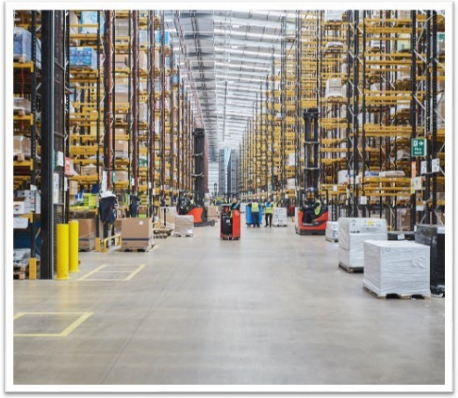
Second Quarter 2018 Earnings Call

July 26, 2018

Nick Zarcone - *President & Chief Executive Officer*
Varun Laroyia - *Executive Vice President & Chief Financial Officer*
Joe Boutross - *Vice President, Investor Relations*









Forward Looking Statements and Non-GAAP Financial Measures

Statements and information in this presentation 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. These statements are subject to a number of risks, uncertainties, assumptions and other factors including those identified below. 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 the factors 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, 2017 and in our subsequent Quarterly Reports on Form 10-Q. These reports are available on our investor relations website at lkqcorp.com and on the SEC website at sec.gov.

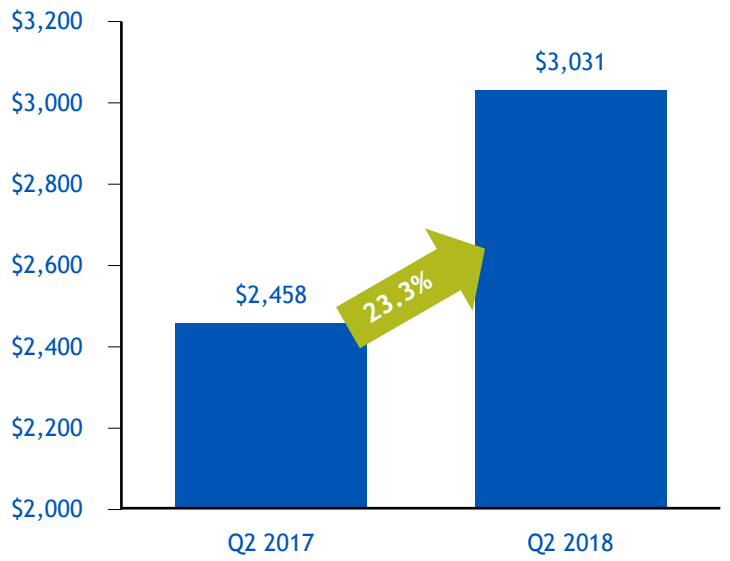
This presentation contains non-GAAP financial measures. Included with this presentation is a reconciliation of each non-GAAP financial measure with the most directly comparable financial measure calculated in accordance with GAAP.

Mission Statement

To be the leading global value-added distributor of vehicle parts and accessories by offering our customers the most comprehensive, available and cost effective selection of part solutions while building strong partnerships with our employees and the communities in which we operate

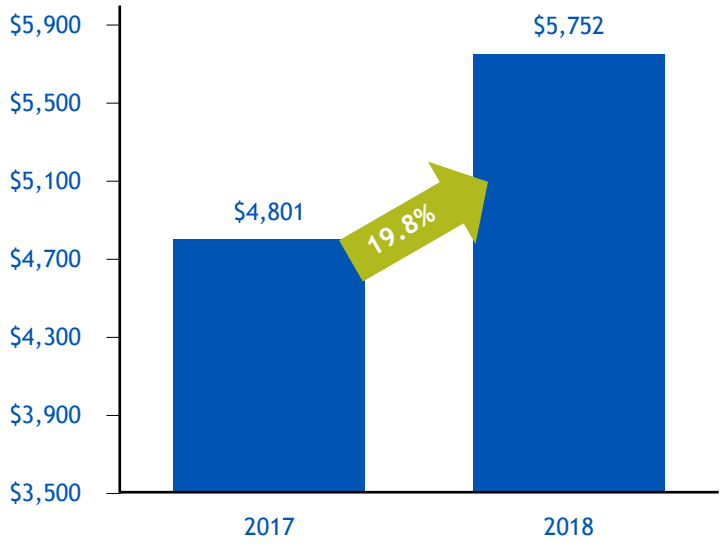
Consolidated Results - Continuing operations

Q2 2018 Revenue*



- Organic growth of parts and services revenue of 7.2% on a reported basis
- Net income attributable to LKQ stockholders $157 million Q2 2018 vs. $151 million Q2 2017
- Segment EBITDA Margin** 11.3% Q2 2018 vs. 12.4% Q2 2017

YTD 2018 Revenue*



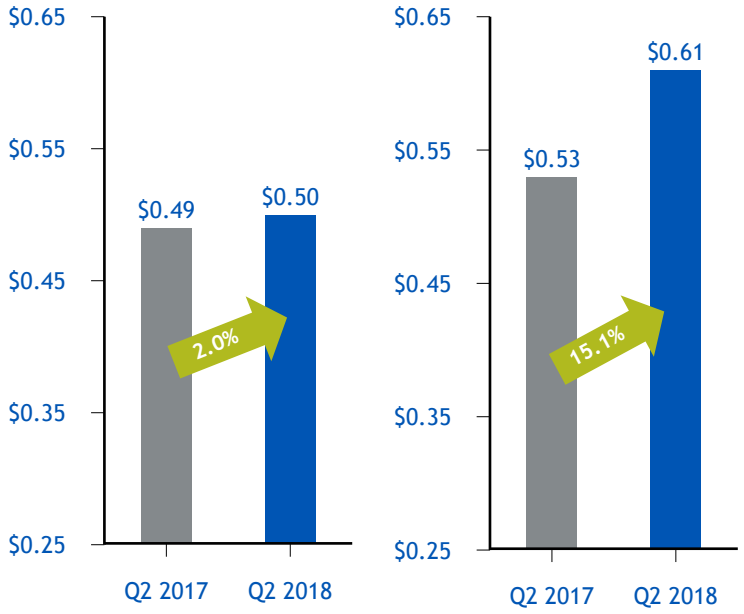
- Organic growth of parts and services revenue of 5.5% on a reported basis
- Net income from continuing operations attributable to LKQ stockholders $310 million YTD 2018 vs. $292 million YTD 2017
- Segment EBITDA Margin** 11.1% YTD 2018 vs. 12.4% YTD 2017

* Revenue in millions

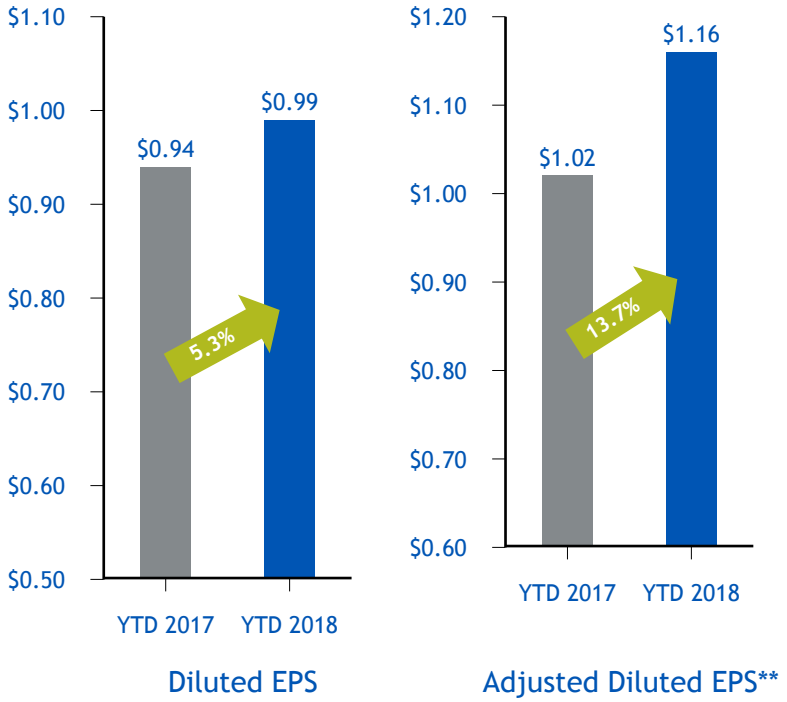
** Segment EBITDA is a non-GAAP financial measure. Refer to Segment EBITDA reconciliation on page 33

Consolidated Results - Continuing operations

Q2 2018 EPS*



YTD 2018 EPS*



* Earnings per share figures refer to income from continuing operations attributable to LKQ stockholders
** Adjusted Diluted EPS is a non-GAAP measure. Refer to page 35 for Adjusted Diluted EPS reconciliation

Q2 2018 Revenue Growth

Revenue Changes by Source:	Organic	Acquisition	Foreign Exchange	Total[1]
North America	7.4%	0.7%	0.3%	8.3%
Europe	8.3%	28.8%	7.1%	44.2%
Specialty	4.1%	9.0%	0.5%	13.6%
Parts and Services	7.2%	12.7%	2.9%	22.8%
Other Revenue	30.2%	0.7%	0.1%	31.1%
Total	8.5%	12.1%	2.8%	23.3%

