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

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2019

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _______ to _______

Commission File Number: 000-50404

LKQ CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	**36-4215970**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
500 West Madison Street, Suite 2800, Chicago, Illinois	**60661**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (312) 621-1950
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $.01 per share	**LKQ**	**NASDAQ Global Select Market**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

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

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

As of June 30, 2019, the aggregate market value of common stock outstanding held by stockholders who were not affiliates (as defined by regulations of the Securities and Exchange Commission) of the registrant was approximately $8.2 billion (based on the closing sale price on the NASDAQ Global Select Market on such date). The number of outstanding shares of the registrant's common stock as of February 21, 2020 was 307,148,085.

Documents Incorporated by Reference

Those sections or portions of the registrant's proxy statement for the Annual Meeting of Stockholders to be held on May 12, 2020, described in Part III hereof, are incorporated by reference in this report.

PART I

SPECIAL NOTE ON FORWARD-LOOKING STATEMENTS

Statements and information in this Annual Report on Form 10-K 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," "estimate," "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 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 following (not necessarily in order of importance):

- changes in economic, political and social conditions in the U.S. and other countries in which we are located or do business, including the U.K. withdrawal from the European Union (also known as Brexit), and the impact of these changes on our businesses, the demand for our products and our ability to obtain financing for operations;
- increasing competition in the automotive parts industry (including parts sold on online marketplaces and the potential competitive advantage to original equipment manufacturers ("OEMs") with "connected car" technology);
- fluctuations in the pricing of new OEM replacement products;
- changes in the level of acceptance and promotion of alternative automotive parts by insurance companies and vehicle repairers;
- changes to our business relationships with insurance companies or changes by insurance companies to their business practices relating to the use of our products;
- our ability to identify acquisition candidates at reasonable prices and our ability to successfully divest underperforming businesses;
- our ability to integrate, realize expected synergies, and successfully operate acquired companies and any companies acquired in the future, and the risks associated with these companies;
- the implementation of a border tax or tariff on imports and the negative impact on our business due to the amount of inventory we import;
- restrictions or prohibitions on selling certain aftermarket products through enforcement by OEMs or government agencies of intellectual property rights;
- restrictions or prohibitions on importing certain aftermarket products by border enforcement agencies based on, among other things, intellectual property infringement claims;
- variations in the number of vehicles manufactured and sold, vehicle accident rates, miles driven, and the age profile of vehicles in accidents;
- the increase of accident avoidance systems being installed in vehicles;
- the potential loss of sales of certain mechanical parts due to the rise of electric vehicle sales;
- fluctuations in the prices of fuel, scrap metal and other commodities;
- changes in laws or regulations affecting our business;
- higher costs and the resulting potential inability to service our customers to the extent that our suppliers decide to discontinue business relationships with us;
- price increases, interruptions or disruptions to the supply of vehicle parts from aftermarket suppliers and vehicles from salvage auctions;
- changes in the demand for our products and the supply of our inventory due to severity of weather and seasonality of weather patterns;

- the risks associated with operating in foreign jurisdictions, including foreign laws and economic and political instabilities;
- declines in the values of our assets;
- additional unionization efforts, new collective bargaining agreements, and work stoppages;
- our ability to develop and implement the operational and financial systems needed to manage our operations;
- interruptions, outages or breaches of our operational systems, security systems, or infrastructure as a result of attacks on, or malfunctions of, our systems;
- costs of complying with laws relating to the security of personal information;
- product liability claims by the end users of our products or claims by other parties who we have promised to indemnify for product liability matters;
- costs associated with recalls of the products we sell;
- potential losses of our right to operate at key locations if we are not able to negotiate lease renewals;
- inaccuracies in the data relating to our industry published by independent sources upon which we rely;
- currency fluctuations in the U.S. dollar, pound sterling and euro versus other currencies;
- our ability to obtain financing on acceptable terms to finance our growth;
- our ability to satisfy our debt obligations and to operate within the limitations imposed by financing arrangements;
- changes to applicable U.S. and foreign tax laws, changes to interpretations of tax laws, and changes in our mix of earnings among the jurisdictions in which we operate; and
- disruptions to the management and operations of our business and the uncertainties caused by activist investors.

Other matters set forth in this Annual Report may also cause our actual results to differ materially from our forward-looking statements, including the risk factors disclosed in Item 1A of this Annual Report.

Copies of our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available free of charge through our website (www.lkqcorp.com) as soon as reasonably practicable after we electronically file the material with, or furnish it to, the Securities and Exchange Commission.

ITEM 1. BUSINESS

OVERVIEW

LKQ Corporation ("LKQ" or the "Company") is a global distributor of vehicle products, including replacement parts, components, and systems used in the repair and maintenance of vehicles, and specialty products and accessories to improve the performance, functionality and appearance of vehicles.

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 referred to as aftermarket products; recycled products obtained from salvage and total loss vehicles; recycled products that have been refurbished; and recycled 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 and transmissions. Collectively, we refer to the four sources that are not new OEM products as alternative parts.

We are a leading provider of alternative vehicle collision replacement products and 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, Germany, the Benelux region (Belgium, Netherlands, and Luxembourg), Italy, Czech Republic, Poland, Slovakia, Austria, and various other 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. See Note 16, "Segment and Geographic Information" to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for financial information by reportable segment and by geographic region.

