the first quarter of 2017, we received proceeds from the sale of our glass manufacturing business totaling $301.3 million. In the first half of 2016, we entered into foreign currency contracts to fund the purchase price of the Rhiag acquisition, which generated $18.3 million of gains; we had no such contracts in the current year period. Property, plant and equipment purchases were $91.5 million in the six months ended June 30, 2017 compared to $102.3 million in the comparable period in 2016. The period over period decrease in cash outflows for purchases of property, plant and equipment was primarily related to our North America and Specialty segments and our discontinued operations. Cash provided by other investing activities increased during the six

61

months ended June 30, 2017 primarily as a result of a cash dividend related to our equity method investment in Mekonomen, of which $5.2 million was classified within investing activities.

Net cash used in financing activities totaled $423.1 million for the six months ended June 30, 2017, compared to $1.2 billion provided by financing activities during the six months ended June 30, 2016. During the six months ended June 30, 2017, net repayments under our credit facilities totaled $446.1 million, as we used the proceeds from the sale of our glass manufacturing business and cash flows from operations to repay outstanding revolver borrowings; in the first half of 2016, we had net borrowings of $1.2 billion primarily to fund our acquisitions. In April 2016, we issued the Euro Notes generating proceeds of $563.5 million. The proceeds from the Euro Notes were used to repay a portion of the borrowings on the revolving credit facility. Additionally, we repaid $543.3 million of Rhiag acquired debt and debt related liabilities during the first half of 2016. In connection with our January 2016 amendment of our credit facilities and our April 2016 issuance of the Euro Notes, we paid $16.2 million of debt issuance costs during the six months ended June 30, 2016; no such costs were incurred in the current year period. There were $19.6 million of cash proceeds from other debt in the first half of 2017, compared to $7.8 million of cash repayments of other debt in the first half of 2016.

We intend to continue to evaluate markets for potential growth through the internal development of distribution centers, processing and sales facilities, and warehouses, through further integration of our facilities, and through selected business acquisitions. Our future liquidity and capital requirements will depend upon numerous factors, including the costs and timing of our internal development efforts and the success of those efforts, the costs and timing of expansion of our sales and marketing activities, and the costs and timing of future business acquisitions.

62

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks arising from adverse changes in:

- foreign exchange rates;
- interest rates; and
- commodity prices.

Foreign Exchange

Foreign currency fluctuations may impact the financial results we report for the portions of our business that operate in functional currencies other than the U.S. dollar. Our operations outside of the U.S. represented 40.2% and 39.1% of our revenue during the six months ended June 30, 2017 and the year ended December 31, 2016, respectively. An increase or decrease in the strength of the U.S. dollar against these currencies by 10% would result in a 4.0% change in our consolidated revenue and a 3.0% change in our operating income for the six months ended June 30, 2017. See our Results of Operations discussion in Part I, Item 2 of this Quarterly Report on Form 10-Q for additional information regarding the impact of fluctuations in exchange rates on our year over year results.

Additionally, we are exposed to foreign currency fluctuations with respect to the purchase of aftermarket products from foreign countries, primarily in Europe and Asia. To the extent that our inventory purchases are not denominated in the functional currency of the purchasing location, we are exposed to exchange rate fluctuations. In several of our operations, we purchase inventory from manufacturers in Taiwan in U.S. dollars, which exposes us to fluctuations in the relationship between the local functional currency and the U.S. dollar, as well as fluctuations between the U.S. dollar and the Taiwan dollar. We hedge our exposure to foreign currency fluctuations related to a portion of inventory purchases in our Europe operations, but the notional amount and fair value of these foreign currency forward contracts at June 30, 2017 were immaterial. We do not currently attempt to hedge foreign currency exposure related to our foreign currency denominated inventory purchases in our North America operations, and we may not be able to pass on any price increases to our customers.

Other than with respect to a portion of our foreign currency denominated inventory purchases, we do not hold derivative contracts to hedge foreign currency risk. Our net investment in foreign operations is partially hedged by the foreign currency denominated borrowings we use to fund foreign acquisitions; however, our ability to use foreign currency denominated borrowings to finance our foreign operations may be limited based on local tax laws. We have elected not to hedge the foreign currency risk related to the interest payments on foreign borrowings as we generate cash flows in the local currencies that can be used to fund debt payments. As of June 30, 2017, we had outstanding borrowings of €500 million under our Euro Notes, and £102.2 million, CAD $130.4 million, SEK 135.0 million, and €26.1 million under our revolving credit facilities.

Interest Rates

Our results of operations are exposed to changes in interest rates primarily with respect to borrowings under our credit facilities, where interest rates are tied to the prime rate, LIBOR or CDOR. Therefore, we implemented a policy to manage our exposure to variable interest rates on a portion of our outstanding variable rate debt instruments through the use of interest rate swap contracts. These contracts convert a portion of our variable rate debt to fixed rate debt, matching the currency, effective dates and maturity dates to specific debt instruments. Net interest payments or receipts from interest rate swap contracts are included as adjustments to interest expense. All of our interest rate swap contracts have been executed with banks that we believe are creditworthy (Wells Fargo Bank, N.A.; Bank of America, N.A.; Citizens, N.A.; Fifth Third Bank; HSBC Bank USA, N.A.; and Banco Bilbao Vizcaya Argentaria, S.A.).