- Organic revenue growth for parts and services in North America was largely attributable to increased sales volumes and, to a lesser extent, favorable pricing in our wholesale operations
- European organic growth was driven by both established and new branches (44 in Eastern Europe since Q2 2017)
- Collision parts organic revenue growth in the UK was 8.6%
- Favorable F/X impact on European revenue of $63 million; European constant currency parts and services revenue growth of 37.1%[2]
- Specialty acquisition growth was $32 million, most of which relates to Warn Industries, Inc. (acquired November 1, 2017)
- Increase in Other Revenue was primarily attributable to higher scrap steel and other metal prices. Scrap steel prices were up 33% versus Q2 2017

(1) The sum of the individual revenue change components may not equal the total percentage due to rounding
(2) Constant currency is a non-GAAP financial measure. Refer to constant currency reconciliation on page 31

YTD 2018 Revenue Growth

Revenue Changes by Source:	Organic	Acquisition	Foreign Exchange	Total[1]
North America	7.0%	1.2%	0.3%	8.5%
Europe	4.9%	20.4%	10.5%	35.7%
Specialty	2.3%	9.9%	0.5%	12.7%
Parts and Services	5.5%	9.7%	4.1%	19.4%
Other Revenue	26.4%	0.8%	0.2%	27.3%
Total	6.6%	9.2%	3.9%	19.8%

- Organic revenue growth for parts and services in North America was largely attributable to increased sales volumes in our wholesale operations
- Organic revenue growth for parts and services in Europe was driven by both established and new branches (56 in Eastern Europe since the beginning of 2017)
- Collision parts organic revenue growth in the UK was 7.7%
- Favorable F/X impact on European revenue of $179 million; European constant currency parts and services revenue growth of 25.2%[2]
- European acquisition growth was $349 million, primarily related to the acquisition of Stahlgruber GmbH ("Stahlgruber") (acquired May 30, 2018)
- Specialty acquisition growth was $67 million, most of which relates to Warn Industries, Inc. (acquired November 1, 2017)
- Increase in Other Revenue was primarily attributable to higher scrap steel and other metals prices. Scrap steel prices were up 35% year over year

(1) The sum of the individual revenue change components may not equal the total percentage due to rounding
(2) Constant currency is a non-GAAP measure. Refer to constant currency reconciliation on page 31

Q2 2018 Operating Highlights

North America

- Limited impact from implemented tariffs and Round 1 of Section 301 effective July 6, 2018; working on identifying the impact of the latest proposed tariffs
- Sequential improvement in aftermarket gross margins of 30 bps related to pricing initiatives and discount reductions
- 96% of routes optimized through Roadnet. Stops and orders per day increased 2.3% and 3.7%,respectively in the quarter; telematics reduced average idling time 19% to 15.5 minutes per day from 19.2 minutes, sequentially

Europe

- Stahlgruber acquisition completed on May 30, 2018 with the exception of the wholesale business of Stahlgruber in the Czech Republic, which was referred for review to the Czech Republic competition authority
- The operational issues at T2 have significantly improved, and all Andrew Page branches are now serviced from T2
- T1 is fully operational as a new Collision warehouse
- Andrew Page CMA divestment deal coming to a close with a deal agreed in principle
- Rhiag opened 15 new branches in Europe and closed 3 due to consolidation

Specialty

- Q2 sales saw a strong rebound over Q1 sales
- Limited shipping began from the new 450,000 square foot distribution center in Eastvale, CA with plans to be fully operational in early Q3
- Warn Industries launched next generation Power Sport winch lineup, Axon and VRX

Inventory

Inventory Procurement:	Q2			YTD		
($ in millions, Vehicles purchased in 000s)	2018	2017	% Change	2018	2017	% Change
Total aftermarket procurement	$1,487	$1,193	24.6%	$2,787	$2,218	25.7%
Wholesale salvage cars and trucks	83	77	7.8%	156	152	2.6%
Europe wholesale salvage cars and trucks	7	5	40.0%	15	12	25.0%
Self service and "crush only" cars	150	141	6.4%	291	274	6.2%

- We believe aftermarket inventory levels are sufficient to achieve our growth targets
- In North America, aftermarket purchases increased during the first half of 2018 primarily to support growth across our operations
- In Europe, the increase in aftermarket purchases during the first half of 2018 was primarily driven by:
  - $108 million increase in our Benelux operations, of which $41 million was attributable to incremental inventory purchases in the first half of 2018 as a result of our acquisitions of aftermarket parts distribution businesses in Belgium in the third quarter of 2017
  - $124 million increase in our Eastern Europe operations, of which $49 million was due to incremental inventory purchases in the first half of 2018 as a result of our acquisition of an aftermarket parts distribution business in Poland in the third quarter of 2017
  - $122 million increase attributed to inventory purchases at Stahlgruber from the date of acquisition through June 30, 2018
- Cost per vehicle in our self service operations increased 19% year over year due primarily to increases in scrap steel prices
- Average cost per vehicle in our full service salvage operations was up 5% year over year

Acquisition Activity

	Number of Q2 Acquisitions	TTM Revenue (in millions)*	Number of YTD Acquisitions	TTM Revenue (in millions)*
North America	—	—	1	0
Europe	5	$1,935	5	$1,935
Specialty	—	—	—	—
Total	5	$1,935	6	$1,935

- During the 2nd quarter of 2018,we acquired 5 businesses, including:
  - Stahlgruber in Germany
  - One aftermarket parts business in England
  - Three aftermarket parts businesses in Sweden
- Net consideration of the four businesses acquired in Q2 (excluding Stahlgruber) was $7 million

* Approximate TTM Revenue as of acquisition date (unaudited)

Financial Results

Operating Results - Continuing Operations

($ in millions,except per share data)	Second Quarter 2018	Second Quarter 2017	Second Quarter Change	YTD 2018	YTD 2017	YTD Change
Revenue	$3,031	$2,458	23.3%	$5,752	$4,801	19.8%
Gross Margin	1,162	965	20.4%	2,216	1,895	16.9%
Operating Income	257	245	5.0%	483	480	0.6%
Pre-tax Income	218	226	(3.4)%	419	439	(4.4)%
Net income from continuing operations attributable to LKQ stockholders	157	151	4.0%	310	292	6.3%
Segment EBITDA*	342	306	11.8%	637	596	6.9%
Diluted EPS from continuing operations attributable to LKQ stockholders:						
Reported	$0.50	$0.49	2.0%	$0.99	$0.94	5.3%
Adjusted**	$0.61	$0.53	15.1%	$1.16	$1.02	13.7%

- Our effective income tax rate for the quarter and YTD was 27.9% and 26.3%, respectively, compared to 33.6% and 33.8% for the comparable prior year periods. The decrease was primarily attributable to the reduction of the U.S. federal statutory income tax rate from 35% to 21% as a result of the enactment of the Tax Act in December 2017.

* Segment EBITDA is a non-GAAP measure. Refer to Segment EBITDA reconciliation on page 33
** Adjusted EPS is a non-GAAP measure. Refer to the EPS reconciliation on page 35

Q2 2018 Consolidated Margins - Continuing operations

(as a % of Revenue)	Q2 2018	Q2 2017	Change F/(U)	QTD Commentary
Revenue	100.0%	100.0%	—%	
Gross Margin	38.3%	39.3%	(1.0)%	Decreased by 0.7% and 0.4% as a result of our Europe and North America segments, respectively
Selling, General and Administrative Expenses	27.3%	27.0%	(0.3)%	The increase in SG&A is primarily related to our North America segment
Restructuring and Acquisition Related Expenses	0.5%	0.1%	(0.4)%	Increase is primarily related to acquisition costs in our Europe segment related to Stahlgruber
Depreciation and Amortization	2.1%	2.2%	0.1%	Depreciation and amortization costs increased in dollar terms due to recent acquisitions
Operating Income	8.5%	9.9%	(1.4)%	
Segment EBITDA*	11.3%	12.4%	(1.1)%	

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

* Segment EBITDA is a non-GAAP measure. Refer to segment EBITDA reconciliation on page 33. Segment EBITDA is a measure of segment profitability. Refer to individual segment slides for drivers of Segment EBITDA.

YTD 2018 Consolidated Margins - Continuing operations

(as a % of Revenue)	2018	2017	Change F/(U)	YTD Commentary
Revenue	100.0%	100.0%	—%	
Gross Margin	38.5%	39.5%	(1.0)%	Decreased by 0.6% and 0.5% as a result of our Europe and North America segments, respectively
Selling, General and Administrative Expenses	27.7%	27.2%	(0.5)%	SG&A increased as a result of increased freight and vehicle expense in our North America segment and higher personnel expenses in our Europe segment
Restructuring and Acquisition Related Expenses	0.3%	0.1%	(0.2)%	Increase primarily driven by acquisition expenses related to Stahlgruber
Depreciation and Amortization	2.1%	2.1%	—%	Depreciation and amortization costs increased in dollar terms due to recent acquisitions
Operating Income	8.4%	10.0%	(1.6)%	
Segment EBITDA*	11.1%	12.4%	(1.3)%	