HISTORY

We were initially formed in 1998 through the combination of a number of wholesale recycled products businesses and subsequently expanded through internal development and acquisitions of aftermarket, recycled, refurbished, and remanufactured product suppliers and manufacturers; self service retail businesses; and specialty vehicle aftermarket equipment and accessories suppliers. We have completed approximately 280 business acquisitions. Our most significant acquisitions include:

- 2007 acquisition of Keystone Automotive Industries, Inc., which, at the time of acquisition, was the leading domestic distributor of aftermarket products, including collision replacement products, paint products, refurbished steel bumpers, bumper covers and alloy wheels.
- 2011 acquisition of Euro Car Parts Holdings Limited ("ECP"), a vehicle mechanical aftermarket parts distribution company operating in the United Kingdom. This acquisition served as our entry into the European automotive aftermarket business, from which we have expanded our European footprint through organic growth and subsequent acquisitions.
- 2013 acquisition of Sator Beheer B.V. ("Sator", now known as Fource), a vehicle mechanical aftermarket parts distribution company based in the Netherlands, with operations in the Netherlands, Belgium and Northern France. This acquisition allowed us to further expand our geographic presence into continental Europe.
- 2014 acquisition of Keystone Automotive Holdings, Inc. (“Keystone Specialty”), which expanded our product offering and increased our addressable market to include specialty vehicle aftermarket equipment and accessories.
- 2016 acquisition of Rhiag-Inter Auto Parts Italia S.r.l. (“Rhiag”), a distributor of aftermarket spare parts for passenger cars and commercial vehicles in Italy, Czech Republic, Slovakia, Switzerland, Hungary, Romania, Ukraine, Bulgaria, Poland and Spain. This acquisition expanded our geographic presence in continental Europe.
- 2018 acquisition of Stahlgruber GmbH (“Stahlgruber”), a wholesale distributor of aftermarket spare parts for passenger cars, tools, capital equipment and accessories with operations in Germany, Austria, Italy, Slovenia, and Croatia, with further sales to Switzerland. This acquisition expanded our geographic presence in continental Europe and serves as an additional strategic hub for our European operations.

Further information regarding our recent acquisitions is included in Note 2, "Business Combinations" to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K.

STRATEGY

Our mission is 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.

We have four primary strategic pillars to build economic value: growth through diversified product offerings; growth through geographic expansion; adaptation to evolving technology; and rationalization of our asset base to enhance margins and return on capital. We believe our supply network, with a broad inventory of quality alternative collision and mechanical repair products and specialty vehicle aftermarket products, high fulfillment rates, and superior customer service, provides us with a competitive advantage. To execute our strategy, we are focused on a number of key areas, including:

- *Extensive distribution network.* We have invested significant capital to develop a network of alternative and specialty vehicle parts facilities across our operating segments. Additionally, our ability to move inventory throughout our distribution networks increases the availability of our products and helps us to fill a relatively high percentage of our customers' requests. In order to expand our distribution network, we will continue to seek to enter new markets and to improve penetration through both organic development and acquisitions. We will continue to seek opportunities to leverage the distribution network by delivering more parts through our existing network. We believe our North America segment has the largest distribution network of alternative vehicle parts and accessories for the automotive collision repair market in North America. In our Europe segment, we are implementing a similar strategy to our North America operations by establishing a Pan-European distribution network. We currently have operations in over 20 different European countries, which we believe represents the broadest and largest footprint in the aftermarket industry in Europe. On a global basis, we operate approximately 1,700 facilities as part of our distribution network.
- *Broad product offering.* The breadth and depth of our inventory across all of our operating segments reinforces our ability to provide a "one-stop" solution for our customers' alternative vehicle replacement, maintenance, and specialty vehicle product needs.
- *High fulfillment rates.* We manage local inventory levels to improve delivery and maximize customer service. Improving local order fulfillment rates reduces transfer costs and delivery times, and improves customer satisfaction.
- *Strong business relationships.* We have developed business relationships with key constituents, including customers, automobile insurance companies, suppliers and other industry participants in North America, Europe, and Asia.
- *Acquisitions.* The primary objective of our acquisitions is to expand our presence to new or adjacent geographic markets and to expand into other product lines and businesses that may benefit from our operating strengths, in each case with the aim of increasing the size of our addressable market. After completing an acquisition, we focus on integrating the company with our existing business to provide additional value to the combined entity through cost savings and synergies, such as logistics cost synergies resulting from integration with our existing distribution network, administrative cost savings, shared procurement, and cross-selling opportunities.
- *Technology driven business processes.* We focus on technology development to support our competitive advantage. We have built advanced data analytics capabilities and data assets and believe that we can more cost effectively leverage our data to make better business decisions than our smaller competitors.
- *Adaptation to evolving technology in the automotive industry.* We are committed to monitoring and adapting our business to the technological changes in the automotive industry. We have a forward-looking strategy and innovation team that helps us assess the potential opportunities and risks associated with several areas including, but not limited to, e-commerce, accident avoidance systems, vehicle connectivity, autonomous vehicles, electric vehicles and ride-sharing trends.
- *Rationalized asset base.* We have a portfolio review process and are continually analyzing and executing initiatives to reduce our operating costs and drive efficiencies.

NORTH AMERICA SEGMENT

Our North America segment is composed of wholesale operations, which consists of aftermarket and salvage operations, and self service retail operations. During 2019, we acquired two diagnostic and repair services businesses.

Wholesale Operations

Inventory

Our wholesale operations in North America sell five product types (aftermarket, OEM recycled, OEM remanufactured, OEM refurbished and, to a lesser extent, new OEM parts) to professional collision and mechanical automobile

repair businesses. Our principal aftermarket product types consist of those most frequently damaged in collisions, including bumper covers, automotive body panels, lights and automotive glass products such as windshields. Platinum Plus is our exclusive product line offered under the Keystone brand of aftermarket products. Certain of our products are certified by an independent organization, the Certified Automotive Parts Association (“CAPA”). CAPA is an association that evaluates the quality of aftermarket collision replacement products compared to OEM collision replacement products. We also developed a product line called "Value Line" for more value conscious, often self-pay, consumers. Our salvage products include both mechanical and collision parts, including engines; transmissions; door assemblies; sheet metal products such as trunk lids, fenders and hoods; lights; and bumper assemblies.

The aftermarket products we distribute are purchased from independent manufacturers and distributors located primarily in North America and Asia, principally Taiwan. In 2019, approximately 38% of our aftermarket purchases were made from our top 4 vendors, with our largest vendor providing approximately 16% of our annual inventory purchases. We believe we are one of the largest customers of each of these suppliers. Outside of this group, no other supplier provided more than 5% of our supply of aftermarket products in 2019. We purchased approximately 49% of our aftermarket products in 2019 directly from manufacturers in Taiwan and other Asian countries. Approximately 48% of our aftermarket products were purchased from vendors located in the U.S.; however, we believe the majority of these products were manufactured in Taiwan, Mexico or other foreign countries.