As of June 30, 2017, we held ten interest rate swap contracts representing a total of $590 million of U.S. dollar-denominated notional amount debt. Our interest rate swap contracts are designated as cash flow hedges and modify the variable rate nature of that portion of our variable rate debt. These swaps have maturity dates ranging from January 2021 through June 2021. As of June 30, 2017, the fair value of the interest rate swap contracts was an asset of $15.1 million. The values of such contracts are subject to changes in interest rates.

In addition to these interest rate swaps, as of June 30, 2017 we held three cross currency swap agreements for a total notional amount of $414.5 million (€392.5 million) with maturity dates in January 2021. These cross currency swaps contain an interest rate swap component and a foreign currency forward contract component that, combined with related intercompany financing arrangements, effectively convert variable rate U.S. dollar-denominated borrowings

into fixed rate euro-denominated borrowings. The swaps are intended to eliminate uncertainty in cash flows in U.S. dollars and euros in connection with intercompany financing arrangements. The cross currency swaps were also executed with banks we believe are creditworthy (Wells Fargo Bank, N.A.; Bank of America, N.A.; and The Bank of Tokyo-Mitsubishi UFJ, Ltd.). As of June 30, 2017, the fair

63

---

value of the interest rate swap components of the cross currency swaps was an asset of $1.7 million, and the fair value of the currency forward components was a liability of $34.1 million. The values of these contracts are subject to changes in interest rates and foreign currency exchange rates.

In total, we had 57% of our variable rate debt under our credit facilities at fixed rates at June 30, 2017 compared to 48% at December 31, 2016. See Note 9, "Long-Term Obligations" and Note 10, "Derivative Instruments and Hedging Activities" to the consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for additional information.

At June 30, 2017, we had $756.0 million of variable rate debt that was not hedged. Using sensitivity analysis, a 100 basis point movement in interest rates would change interest expense by $7.6 million over the next twelve months.

Commodity Prices

We are exposed to market risk related to price fluctuations in scrap metal and other metals. Market prices of these metals affect the amount that we pay for our inventory as well as the revenue that we generate from sales of these metals. As both our revenue and costs are affected by the price fluctuations, we have a natural hedge against the changes. However, there is typically a lag between the effect on our revenue from metal price fluctuations and inventory cost changes, and there is no guarantee that the vehicle costs will decrease or increase at the same rate as the metals prices. Therefore, we can experience positive or negative gross margin effects in periods of rising or falling metals prices, particularly when such prices move rapidly. Additionally, if market prices were to change at a greater rate than our vehicle acquisition costs, we could experience a positive or negative effect on our operating margin. The average of scrap metal prices for the first half of 2017 has increased 24.4% over the average for the fourth quarter of 2016.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of June 30, 2017, the end of the period covered by this Quarterly Report on Form 10-Q, an evaluation was carried out under the supervision and with the participation of LKQ Corporation's management, including our Chief Executive Officer and Chief Financial Officer, of our "disclosure controls and procedures" (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective in providing reasonable assurance that information we are required to disclose in this Quarterly Report on Form 10-Q has been recorded, processed, summarized and reported as of the end of the period covered by this Quarterly Report on Form 10-Q. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports we file under the Securities Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended June 30, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II
OTHER INFORMATION
Item 1A. Risk Factors
Our operations and financial results are subject to various risks and uncertainties that could adversely affect our business, financial condition and results of operations, and the trading price of our common stock. Please refer to our 2016 Annual Report on Form 10-K, filed with the SEC on February 27, 2017, and our Quarterly Report on Form 10-Q filed subsequent to the Annual Report on Form 10-K, for information concerning risks and uncertainties that could negatively impact us.

Item 6. Exhibits
Exhibits
(b) Exhibits

10.1	Memorandum dated as of May 25, 2017 from Joseph M. Holsten to Dominick Zarcone (incorporated herein by reference to Exhibit 10.1 to the Company's report on Form 8-K filed with the SEC on June 5, 2017).
10.2	Employee Transition Agreement dated as of May 31, 2017 between LKQ Corporation and Robert L. Wagman (incorporated herein by reference to Exhibit 10.2 to the Company's report on Form 8-K filed with the SEC on June 5, 2017).
31.1	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
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

66

SIGNATURES

Pursuant to the requirements of Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on July 31, 2017.

LKQ CORPORATION

/s/ DOMINICK ZARCONE
Dominick Zarcone
President, Chief Executive Officer and
Chief Financial Officer
(As duly authorized officer and Principal Financial Officer)

/s/ MICHAEL S. CLARK
Michael S. Clark
Vice President — Finance and Controller
(As duly authorized officer and Principal Accounting Officer)

67