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

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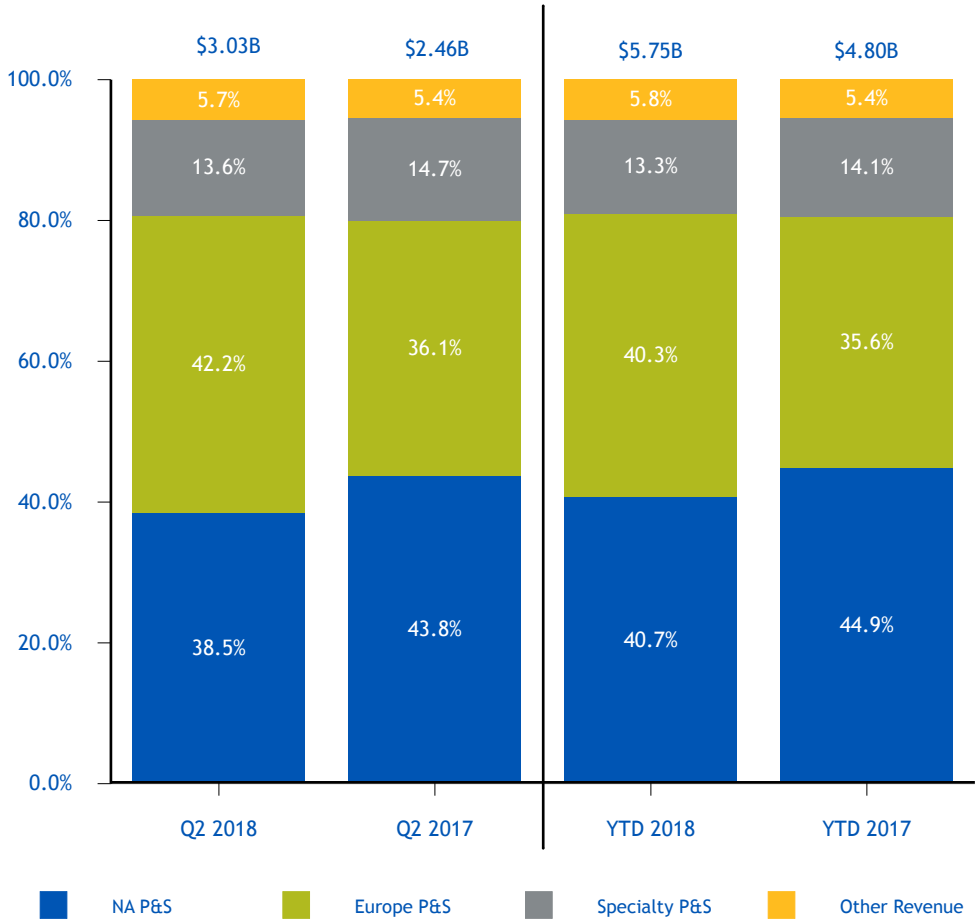
Components of Revenue



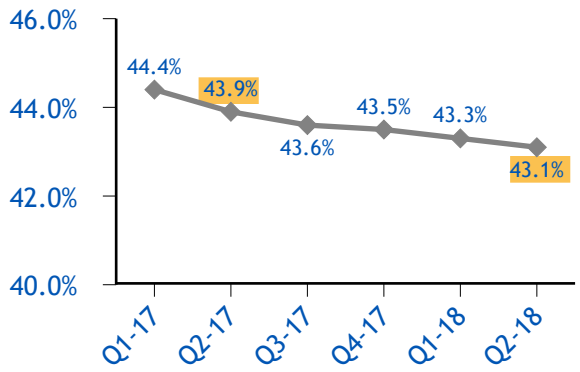
- A portion of change in margins on a consolidated basis is attributable to change in revenue mix
- North America historically has the highest gross margins and EBITDA margins relative to the other segments
- Increase in QTD and YTD revenue as a percentage of consolidated revenue for our European businesses reflects the impact from our acquisition of Stahlgruber in Q2 2018
- Other revenue continues to be a small percentage of our total global revenue

North America - Q2 2018 Results

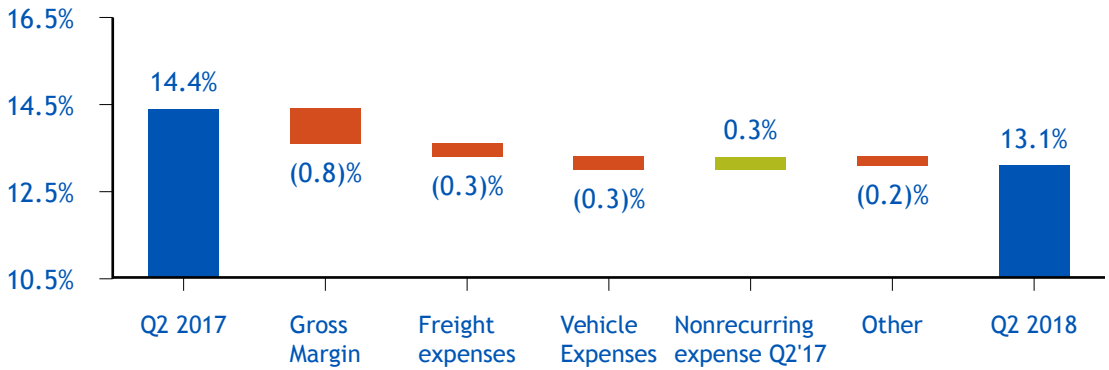
($ in millions)	2018	2017	Change	% of Revenue 2018	% of Revenue 2017
Total Revenue	$1,335	$1,207	10.7%		
Gross Margin	$575	$529	8.7%	43.1%	43.9%
Operating Expenses	$402	$359	12.0%	30.1%	29.8%
Segment EBITDA*	$175	$174	0.7%	13.1%	14.4%

*Segment EBITDA is a non-GAAP measure. Refer to total segment EBITDA reconciliation on page 33 and the breakout of Segment EBITDA by each respective segment on page 32

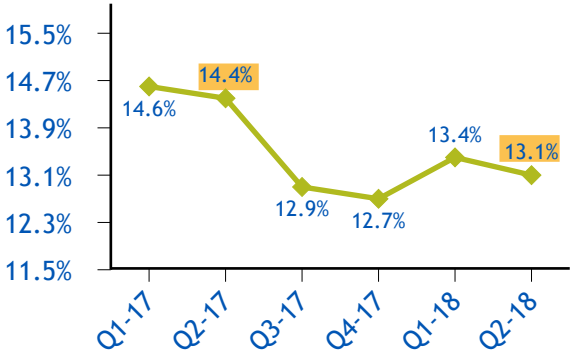
Gross Margin



North America Segment EBITDA Margin Bridge



Segment EBITDA Margin



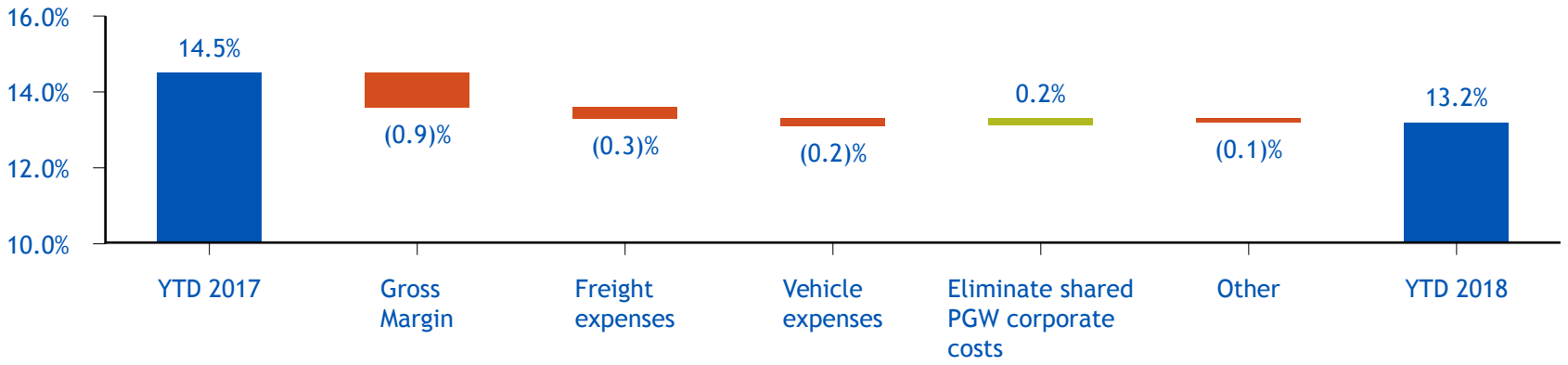
Note: In the table above, the sum of the individual percentages may not equal the total due to rounding

North America - YTD 2018 Results

($ in millions)	2018	2017	Change	% of Revenue 2018	% of Revenue 2017
Total Revenue	$2,665	$2,415	10.4%		
Gross Margin	$1,151	$1,065	8.0%	43.2%	44.1%
Operating Expenses	$805	$721	11.7%	30.2%	29.8%
Segment EBITDA*	$353	$350	0.8%	13.2%	14.5%

*Segment EBITDA is a non-GAAP measure. Refer to total segment EBITDA reconciliation on page 33 and the breakout of Segment EBITDA by each respective segment on page 32