Within our wholesale operations, we focus our procurement on products that are in the most demand, based on a number of factors such as historical sales records of vehicles by model and year, customer requests, and projections of future supply and demand trends. Because lead times may be 40 days or more on imported aftermarket products, sales volumes and in-stock inventory are important factors in the procurement process.

We procure recycled products for our wholesale operations by acquiring total loss vehicles, typically sold at regional salvage auctions, and then dismantling and inventorying the parts. The availability and pricing of the salvage vehicles we procure for our wholesale recycled products operations may be impacted by a variety of factors, including the production level of new vehicles and the percentage of damaged vehicles declared total losses. Our bidding specialists are equipped with a proprietary software application that allows them to compare the vehicles at salvage auctions against our current inventory levels, historical demand, and recent average selling prices to arrive at an estimated maximum bid.

Information Technology Systems

In our aftermarket operations, we use a third party enterprise management system and other third party software packages to leverage the centralized data and information that a single system provides, such as a data warehouse to conduct enhanced analytics and reporting, an integrated budgeting system, an electronic data interchange tool, and E-commerce tools to enhance our online business-to-business initiatives - OrderKeystone.com and Keyless.

Our wholesale recycled product locations in North America operate an internally-developed, proprietary enterprise management system called LKQX. We believe that the use of a single system across all of our wholesale recycled product operations helps facilitate the sales process; allows for continued implementation of standard operating procedures; and improves training efficiency, employee transferability, access to our national inventory database, management reporting and data storage. The system also supports an electronic exchange process for identifying and locating parts at other select recyclers and facilitates brokered sales to fill customer orders for items not in stock.

Scrap and Other Materials

Our salvage operations generate scrap metal and other materials that we sell to metals recyclers. Vehicles that have been dismantled for recycled products and "crush only" end-of-life vehicles acquired from other companies are typically crushed using equipment on site. In other cases, we will hire mobile crushing equipment to crush the vehicles before they are transported to shredders and scrap metal processors. Damaged and unusable wheel cores are melted in our aluminum furnace and sold to consumers of aluminum ingot and sow for the production of various automotive products, including wheels. We also extract and sell the precious metals contained in certain of our recycled parts such as catalytic converters.

Customers

We sell our products to wholesale customers that include collision and mechanical repair shops and new and used car dealerships, as well as to retail customers. The majority of these customers tend to be individually-owned small businesses, although the number of independent and dealer-operated collision repair facilities has declined over the last decade, as regional or national multiple-location operators have increased their geographic presence through consolidation.

Automobile insurance companies affect the demand for our collision products; while insurance companies do not pay for our products directly, they ultimately pay for the repair costs of insured vehicles in excess of any deductible amount. As a result, insurance companies often influence the types of products used in a repair. The use of our alternative products instead of new OEM products provides a direct benefit to insurance companies by lowering the cost of repairs, by often decreasing the

time required to return the repaired vehicle to the customer, and by providing a replacement product that is of high quality and comparable performance to the part replaced.

Our sales personnel are encouraged to promote LKQ to customers as a “one-stop shop” by offering comparable options from our other product lines if the desired part is not in stock. To support these efforts, we have provided our sales staff with access to both recycled and aftermarket sales systems to encourage cross selling.

To better serve our customers, we take a consolidated approach to the electronic sale of wholesale products in our North America segment. A full suite of e-commerce services is available to approved partners that helps us improve order accuracy, reduce return rate and better fit our customer workflow. Using these services in coordination with our partners, products can be searched, priced and ordered without leaving the customers' own operating systems.

Distribution

We have a distribution network of warehouses and cross dock facilities, which allows us to develop and maintain our service levels with local repair shops while providing fulfillment rates that are made possible by our nationwide presence. Our delivery fleet utilizes a third party software provider to optimize delivery routes, and to track the progress of delivery vehicles throughout their runs. This third party software connects into each of our wholesale systems to allow a single interface for our management team to have a single delivery to our customer, regardless of the product line or operating system. Our local presence allows us to provide daily deliveries as required by our customers, using drivers who routinely deliver to the same customers. Our sales force and local delivery drivers develop and maintain critical personal relationships with the local repair shops that benefit from access to our wide selection of products, which we are able to offer as a result of our regional inventory network. We operate a delivery fleet of medium-sized trucks and smaller trucks and vans, which deliver multiple product types on the same delivery routes to help minimize distribution costs and improve customer service.

Competition

We consider all suppliers of vehicle collision and mechanical products to be competitors, including aftermarket suppliers, recycling businesses, refurbishing operations, parts remanufacturers, OEMs and internet-based suppliers. We compete with alternative parts distributors on the basis of our nationwide distribution system, our product lines and inventory availability, customer service, our relationships with insurance companies, and to a lesser extent, price; we compete with OEMs primarily on the basis of price and, to a lesser extent, on service and product quality. We do not consider retail chains that focus on the do-it-yourself market to be our direct competitors since many of our wholesale product sales are influenced by insurance companies, who ultimately pay for the repair costs of insured vehicles in excess of any deductible amount, rather than the end user, and there is limited overlap in the products that we sell.

Self Service Operations

Our self service retail operations, most of which operate under the name “LKQ Pick Your Part,” allow consumers to come directly to the yard to pick parts off of salvage vehicles. In addition to revenue from the sale of parts, core, and scrap, we charge a nominal admission fee to access the property.

Inventory

We acquire inventory for our self service retail product operations from a variety of sources, including but not limited to towing companies, vehicle auctions, the general public, municipality sales, insurance carriers, and charitable organizations. We procure salvage vehicles for our self service retail product operations that are generally older and priced lower than the salvage vehicles we purchase for our wholesale recycled product operations. Vehicles are delivered to our locations by the seller, or we arrange for transportation. Once on our property, minimal labor is required to process the vehicle other than removing the battery, fluids, refrigerants, catalytic converters and hazardous materials. The extracted fluids are stored in bulk and subsequently sold to recyclers. Vehicles are then placed in the yard for customers to remove parts. In our self service business, availability of a specific part will depend on which vehicles are currently at the site and to what extent parts may have been previously sold. We usually keep a vehicle at our facility for 30 to 120 days, depending on the capacity of the yard and size of the market, before it is crushed and sold to scrap metal processors.