North America Segment EBITDA Margin Bridge



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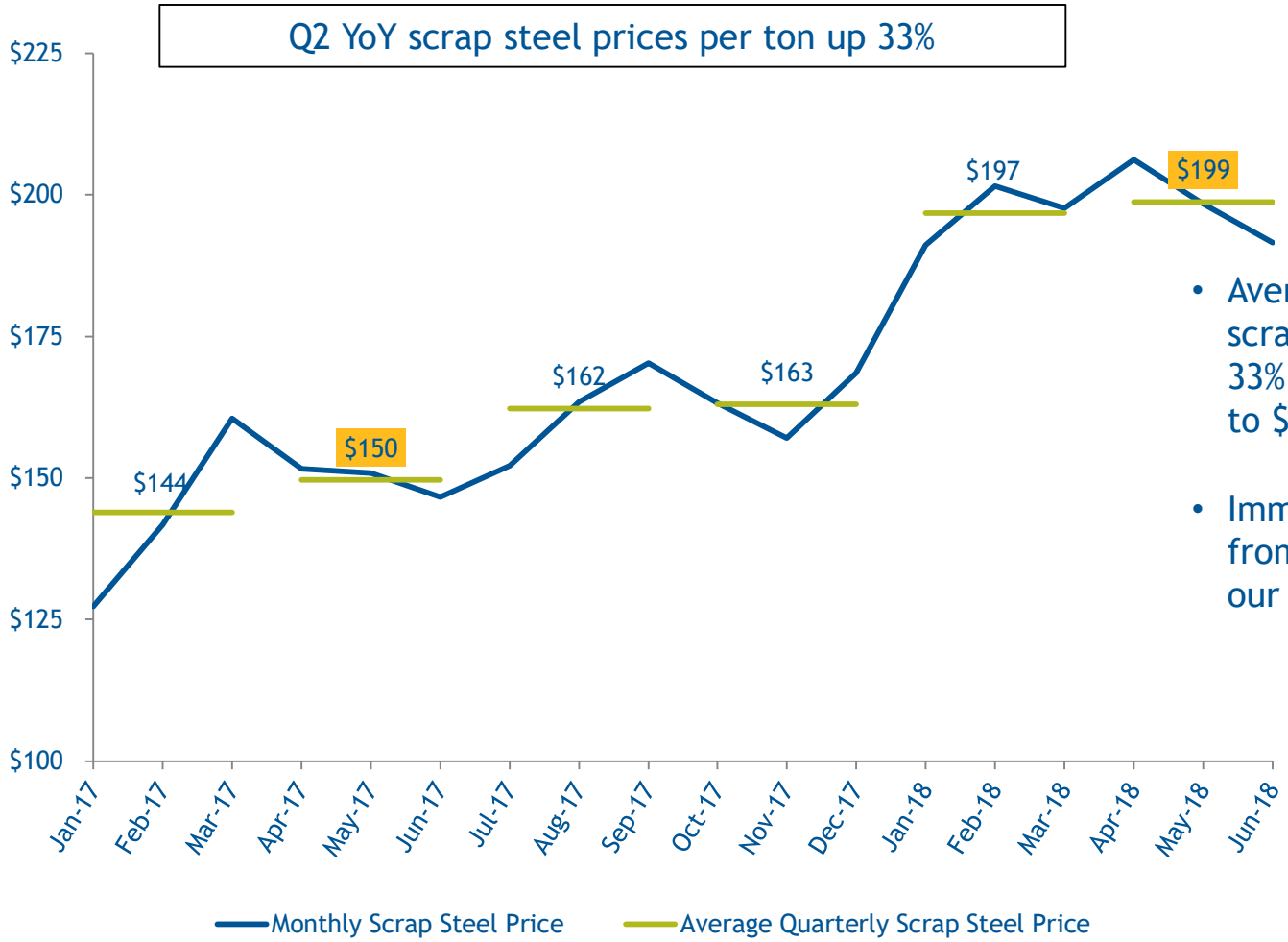
Scrap Steel Prices



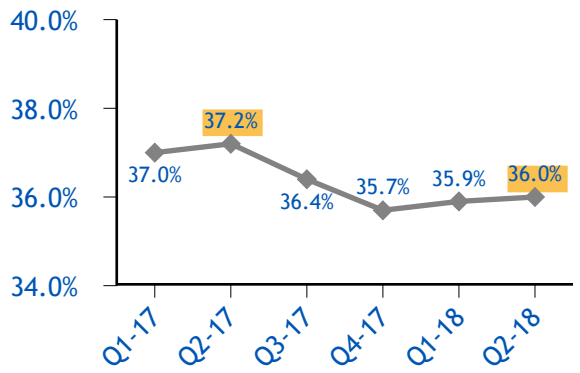
- Average price we received for scrap steel in Q2 increased by 33%, from $150 per ton in Q2 2017 to $199 per ton in Q2 2018
- Immaterial year over year impact from changes in scrap prices on our reported results.

Europe - Q2 2018 Results

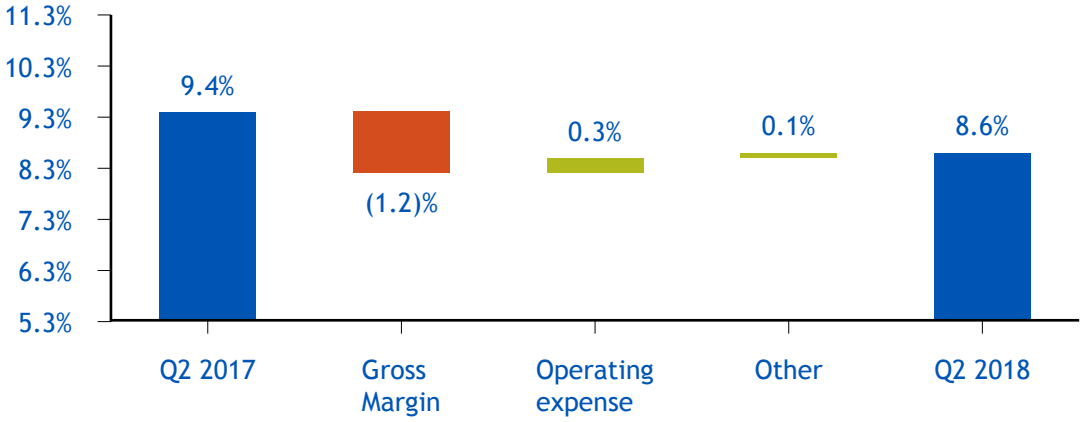
($ in millions)	2018	2017	Change	% of Revenue 2018	% of Revenue 2017
Total Revenue	$1,284	$890	44.3%		
Gross Margin	$462	$331	39.6%	36.0%	37.2%
Operating Expenses	$354	$248	42.6%	27.6%	27.9%
Segment EBITDA*	$111	$84	32.7%	8.6%	9.4%

* Segment EBITDA is a non-GAAP measure. Refer to total segment EBITDA reconciliation on page 33 and the breakout of Segment EBITDA by each respective segment on page 32

Gross Margin

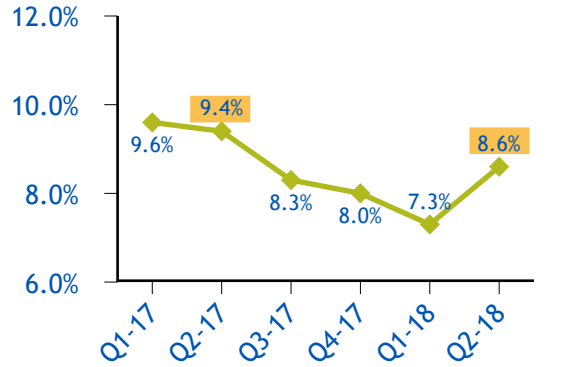


Europe Segment EBITDA Margin Bridge



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

Segment EBITDA Margin

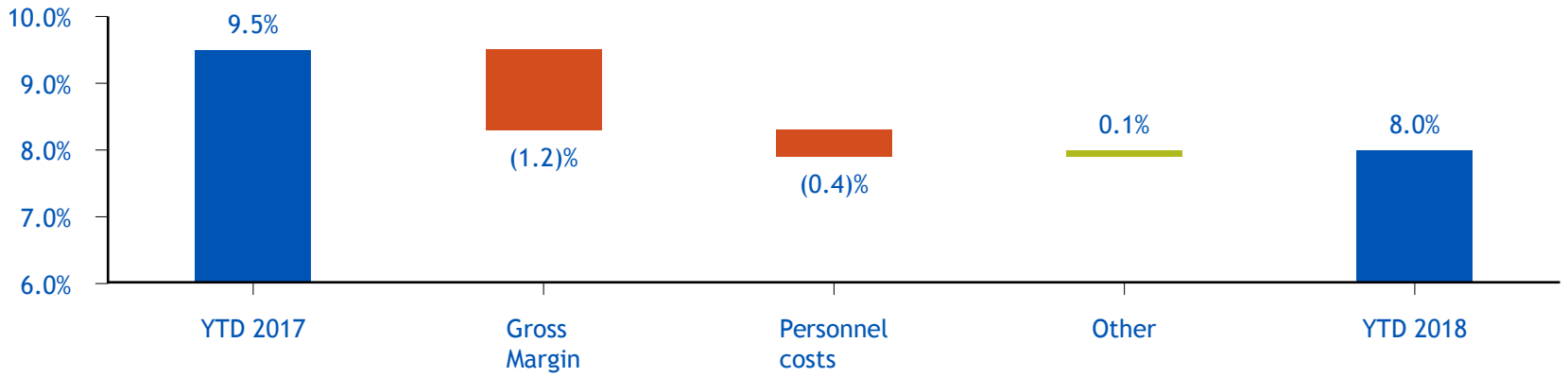


Europe - YTD 2018 Results

($ in millions)	2018	2017	Change	% of Revenue 2018	% of Revenue 2017
Total Revenue	$2,325	$1,711	35.9%		
Gross Margin	$835	$635	31.5%	35.9%	37.1%
Operating Expenses	$654	$475	37.8%	28.1%	27.8%
Segment EBITDA*	$186	$162	14.9%	8.0%	9.5%
Branches**	1,078	772	306		