Scrap and Other Materials

Our self service operations generate scrap metal, alloys and other materials that we sell to recyclers. Vehicles that we no longer make available to the public and "crush only" vehicles acquired from other companies, including OEMs, are typically crushed using equipment on site. Damaged and unusable wheel cores are melted in our aluminum furnace and sold to consumers of aluminum ingot and sow for the production of various automotive products, including wheels. We also extract and sell the precious metals contained in certain of our recycled parts such as catalytic converters.

Customers

The customers of our self service yards are frequently do-it-yourself mechanics, small independent repair shops servicing older vehicles, auto rebuilders, and resellers. The scrap from the vehicle hulks, when not processed by us, is sold to metals recyclers, with whom we may also compete when procuring salvage vehicles for our operations.

Competition

There are competitors operating self service businesses in all of the markets in which we operate. In some markets, there are numerous competitors, often operating in close proximity to our operations. We try to differentiate our business by the quality of the inventory and the size and cleanliness of the property. We also differentiate our business from our competitors through our app, which allows customers to receive daily push notifications when cars they are interested in are placed into their favorite yards. In addition to allowing customers to see our available inventory, the app also allows customers to input search parameters such as the specific part they are searching for, and the year, make, and model of the vehicle, to identify the population of cars that might be available to pull compatible parts from. We do not consider retail chains that focus on the do-it-yourself market to be our direct competitors, as there is limited overlap in the products that we sell.

EUROPE SEGMENT

Our Europe segment was built on four key acquisitions: ECP (2011), Sator (2013), Rhiag (2016) and Stahlgruber (2018). Additionally, in 2014 we expanded our European segment to include wholesale recycling operations through our acquisition of a business with salvage and vehicle repair facilities in Sweden and Norway, and in 2016, we acquired an equity investment in Mekonomen AB ("Mekonomen"), the leading independent car parts distributor in the Nordic region of Europe. Mekonomen is independent of our existing European operations, but we have identified areas where the companies can work together in a mutually beneficial manner, primarily related to procurement. Our European strategy is to target platform acquisitions to cover broad markets initially, then integrate these businesses with our other operations and subsequently expand our footprint in these regions through new branch openings and smaller tuck-in acquisitions. Our acquisitions provide a platform to capitalize on the large and fragmented aftermarket mechanical replacement parts market in Europe, and allow for cost savings from the leveraging of our combined purchasing power given the significant overlap in suppliers and product mix. We have acquired many smaller businesses within the regions we operate, and we are integrating our European operations as we optimize purchasing, warehousing, systems, logistics and back-office functions, and align our private label brands across the segment.

In September 2019, we announced a multi-year program called "1 LKQ Europe," to further centralize and standardize certain key functions to improve the efficiencies within the Europe segment. Under the 1 LKQ Europe program, we will reorganize our non-customer-facing teams and support systems through various projects including the implementation of a common ERP platform, rationalization of our product portfolio, and the creation of a Europe headquarters office in Zug, Switzerland.

Inventory

Our inventory is primarily composed of mechanical aftermarket parts for the repair of vehicles 3 to 15 years old. Our top selling products include brake pads, discs and sensors, clutches, electrical products such as spark plugs and batteries, steering and suspension products, filters, and oil and automotive fluids. In addition to mechanical aftermarket parts, we also sell collision parts in our Europe segment, although these sales represent approximately 1% of total Europe segment revenue.

In 2019, our top two suppliers represented 12% of our aftermarket inventory purchases, with our top supplier representing approximately 7% of our purchases. No other suppliers comprised more than 5% of our purchases during 2019. In 2019, we purchased 94% of our products from companies in Europe. The remaining 6% of our 2019 purchases were sourced from vendors located primarily in China or Taiwan, some of which also supply collision parts for our Wholesale - North America operations. In 2019, 72% and 18% of our total inventory purchases were made in euros and pounds sterling, respectively.

In our Nordic operations, we purchase severely damaged or totaled vehicles from insurance companies, which are transferred to our dismantling facilities or sold to other third party dismantlers.

Information Technology Systems

Our aftermarket operations in Europe use various information technology (“IT”) systems. Our systems are complex and are designed to perform a variety of tasks (depending on the market), including: manage customer orders and inventory movement, optimize our warehouse and logistics, and financial reporting. Certain of our IT systems can interface with our repair shop customers' respective IT systems, which enables customers to identify and order the part required for the repair. As part of our 1 LKQ Europe strategy to create an integrated European company, we initiated a multi-year program to develop and

implement a European wide ERP system, which will reduce the number of IT systems we operate. A pilot for our ERP system was successfully deployed in the operating unit in Switzerland in the first quarter of 2020.

Customers

We primarily operate a two-step (i.e. direct sales to repair shop customers) distribution model in Europe, although certain of our operations, such as Italy, the Netherlands, Germany, Switzerland, and Hungary, operate partially a three-step (i.e. sales to distributors who in turn sell to repair shop customers) distribution model. In our two-step operations, we sell the majority of our products to commercial customers primarily consisting of professional repairers, including both independent mechanical repair shops and collision repair shops. In our three-step operations, we sell products to wholesale distributors or jobbers. In addition to our sales to repair shops and wholesale distributors, we generate a portion of our revenue through sales to retail customers from e-commerce platforms and from counter sales at the branch locations.

Distribution

Our European operations employ a distribution model in which inventory is stored at national or international distribution centers or regional hubs, with fast moving product stored at branch locations. The large distribution centers regularly re-stock the smaller branches and hubs and hold slower moving items helping us to improve fulfillment rates. Product is moved through the distribution network on our trucks, vans or via common carrier.

Competition

We view all suppliers of replacement repair products as our competitors, including other alternative parts suppliers and OEMs and their dealer networks. We face significant competition in many markets where even smaller competitors can compete on price and service and the OEMs compete via ties to, and brand loyalty of, the consumer while also remaining competitive on price, service and availability. We believe we have been able to distinguish ourselves from other alternative parts suppliers primarily through our distribution network, efficient stock management systems and proprietary technology, which allows us to deliver our products quickly, as well as through our product lines and inventory availability, pricing, and service.

SPECIALTY SEGMENT

Our Specialty operating segment was formed in 2014 with our acquisition of Keystone Specialty, a leading distributor and marketer of specialty vehicle aftermarket products and accessories in North America. Our Specialty operations reach most major markets in the U.S. and Canada and serve the following six product segments: RV; truck and off-road; towing; speed and performance; wheels, tires and performance handling; and miscellaneous accessories. In 2017, we acquired Warn Industries, Inc. ("Warn"), a leading designer, manufacturer and marketer of high performance vehicle equipment and accessories. The acquisition of Warn expanded our presence in the specialty market and created viable points of entry into related markets.

Inventory

The specialty vehicle aftermarket equipment and accessories we distribute and raw materials for products we manufacture are purchased from suppliers located primarily in the U.S., Canada, and China. Our top selling products are RV appliances & air conditioners, towing hitches, truck bed covers, vehicle protection products, cargo management products, and wheels, tires & suspension products. Specialty aftermarket suppliers are typically small to medium-sized, independent businesses that focus on a narrow product or market niche. Due to the highly fragmented supplier base for specialty vehicle aftermarket products, we have limited supplier concentration. In 2019, approximately 15% of our specialty vehicle aftermarket purchases were made from our top two suppliers, with our largest supplier providing approximately 10% of our annual inventory purchases. No other suppliers comprised more than 5% of our purchases during 2019. With our 2017 acquisition of Warn, we have internal manufacturing capabilities to source aftermarket winches, hoists, and bumpers.

Most of our Specialty operations utilize an internally developed inventory management and order entry system that interfaces with third party software systems for accounting, transaction processing, data analytics, and reporting.

Customers

Overall, the specialty vehicle aftermarket parts and accessories market serves a fragmented customer base composed of RV and specialty automotive dealers, installers, jobbers, builders, parts chains, and mail-order businesses. Our customers are principally small, independent businesses. These customers depend on us to provide a broad range of products, rapid delivery, marketing support and technical assistance. In addition to traditional customers, in recent years we have increased sales to several large parts and accessory online retailers. Our Specialty segment also operates retail stores in northeast Pennsylvania.

We promote our products to customers through marketing programs, which include: (i) catalogs, advertising, sponsorships and promotional activities, (ii) product level marketing and merchandising support, and (iii) online and digital

marketing initiatives. Our national footprint allows us to stage trade shows across the U.S., which provide an opportunity to improve sales through the showcasing of new and innovative products from our vendors to our customers.

Online sales of our Specialty products take place primarily through our ekeystone.com and viantp.com sites and mobile app. These sites provide customers (i) the ability to match products with the make and model of vehicle thus allowing the customer to order the correct part, (ii) product information (e.g. pictures, attributes) available for review and (iii) the convenience of searching inventory availability and ordering the product on the site. Additionally, the site can provide sales opportunities by suggesting other parts to purchase based on an inquiry submitted by the customer.

Distribution

Our Specialty segment operations employ a hub-and-spoke distribution model which enables us to transport products from our primary distribution centers to our non-inventory stocking cross docks, a majority of which are co-located with our North America wholesale operations and provide distribution points to key regional markets and synergies with our existing infrastructure. We believe this provides added value to our customers through a broader product offering and more efficient distribution process. We use our delivery routes to provide delivery and returns of our products directly to and from our customers in all 48 continental U.S. states and 9 Canadian provinces, and we ship globally to customers in other countries. Our delivery fleet utilizes a third party software provider to optimize delivery routes, and to track the progress of delivery vehicles throughout their runs.

Competition

Industry participants have a variety of supply choices. Vendors can deliver products to market via warehouse distributors and mail order catalog businesses, or directly to retailers and/or consumers. We view all suppliers of specialty vehicle aftermarket equipment and accessories as our competitors. We believe we have been able to distinguish ourselves from other specialty vehicle aftermarket parts and equipment suppliers primarily through our broad product selection, which encompasses both popular and hard-to-find products, our national distribution network, and efficient inventory management systems, as well as through our service. We compete on the basis of product breadth and depth, rapid and dependable delivery, marketing initiatives, support services, and price.

INTELLECTUAL PROPERTY

We own and have the right to use various intellectual property, including intellectual property acquired as a result of past acquisitions. In addition to trade names, trademarks and patents, we also have technology-based intellectual property that has been both internally developed and obtained through license agreements and acquisitions. We do not believe that our business is materially dependent on any single item of intellectual property, or any single group of related intellectual property, owned or licensed, nor would the expiration of any particular item or related group of intellectual property, or the termination of any particular intellectual property license agreement materially affect our business.

EMPLOYEES

As of December 31, 2019, we employed approximately 51,000 persons, of which approximately 21,000 were employed in North America and approximately 30,000 were employed outside of North America. Of our employees in North America, approximately 800 were represented by unions. Outside of North America, we have government-mandated collective bargaining agreements and union contracts in certain countries, particularly in Europe where many of our employees are represented by unions and/or works councils. We consider our employee relations to be good.

FACILITIES

As of December 31, 2019, our operations included approximately 1,700 facilities, most of which are leased. Of our total facilities, approximately 550 facilities were located in the U.S. and approximately 1,150 facilities were located in over 25 other countries. Many of our locations stock multiple product types or serve more than one function.

Our global headquarters are located at 500 West Madison Street, Chicago, Illinois 60661.

Our North American headquarters, in Nashville, Tennessee, performs certain centralized functions for our North American operations, including accounting, procurement, and information systems support.

Our European operations are distributed throughout Europe with main offices in Tamworth, England; in Schiedam and Amsterdam, the Netherlands; in Milan, Italy; in Prague, Czech Republic; and in Poing, Germany. In addition to these offices, we have two national distribution centers in Tamworth totaling 1,000,000 and 500,000 square feet, respectively, which house inventory to supply the hubs and branches of our U.K. and Republic of Ireland operations, and one international distribution center in Sulzbach-Rosenberg, Germany which supplies Stahlgruber’s operations in Germany, Austria, Italy, Slovenia and Croatia. Under the 1 LKQ Europe program, we are establishing a Europe headquarters office in Zug, Switzerland.