* Segment EBITDA is a non-GAAP measure. Refer to total segment EBITDA reconciliation on page 33 and the breakout of Segment EBITDA by each respective segment on page 32
** Includes 188 Stahlgruber branches

Europe Segment EBITDA Margin Bridge



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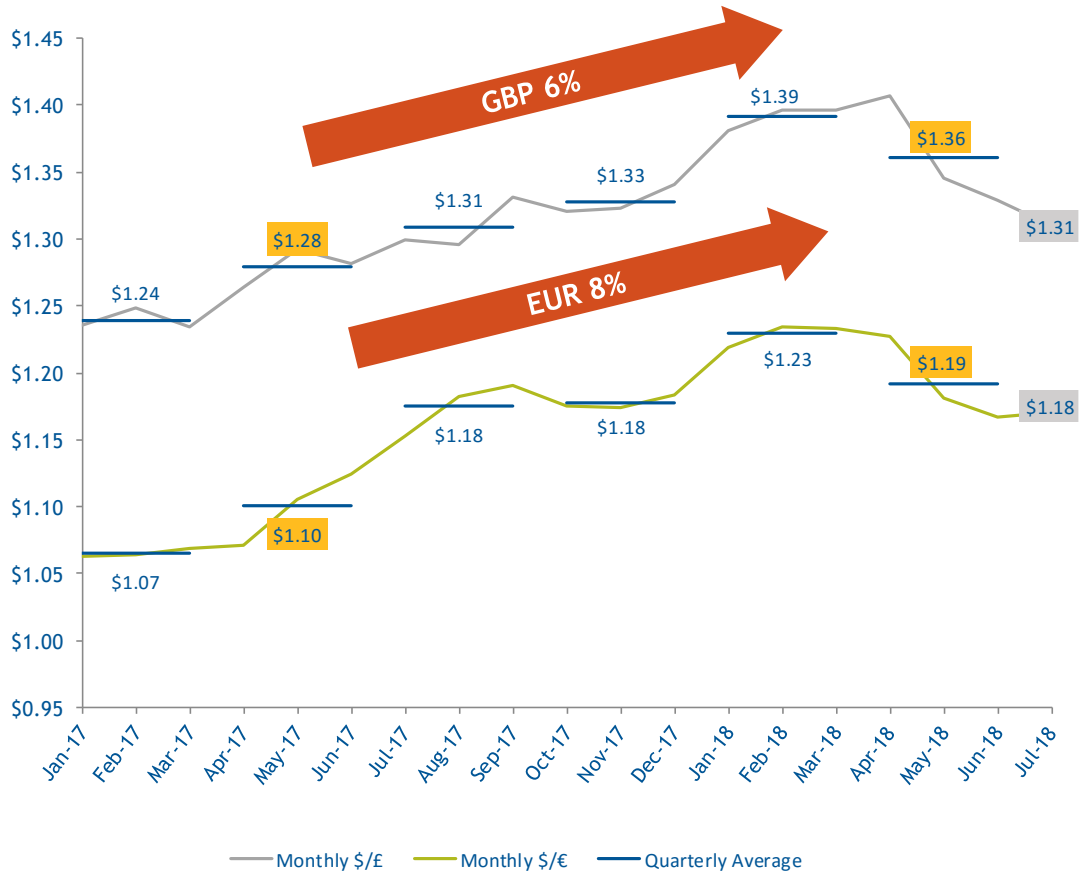
Foreign Exchange



- £ up 6% Q2 2018 vs. Q2 2017
- € up 8% Q2 2018 vs. Q2 2017
- Translation impact of weaker dollar on Europe revenue growth:
  - Q2: $63 million
  - YTD: $179 million
- Europe constant currency* parts and services revenue growth
  - Q2: 37.1%
  - YTD: 25.2%
- Currency impact on EPS growth** was approximately half a penny for Q2 and 2¢ positive YTD

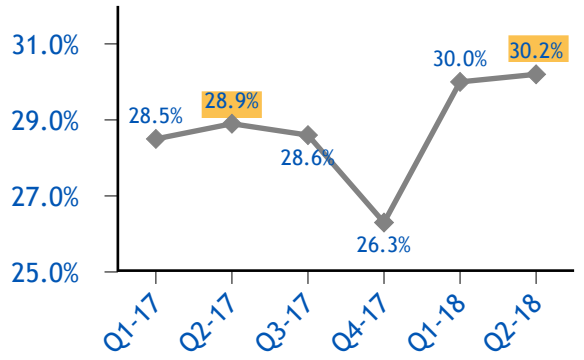
*Constant currency is a non-GAAP financial measure. Refer to constant current reconciliation on page 32
** Reflects the combined impact of all currencies on consolidated EPS growth (all segments); charts and revenue figures above reflect only GBP and EUR currencies

Specialty - Q2 2018 Results

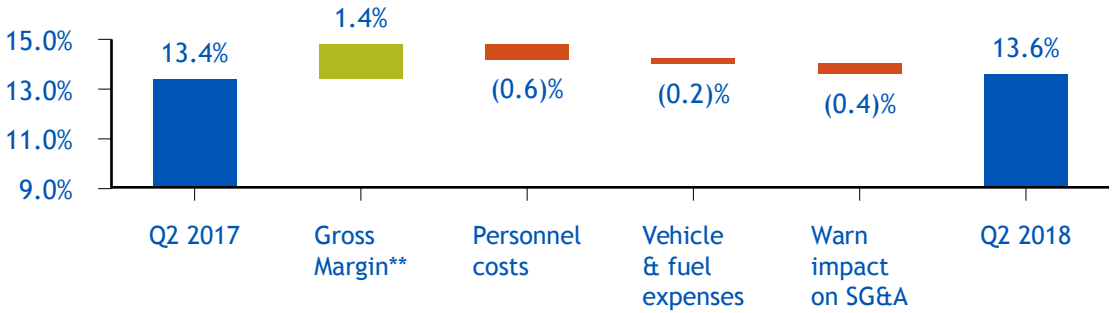
($ in millions)	2018	2017	Change	% of Revenue 2018	% of Revenue 2017
Total Revenue	$413	$363	13.6%		
Gross Margin	$125	$105	18.9%	30.2%	28.9%
Operating Expenses	$69	$57	22.4%	16.8%	15.6%
Segment EBITDA*	$56	$49	15.4%	13.6%	13.4%

*Segment EBITDA is a non-GAAP measure. Refer to total segment EBITDA reconciliation on page 33 and the breakout of Segment EBITDA by each respective segment on page 32

Gross Margin

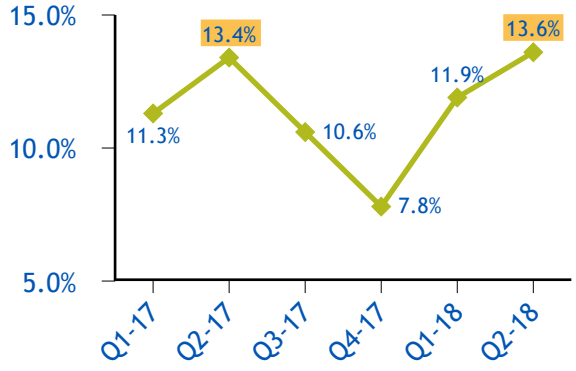


Specialty Segment EBITDA Margin Bridge



** Reported Gross Margin % is negatively impacted by increased COGS depreciation of 0.1%, which is excluded from the calculation of Segment EBITDA

Segment EBITDA Margin



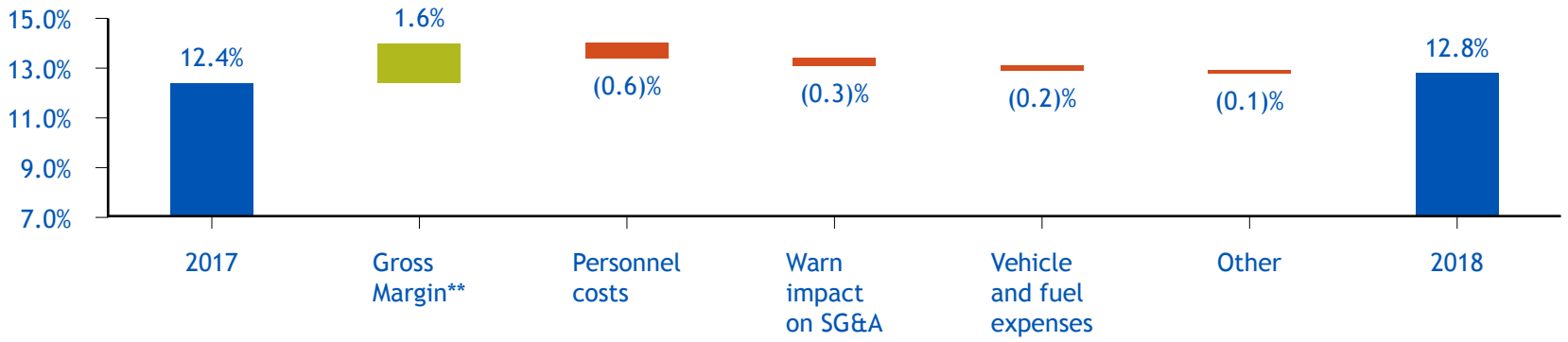
Note: In the table above, the sum of the individual percentages may not equal the total due to rounding

Specialty - YTD 2018 Results

($ in millions)	2018	2017	Change	% of Revenue 2018	% of Revenue 2017
Total Revenue	$765	$678	12.7%		
Gross Margin	$230	$195	18.2%	30.1%	28.7%
Operating Expenses	$134	$111	20.2%	17.5%	16.4%
Segment EBITDA*	$98	$84	16.7%	12.8%	12.4%

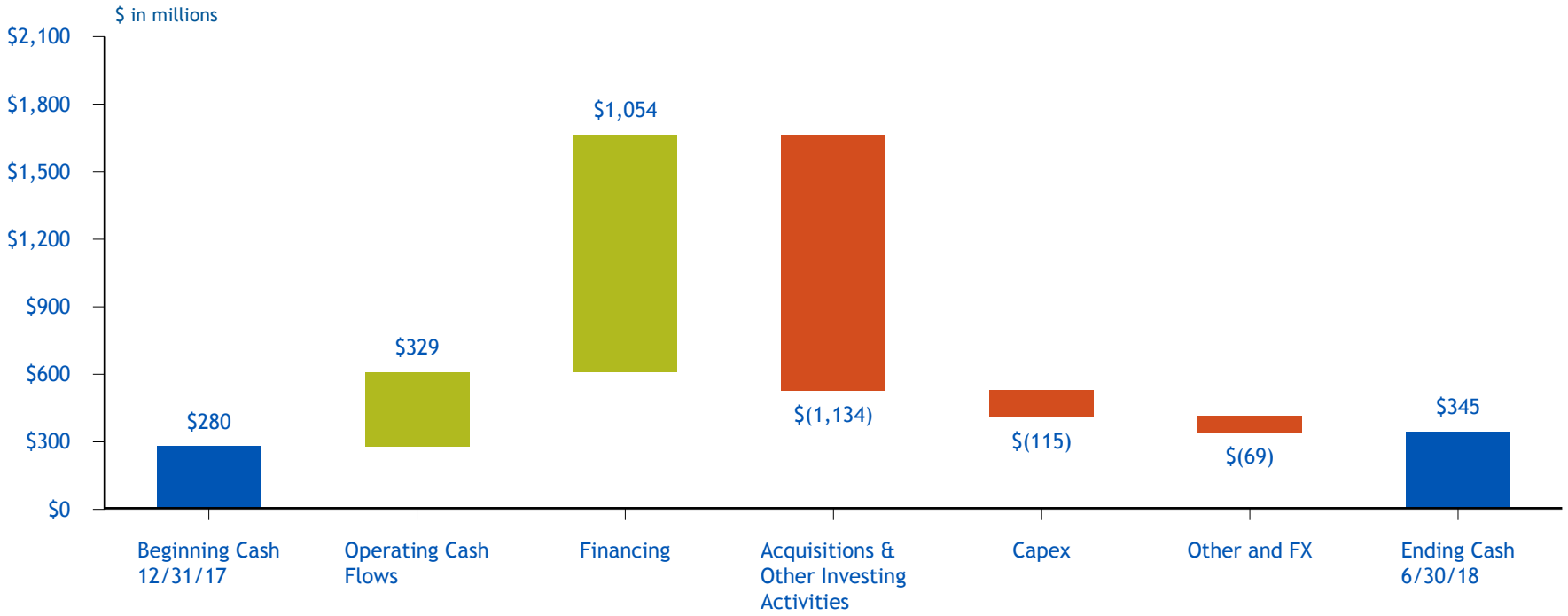
*Segment EBITDA is a non-GAAP measure. Refer to total segment EBITDA reconciliation on page 33 and the breakout of Segment EBITDA by each respective segment on page 32

Specialty Segment EBITDA Margin Bridge



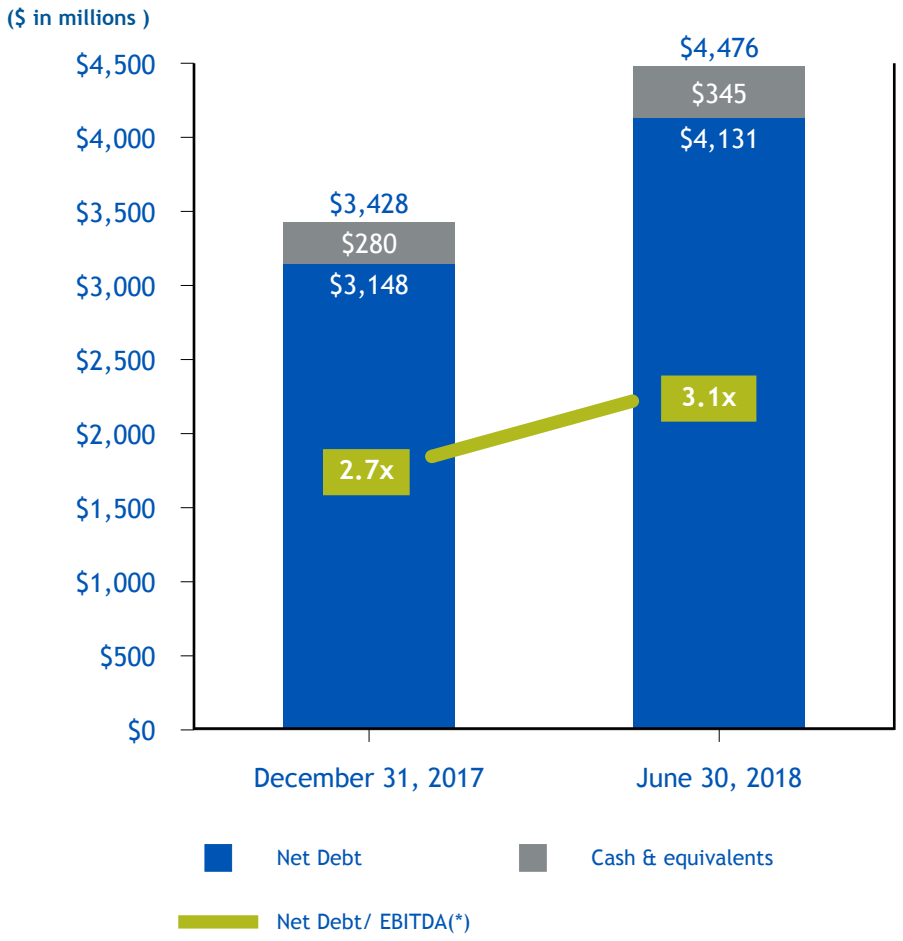
Note: In the table above, the sum of the individual percentages may not equal the total due to rounding
** Reported Gross Margin % is negatively impacted by increased COGS depreciation and inventory step-up adjustment of 0.2%

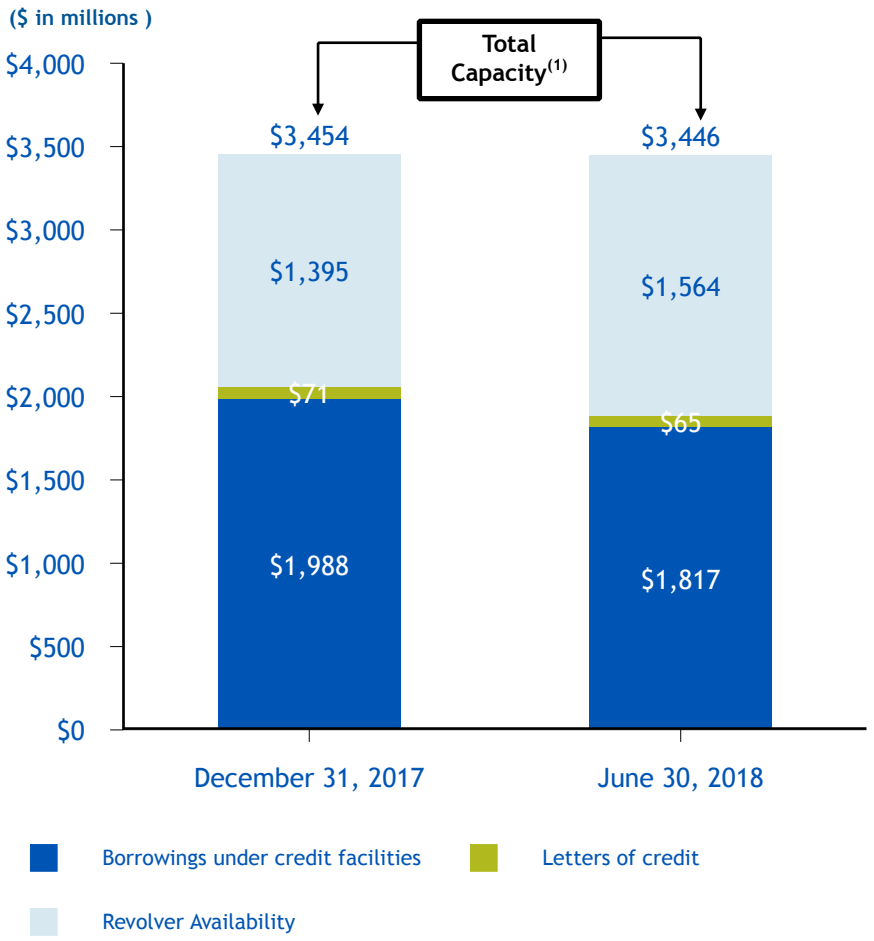
2018 Capital Allocation - Continuing operations