Our Specialty operations maintain primary procurement, accounting and finance functions in Exeter, Pennsylvania.

Certain back-office support functions for our segments are performed in Bangalore, India. Additionally, we operate an aftermarket parts warehouse in Taiwan to aggregate inventory for shipment to our locations in North America.

REGULATION

Our operations and properties are subject to laws and regulations relating to the protection of the environment in the U.S. and the other countries in which we operate. See the risk factor “We are subject to environmental regulations and incur costs relating to environmental matters” in Part I, Item 1A of this Annual Report on Form 10-K for further information regarding the effects of environmental laws and regulations on us.

We may be affected by tariffs and other import laws and restrictions because we import into the U.S. a significant number of products for sale and distribution. See the risk factors “If significant tariffs or other restrictions are placed on products or materials we import or any related counter-measures are taken by countries to which we export products, our revenue and results of operations may be materially harmed” and “Intellectual property claims relating to aftermarket products could adversely affect our business” in Part 1, Item 1A of this Annual Report on Form 10-K for further information regarding importation risks.

Our business processes and operations are subject to laws and regulations relating to privacy and data protection. See the risk factor “The costs of complying with the requirements of laws pertaining to the privacy and security of personal information and the potential liability associated with the failure to comply with such laws could materially adversely affect our business and results of operations” in Part 1, Item 1A of this Annual Report on Form 10-K for further information about privacy and data protection risks.

Some jurisdictions have enacted laws to restrict or prohibit the sale of alternative vehicle parts. See the risk factor “Existing or new laws and regulations, or changes to enforcement or interpretation of existing laws or regulations, may prohibit, restrict or burden the sale of aftermarket, recycled, refurbished or remanufactured products” in Part 1, Item 1A of this Annual Report on Form 10-K for further information concerning regulatory restrictions on the sale of our products.

We have thousands of employees located in the U.S. and many other countries and are subject to labor and employment laws in numerous jurisdictions. See the risk factor “Our business may be adversely affected by union activities and labor and employment laws” in Part 1, Item 1A of this Annual Report on Form 10-K for further information regarding these labor and employment risks.

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 second quarter, when vehicle owners tend to install this equipment, and lower revenue and earnings in the fourth quarter, when the number of RV trips tends to decline as a result of the winter weather. Our aftermarket glass operations typically generate greater revenue and earnings in the second and third quarters, when the demand for automotive replacement glass increases after the winter weather.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

Environmental

We contribute to a healthy environment. For example, our North American recycling operations harvest vehicle components for reuse in the repair of vehicles. Once the parts are harvested, the remaining valuable materials are removed and repurposed for use in the manufacturing of new basic materials such as steel, aluminum, plastic and rubber. Additionally, we extract fluids that we recycle or utilize in our own operations, such as gas to run our own truck fleet.

Our recycling efforts are a key pillar of our mission statement of being a responsible steward of the environment and a true partner with the communities in which we operate. This stewardship has been embedded in our culture since the company’s founding in 1998. Our recycling efforts preserve natural resources, reduce the demand for scarce landfill space, and help decrease air and water pollution.

The table below highlights our North American recycling operation’s efforts in 2019 to minimize the environmental impact of total loss and end-of-life vehicles with effective and proper vehicle disposition, and lists the approximate number or amount of parts or other materials removed from such vehicles and sold or used by us in our operations (in thousands).

	2019 Totals
Number of vehicles procured	887
Catalytic converters	1,471
Tires	2,552
Batteries	630
Waste oil (in gallons)	2,588
Anti-freeze/Washer fluid (in gallons)	347
Fuel (in gallons)	4,173
Total number of individual parts sold	15,244

Social

We continuously strive to improve the effect of our operations, and the awareness of all of our employees, with respect to social issues. We seek diversity of our employees and do not discriminate in our employment with respect to race, color, ethnicity, national origin, ancestry, citizenship status, religion, sex, gender identity and expression, age, disability, protected medical condition, marital status, veteran or military status, sexual orientation, pregnancy, genetic information, or any other characteristic protected by civil rights laws. We do not tolerate harassment or retaliation against persons that report improper behavior.

We have shared with our employees some of the benefits we received as part of the Tax Reform Act of 2017, including through a reduction of medical care premiums, an increase in paid time off, an increase in the Company's matching amount under our retirement plan, a tuition reimbursement program, and a scholarship program for the children of our employees. In addition, we have established a fund to help employees that experience catastrophic losses.

We also strive to improve the communities in which we operate. The employees at our facilities are encouraged to volunteer in local community activities, and we have established a charitable foundation to distribute funds to local causes.

Governance

We have made substantial progress in the area of corporate governance. For example, we have three female members on our Board of Directors, and we have added five new members to the Board since August 2018. After the departure from the Board by two of our current directors at our Annual Meeting of Stockholders in May 2020, over 80% of our directors will be independent. We believe that the skill sets of our newly constituted Board effectively address the areas of focus that are important for our short and long-term strategic objectives.

We have adopted "proxy access," which permits an eligible stockholder to nominate and include in our proxy materials director nominees (subject to the terms set forth in our Bylaws). We also have majority voting for the election of our directors, requiring a director who fails to receive a majority vote to tender his or her resignation to the Board.

Our Board of Directors recently adopted a revised Code of Ethics to help ensure that everyone at LKQ is clear on our mission, values and guiding ethical principles. The Code of Ethics covers a variety of topics, including the health and safety of our employees, fair dealing with our customers, suppliers and competitors, anti-bribery rules, conflict of interest prohibitions, and protecting personal data.

ITEM 1A. RISK FACTORS

Risks Relating to Our Business

Our operating results and financial condition have been and could continue to be adversely affected by the economic, political and social conditions in the U.S. and elsewhere.

Changes in economic, political and social conditions in the U.S., Europe and other countries in which we are located or do business could have a material effect on our company. Negative effects to our supply chain, costs of doing business, sales and distribution activity may occur due to factors such as war or threats of war, natural disasters, nuclear facility accidents, public health emergencies, utility interruptions and terrorism.