- Operating cash flows:
  - The $33 million year over year decrease is primarily driven by a $69 million reduction in accounts payable balances partially offset by a $40 million decrease in taxes paid compared to the comparable period of the prior year
- Investing cash flows:
  - Outflow of $1.1 billion of acquisitions and other investing activities primarily relates to our acquisition of Stahlgruber
  - Capex of $115 million mainly due to our North America Segment
- Financing cash flows
  - Includes $1.2 billion in proceeds from the issuance of Euro Notes (2026/28) partially offset by net repayments of $162 million on our credit facilities

Leverage & Liquidity





Effective borrowing rate for Q2 2018 was 3.5%

(1) Total capacity includes our term loans and revolving credit facilities

* Net leverage per bank covenants is defined as Net Debt/EBITDA. See the definitions of Net Debt and EBITDA in the credit agreement filed with the SEC for further details

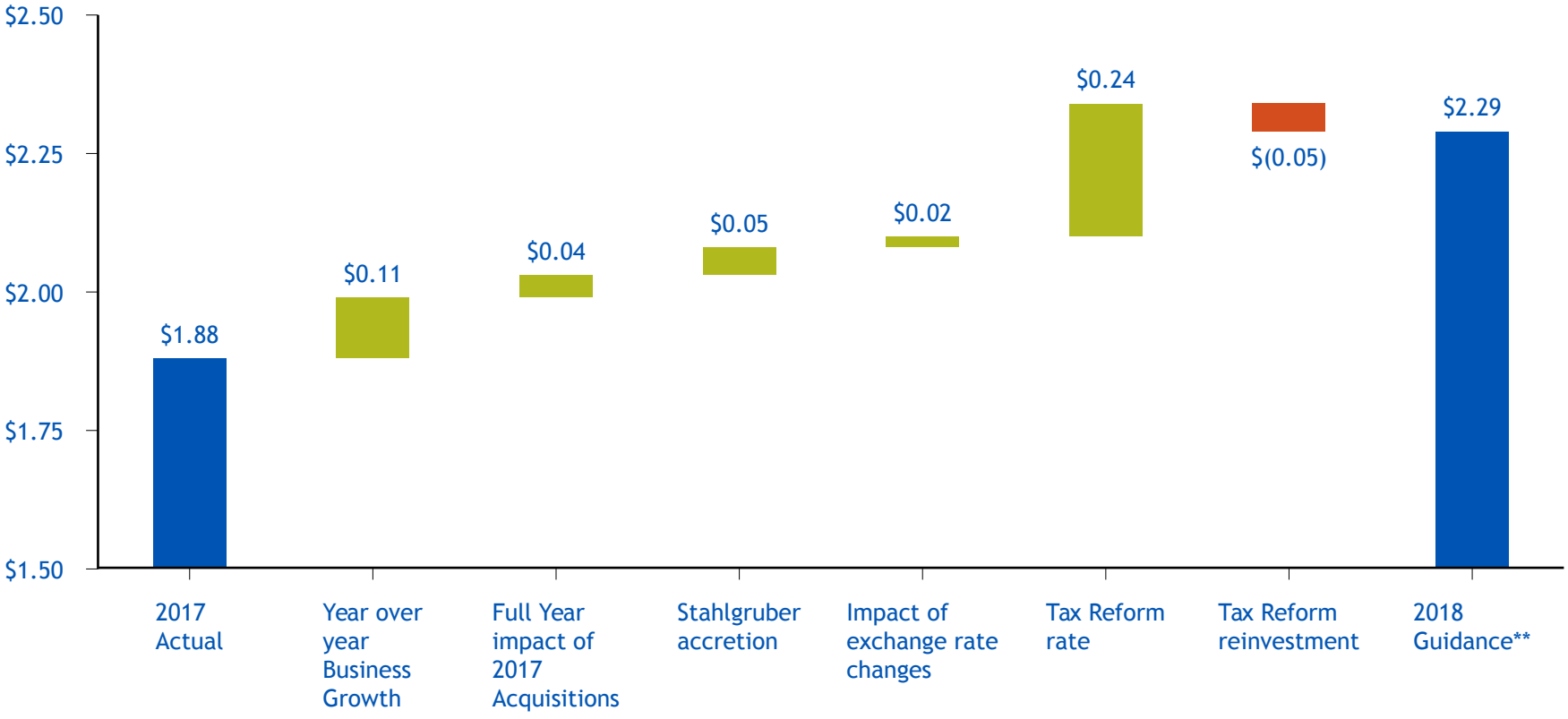
Guidance 2018
(effective only on the date issued: July 26, 2018)

($ in millions excluding EPS)	Full Year 2017 Actual	Full Year 2018 Guidance[1]
Organic Growth, Parts and Services	4.1%	4.5% - 5.5%
Net Income - continuing operations attributable to LKQ stockholders	$540	$602 - $627
Adjusted Net Income - continuing operations attributable to LKQ stockholders[2]	$583	$710 - $735
Diluted EPS - continuing operations attributable to LKQ stockholders	$1.74	$1.91 - $1.99
Adjusted Diluted EPS - continuing operations attributable to LKQ stockholders[2]	$1.88	$2.25 - $2.33
Cash Flow from Operations - continuing operations	$523	$660 - $710
Capital Expenditures - continuing operations	$175	$255 - $285

(1) Guidance for 2018 is based on current conditions and excludes the impact of restructuring and acquisition related expenses, excess tax benefits and deficiencies from stock based payments, adjustments to provisional amounts recorded in 2017 related to the Tax Act and amortization expense related to acquired intangibles. In addition, it excludes gains or losses (including changes in fair value of contingent consideration liabilities) and capital spending related to acquisitions or divestitures. Our forecasted results for our international operations were calculated using current foreign exchange rates for the year. Guidance for 2018 includes a global effective tax rate of 27%. Adjustments to the provisional amounts recorded for the Tax Act in 2017 are not reflected in the estimated rate. Full year 2017 actual figures for Adjusted Net Income and Adjusted Diluted EPS were calculated using the same methodology as the 2018 guidance. Organic revenue guidance refers only to parts and services revenue. LKQ updated its guidance on July 26, 2018, and it is only effective on the date of issuance. It is LKQ's policy to comment on its annual guidance only when the company issues its quarterly press releases with financial results. LKQ has no obligation to update this guidance.

(2) Adjusted income and Adjusted Diluted EPS are non-GAAP measures. See page 37 for reconciliation of forecasted adjusted net income and forecasted adjusted diluted earnings per share from continuing operations attributable to LKQ stockholders

2018 Adjusted Diluted EPS Guidance Bridge*



*Adjusted net income and adjusted diluted earnings per share are non-GAAP measures. See page 37 for reconciliation of forecasted adjusted net income from continuing operations and forecasted adjusted diluted earnings per share from continuing operations
**Reflects midpoint of Adjusted Diluted EPS guidance range

Q2 2018 Key Takeaways

- Organic revenue growth of 7.2% for parts and services in Q2
- Europe and North America achieved organic revenue growth of 8.3% and 7.4%, respectively
- Net income from continuing operations attributable to LKQ stockholders improvement of 4.0% for Q2
- Q2 Diluted EPS of $0.50 vs. $0.49, a 2.0% increase
- Q2 Adjusted Diluted EPS* of $0.61 vs. $0.53, a 15.1% increase
- Completed our acquisition of Stahlgruber on May 30, 2018

* Adjusted Diluted EPS is a non-GAAP measure. Refer to EPS reconciliation on page 35

Consistent Business Model and Strategy



Appendix - Non-GAAP Financial Measures

This presentation contains non-GAAP financial measures. Included with this presentation are reconciliations of each non-GAAP financial measure with the most directly comparable financial measure calculated in accordance with GAAP.

Appendix 1 - Constant Currency Reconciliation

- The following unaudited table reconciles consolidated revenue growth for Parts & Services to constant currency revenue growth for the same measure:

	Three Months Ended June 30, 2018		Six Months Ended June 30, 2018	
	Consolidated	Europe	Consolidated	Europe
Parts & Services				
Revenue growth as reported	22.8%	44.2%	19.4%	35.7%
Less: Currency impact	2.9%	7.1%	4.1%	10.5%
Revenue growth at constant currency	19.9%	37.1%	15.3%	25.2%

We have presented the growth of our revenue on both an as reported and a constant currency basis. The constant currency presentation, which is a non-GAAP financial measure, excludes the impact of fluctuations in foreign currency exchange rates. We believe providing constant currency revenue information provides valuable supplemental information regarding our growth, 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 results are calculated by translating prior year revenue in local currency using the current year's currency conversion rate. This non-GAAP financial measure has 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 the potential inconsistencies in the method of calculation and differences due to items subject to interpretation. In addition, not all companies that report revenue growth on a constant currency basis calculate such measure 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.