Our business is also affected by a number of other factors. For example, the number and types of new vehicles produced and sold by manufacturers affects our business. A decrease in the number of vehicles on the road may result in a decrease in repairs.

Our sales are also impacted by changes to the economic health of vehicle owners. The economic health of vehicle owners is affected by many factors, including, among others, general business conditions, interest rates, inflation, consumer debt levels, the availability of consumer credit, taxation, fuel prices, unemployment trends and other matters that influence consumer confidence and spending. Many of these factors are outside of our control. If any of these conditions worsen, our business, results of operations, financial condition and cash flows could be adversely affected.

In addition, economic conditions, including decreased access to credit, may result in financial difficulties leading to restructurings, bankruptcies, liquidations and other unfavorable events for our customers, suppliers, logistics and other service providers and financial institutions that are counterparties to our credit facilities and hedge transactions. These unfavorable events affecting our business partners could have an adverse effect on our business, results of operations, financial condition and cash flows.

We have a substantial business presence in Europe, including a significant presence in the U.K. and the Republic of Ireland ("ROI"). In June 2016, voters in the U.K. decided by referendum to withdraw from the European Union (also known as Brexit). The precise timing and impacts of this action on our businesses in the U.K. and other parts of Europe are unknown at this time. Since the vote, we have seen fluctuations in exchange rates leading to cost pressures and unfavorable translation effects on our sterling denominated earnings. The U.K.'s withdrawal from the European Union became effective on January 31, 2020. The U.K. and the European Union now have an 11-month transition period to negotiate a trade deal and come to terms on other issues such as security and law enforcement. Depending upon the outcome of these negotiations, our European businesses could be adversely affected as a result of further fluctuations in exchange rates, disruptions to access to markets by U.K. and ROI companies, interruptions of the movement of goods and services between countries, a decrease of economic activity in Europe, and political or social unrest.

We face intense competition from local, national, international, and internet-based vehicle products providers, and this competition could negatively affect our business.

The vehicle replacement products industry and vehicle accessory parts industry are highly competitive and are served by numerous suppliers of OEM, recycled, aftermarket, refurbished and remanufactured products. Within each of these categories of suppliers, there are local owner-operated companies, larger regional suppliers, national and international providers, and internet-based suppliers and distributors. Providers of vehicle replacement and accessory products that have traditionally sold only certain categories of such products may decide to expand their product offerings into other categories of vehicle products, which may further increase competition. Some of our current and potential competitors may have more operational expertise; greater financial, technical, manufacturing, distribution, and other resources; longer operating histories; lower cost structures; and better relationships in the insurance and vehicle repair industries or with consumers, than we do. Business transacted on online marketplaces has been increasing, which presents additional competitive pressures on us; in addition, facilitators of these online marketplaces control access to this channel and may prohibit us from participating for various reasons.

In the U.S. and Europe, local companies have formed cooperative efforts in an attempt to more efficiently compete against us in all aspects of our business. As a result of these factors, our competitors may be able to provide products that we are unable to supply, provide their products at lower costs, or supply products to customers that we are unable to serve.

We believe that a majority of collision parts by dollar amount are supplied by OEMs, with the balance being supplied by distributors of alternative aftermarket, recycled, refurbished and remanufactured collision parts like us. The OEMs are therefore able to exert pricing pressure in the marketplace. We compete with the OEMs primarily on price and to a lesser extent on service and quality. From time to time, the OEMs have implemented programs seeking to increase their market share in the collision repair parts industry. For example, they have reduced prices on specific products to match the lower prices of

alternative products and introduced other rebate programs that may disrupt our sales. The growth of these programs or the introduction of new ones could have a material adverse impact on our business.

In addition, vehicles are being equipped with systems that transmit data to the OEMs wirelessly regarding, among other items, accident incidents, maintenance requirements, location of the vehicle, identification of the closest dealership, and other statistics about the vehicle and its driving history. To the extent that this data is not shared with alternative suppliers, the OEMs will have an advantage with respect to such matters as contacting the vehicle driver, recommending repairs and maintenance, and directing the vehicle owner to an affiliated dealership.

We rely upon our customers and insurance companies to promote the usage of alternative parts.

Our success depends, in part, on the acceptance and promotion of alternative parts usage by automotive insurance companies and vehicle repair facilities. There can be no assurance that current levels of alternative parts usage will be maintained or will increase in the future.

We rely on business relationships with insurance companies. These insurance companies encourage vehicle repair facilities to use products we provide. The business relationships include in some cases participation in aftermarket quality and service assurance programs that may result in a higher usage of our aftermarket products than would be the case without the programs. Our arrangements with these companies may be terminated by them at any time, including in connection with their own business concerns relating to the offering, availability, standards or operations of the aftermarket quality and service assurance programs. We rely on these relationships for sales to some collision repair shops, and a termination of these relationships may result in a loss of sales, which could adversely affect our results of operations.

In an Illinois lawsuit involving State Farm Mutual Automobile Insurance Company ("Avery v. State Farm"), a jury decided in October 1999 that State Farm breached certain insurance contracts with its policyholders by using non-OEM replacement products to repair damaged vehicles when use of such products did not restore the vehicle to its "pre-loss condition." The jury found that State Farm misled its customers by not disclosing the use of non-OEM replacement products and the alleged inferiority of those products. Damages in excess of $1 billion were assessed against State Farm. In August 2005, the Illinois Supreme Court reversed the awards made by the lower courts and found, among other things, that the plaintiffs had failed to establish any breach of contract by State Farm. The plaintiffs filed a subsequent claim alleging that State Farm improperly influenced one of the justices on the Illinois Supreme Court. Prior to trial on the subsequent claim, the parties settled the case; as part of the settlement, State Farm paid the plaintiffs $250 million. As a result of this case, some insurance companies reduced or eliminated their use of aftermarket products. Our financial results could be adversely affected if insurance companies modified or terminated the arrangements pursuant to which repair shops buy aftermarket or recycled products from us due to a fear of similar claims.