Appendix 2 - Revenue and Segment EBITDA by segment

(in millions)	Three Months Ended June 30*				Six Months Ended June 30*			
	2018	% of revenue	2017	% of revenue	2018	% of revenue	2017	% of revenue
Revenue								
North America	$1,335		$1,207		$2,665		$2,415	
Europe	1,284		890		2,325		1,711	
Specialty	413		363		765		678	
Eliminations	(1)		(1)		(3)		(3)	
Total Revenue	$3,031		$2,458		$5,752		$4,801	
Segment EBITDA								
North America	$175	13.1%	$174	14.4%	$353	13.2%	$350	14.5%
Europe	111	8.6%	84	9.4%	186	8.0%	162	9.5%
Specialty	56	13.6%	49	13.4%	98	12.8%	84	12.4%
Total Segment EBITDA	$342	11.3%	$306	12.4%	$637	11.1%	$596	12.4%

We have presented Segment EBITDA solely as a supplemental disclosure that offers investors, securities analysts and other interested parties useful information to evaluate our segment profit and loss. We calculate Segment EBITDA as EBITDA excluding restructuring and acquisition related expenses, change in fair value of contingent consideration liabilities, other gains and losses related to acquisitions or divestitures and equity in earnings of unconsolidated subsidiaries. EBITDA, which is the basis for Segment EBITDA, is calculated as net income excluding noncontrolling interest, discontinued operations, depreciation, amortization, interest and income tax expense. Our chief operating decision maker, who is our Chief Executive Officer, uses Segment EBITDA as the key measure of our segment profit or loss. We use Segment EBITDA to compare profitability among our segments and evaluate business strategies. We also consider Segment EBITDA to be a useful financial measure in evaluating our operating performance, as it provides investors, securities analysts and other interested parties with supplemental information regarding the underlying trends in our ongoing operations. Segment EBITDA includes revenue and expenses that are controllable by the segment. Corporate and administrative expenses are allocated to the segments based on usage, with shared expenses apportioned based on the segment's percentage of consolidated revenue. Refer to the table in Appendix 3 for a reconciliation of net income to EBITDA and Segment EBITDA.

* The sum of the individual components may not equal the total due to rounding

Appendix 3 - Reconciliation of Net Income to EBITDA and Segment EBITDA

(in millions)	Three Months Ended June 30* 2018	Three Months Ended June 30* 2017	Six Months Ended June 30* 2018	Six Months Ended June 30* 2017
Net income	$158	$151	$311	$287
Subtract:				
Net income attributable to noncontrolling interest	1	—	1	—
Net income attributable to LKQ stockholders	$157	$151	$310	$287
Subtract:				
Net loss from discontinued operations	—	—	—	(5)
Net income from continuing operations attributable to LKQ stockholders	$157	$151	$310	$292
Add:				
Depreciation and Amortization	63	54	120	102
Depreciation and Amortization - cost of goods sold	5	2	10	4
Interest expense, net	38	25	67	49
Provision for income taxes	61	76	110	148
EBITDA	$324	$307	$617	$595
Subtract:				
Equity in earnings of unconsolidated subsidiaries	1	1	2	1
Gains on bargain purchases	0	3	0	3
Add:				
Restructuring and acquisition related expenses	16	3	20	5
Inventory step-up adjustment - acquisition related	—	—	0	—
Impairment of net assets held for sale	2	—	2	—
Change in fair value of contingent consideration liabilities	0	0	0	0
Segment EBITDA	$342	$306	$637	$596
EBITDA as a percentage of revenue	10.7%	12.5%	10.7%	12.4%
Segment EBITDA as a percentage of revenue	11.3%	12.4%	11.1%	12.4%

* The sum of the individual components may not equal the total due to rounding
** Loss on debt extinguishment is considered a component of interest in calculating EBITDA

Appendix 3 - EBITDA and Segment EBITDA Reconciliation

We have presented EBITDA solely as a supplemental disclosure that offers investors, securities analysts and other interested parties useful information to evaluate our operating performance and the value of our business. We calculate EBITDA as net income excluding noncontrolling interest, discontinued operations, depreciation, amortization, interest and income tax expense. EBITDA provides insight into our profitability trends and allows management and investors to analyze our operating results with and without the impact of noncontrolling interest, discontinued operations, depreciation, amortization, interest and income tax expense. We believe EBITDA is used by investors, securities analysts and other interested parties in evaluating the operating performance and the value of other companies, many of which present EBITDA when reporting their results.

We have presented Segment EBITDA solely as a supplemental disclosure that offers investors, securities analysts and other interested parties useful information to evaluate our segment profit and loss and underlying trends in our ongoing operations. We calculate Segment EBITDA as EBITDA excluding restructuring and acquisition related expenses, change in fair value of contingent consideration liabilities, other gains and losses related to acquisitions or divestitures and equity in earnings of unconsolidated subsidiaries. Our chief operating decision maker, who is our Chief Executive Officer, uses Segment EBITDA as the key measure of our segment profit or loss. We use Segment EBITDA to compare profitability among our segments and evaluate business strategies. Segment EBITDA includes revenue and expenses that are controllable by the segment. Corporate and administrative expenses are allocated to the segments based on usage, with shared expenses apportioned based on the segment's percentage of consolidated revenue.

EBITDA and Segment EBITDA should not be construed as alternatives to operating income, net income or net cash provided by (used in) operating activities, as determined in accordance with accounting principles generally accepted in the United States. In addition, not all companies that report EBITDA or Segment EBITDA information calculate EBITDA or Segment EBITDA 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.

Appendix 4 - Reconciliation of Net Income and EPS to Adjusted Net Income and Adjusted EPS from Continuing Operations

(in millions, except per share data)	Three Months Ended June 30*		Six Months Ended June 30*	
	2018	2017	2018	2017
Net income	$158	$151	$311	$287
Subtract:				
Net income attributable to noncontrolling interest	1	—	1	—
Net income attributable to LKQ stockholders	$157	$151	$310	$287
Subtract:				
Net loss from discontinued operations	—	—	—	(5)
Net income from continuing operations attributable to LKQ stockholders	$157	$151	$310	$292
Adjustments - continuing operations attributable to LKQ stockholders:				
Amortization of acquired intangibles	28	25	50	46
Restructuring and acquisition related expenses	16	3	20	5
Inventory step-up adjustment - acquisition related	—	—	0	—
Change in fair value of contingent consideration liabilities	0	0	0	0
Gains on bargain purchases	(0)	(3)	(0)	(3)
Impairment of net assets held for sale	2	—	2	—
Excess tax benefit from stock-based payments	(1)	(2)	(3)	(6)
Tax effect of adjustments	(10)	(10)	(17)	(18)
Adjusted net income from continuing operations attributable to LKQ stockholders	$192	$163	$362	$317
Weighted average diluted common shares outstanding	314,012	310,396	312,688	310,349
Diluted earnings per share from continuing operations attributable to LKQ stockholders:				
Reported	$0.50	$0.49	$0.99	$0.94
Adjusted	$0.61	$0.53	$1.16	$1.02

*The sum of the individual components may not equal the total due to rounding.

Appendix 4 - Reconciliation of Net Income and EPS to Adjusted Net Income and Adjusted EPS from Continuing Operations

We have presented Adjusted Net Income and Adjusted Diluted Earnings per Share from Continuing Operations Attributable to LKQ Stockholders as we believe these measures are useful for evaluating the core operating performance of our continuing business across reporting periods and in analyzing the company's historical operating results. We define Adjusted Net Income and Adjusted Diluted Earnings per Share from Continuing Operations Attributable to LKQ Stockholders as Net Income and Diluted Earnings per Share adjusted to eliminate the impact of noncontrolling interest, discontinued operations, restructuring and acquisition related expenses, amortization expense related to acquired intangibles, the change in fair value of contingent consideration liabilities, other gains and losses related to acquisitions or divestitures, excess tax benefits and deficiencies from stock-based payments, adjustments to the estimated tax reform provisions recorded in 2017 and any tax effect of these adjustments. The tax effect of these adjustments is calculated using the effective tax rate for the applicable period or for certain discrete items the specific tax expense or benefit for the adjustment. These financial measures are used by management in its decision making and overall evaluation of our operating performance and are included in the metrics used to determine incentive compensation for our senior management. Adjusted Net Income and Adjusted Diluted Earnings per Share from Continuing Operations Attributable to LKQ Stockholders should not be construed as alternatives to Net Income or Diluted Earnings per Share as determined in accordance with accounting principles generally accepted in the United States. In addition, not all companies that report Adjusted Net Income and Adjusted Diluted Earnings per Share from Continuing Operations Attributable to LKQ Stockholders 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.

Appendix 5 - Forecasted EPS reconciliation*

(in millions, except per share data)	For the year ending December 31, 2018 Minimum Guidance	Maximum Guidance
Net income from continuing operations attributable to LKQ stockholders	$602	$627
Adjustments:		
Amortization of acquired intangibles	125	125
Restructuring and acquisition related expenses	20	20
Other	3	3
Excess tax benefit from stock-based payments	(3)	(3)
Tax effect of adjustments	(37)	(37)
Adjusted net income from continuing operations attributable to LKQ stockholders	$710	$735
Weighted average diluted common shares outstanding	316	316
Diluted EPS from continuing operations attributable to LKQ stockholders:		
U.S. GAAP	$1.91	$1.99
Non-GAAP (Adjusted)	$2.25	$2.33

We have presented forecasted Adjusted Net Income and forecasted Adjusted Diluted Earnings per Share from Continuing Operations Attributable to LKQ Stockholders in our financial guidance. Refer to the discussion of Adjusted Net Income and Adjusted Diluted Earnings per Share from Continuing Operations Attributable to LKQ Stockholders for details on the calculation of these non-GAAP financial measures. In the calculation of forecasted Adjusted Net Income and forecasted Adjusted Diluted Earnings per Share from Continuing Operations Attributable to LKQ Stockholders, we included estimates of income from continuing operations attributable to LKQ stockholders, amortization of acquired intangibles for the full fiscal year 2018 and the related tax effect; we included for all other components the amounts incurred as of June 30, 2018.

*The sum of the individual components may not equal the total due to rounding