In addition, to the extent that the collision repair industry continues to consolidate, the buying power of collision repair shop customers may further increase, putting additional pressure on our financial returns.

We may not be able to successfully acquire new businesses or integrate acquisitions, and we may not be able to successfully divest certain businesses.

We may not be able to successfully complete potential strategic acquisitions if we cannot reach agreement on acceptable terms, if we do not obtain required antitrust or other regulatory approvals, or for other reasons. Moreover, we may not be able to identify acquisition candidates at reasonable prices and/or be able to successfully integrate acquisitions.

If we buy a company or a division of a company, we may experience difficulty integrating that company's or division's personnel and operations, which could negatively affect our operating results. In addition:

- the key personnel of the acquired company may decide not to work for us;
- customers of the acquired company may decide not to purchase products from us;
- suppliers of the acquired company may decide not to sell products to us;
- we may experience business disruptions as a result of information technology systems conversions;
- we may experience additional financial and accounting challenges and complexities in areas such as tax planning, treasury management, and financial reporting;
- we may be held liable for environmental, tax or other risks and liabilities as a result of our acquisitions, some of which we may not have discovered during our due diligence;
- we may intentionally assume the liabilities of the companies we acquire, which could result in material adverse effects on our business;
- our existing business may be disrupted or receive insufficient management attention;

- we may not be able to realize the cost savings or other financial benefits we anticipated, either in the amount or in the time frame that we expect; and
- we may incur debt or issue equity securities to pay for any future acquisition, the issuance of which could involve the imposition of restrictive covenants or be dilutive to our existing stockholders.

For example, we have undertaken the 1 LKQ Europe program to create structural centralization and standardization of key functions to facilitate the operation of the Europe segment as a single business; this program will present a number of execution challenges.

In addition to acquisitions, we have divested, and will continue to divest, certain businesses that do not meet our performance standards. As a result of a divestment, we may not recover the carrying value of our investment in the divested business; in addition, such divestment transactions require significant management time and attention.

Intellectual property claims relating to aftermarket products could adversely affect our business.

OEMs and others have attempted to use claims of intellectual property infringement against manufacturers and distributors of aftermarket products to restrict or eliminate the sale of aftermarket products that are the subject of the claims. OEMs have brought such claims in federal court and with the U.S. International Trade Commission. In some cases, we have entered into patent license agreements with OEMs that allow us to sell aftermarket parts that replicate the patented parts in exchange for a royalty and otherwise in accordance with the terms of the agreements.

To the extent OEMs and other manufacturers obtain design patents or trademarks and are successful in asserting claims of infringement of these patents or trademarks against us, we could be restricted or prohibited from selling certain aftermarket products, which could have an adverse effect on our business. In the event that our license agreements, or other similar license arrangements with OEMs or others, are terminated or we are unable to agree upon renewal terms, we may be subject to costs and uncertainties of litigation as well as restrictions on our ability to sell aftermarket parts that replicate parts covered by those design patents or trademarks. We have filed, and may file in the future, challenges to OEM patents, including patents owned by OEMs with which we have patent license agreements. We also may file challenges to OEM trademarks. To the extent OEMs are successful in defending their patents or trademarks, we could be restricted or prohibited from selling the corresponding aftermarket products, which could have an adverse effect on our business. Also, we will likely incur expenses investigating, pursuing and defending intellectual property claims.

U.S. Customs and Border Protection has taken the position that certain of our aftermarket parts infringe certain OEM trademarks and seized our aftermarket parts as we attempted to import them into the U.S. We incur costs and expenses attempting to convince Customs and Border Protection to release the seized goods and in litigation where we are seeking a determination of non-infringement. In the event we are unsuccessful in obtaining their release, such goods may be subject to forfeiture and other penalties.

Aftermarket products certifying organizations may revoke the certification of parts that are the subject of the intellectual property disputes. Lack of certification may negatively impact us because many major insurance companies recommend or require the use of aftermarket products only if they have been certified by an independent certifying organization.

If the number of vehicles involved in accidents declines or the number of cars being repaired declines, or the mix of the types of vehicles in the overall vehicle population changes, our business could suffer.

Our business depends on vehicle accidents, mechanical failures and routine maintenance for both the demand for repairs using our products and the supply of recycled, remanufactured and refurbished parts. To the extent that a relatively higher percentage of damaged vehicles are declared total losses, there will be less demand for our products to repair such vehicles. In addition, our business is impacted by factors that influence the number and/or severity of accidents and mechanical failures including, but not limited to, the number of vehicles on the road, the number of miles driven, the ages of drivers, the occurrence and severity of certain weather conditions, the congestion of traffic, drivers distracted by electronic equipment, the use of alcohol or drugs by drivers, the usage rate and effectiveness of accident avoidance systems in new vehicles, the reliability of new OEM parts, and the condition of roadways. For example, an increase in the acceptance of ride-sharing could reduce the number of vehicles on the road. Additionally, an increase in fuel prices may cause the number of vehicles on the road, the number of miles driven, and the need for mechanical repairs and maintenance to decline, as motorists seek alternative transportation options. Mild weather conditions, particularly during winter months, tend to result in a decrease in vehicle accidents. Moreover, legislation banning the use of handheld cellular telephones or other electronic devices while driving could lead to a decline in accidents.

Systems designed to minimize accident frequency and severity are becoming more prevalent and more technologically sophisticated. To the extent OEMs install or are mandated by law to install accident avoidance systems in their vehicles, the number and severity of accidents could decrease, which could have a material adverse effect on our business.

The average number of new vehicles sold annually has fluctuated from year-to-year. Periods of decreased sales could result in a reduction in the number of vehicles on the road and consequently fewer vehicles involved in accidents or in need of mechanical repair or maintenance. Substantial further declines in automotive sales in the future could have a material adverse effect on our business, results of operations and/or financial condition. In addition, if vehicle population trends result in a disproportionately high number of older vehicles on the road, insurance companies may find it uneconomical to repair such vehicles or there could be less costly repairs. If vehicle population trends result in a disproportionately high number of newer vehicles on the road, the demand generally for mechanical repairs and maintenance would likely decline due to the newer, longer-lasting parts in the vehicle population and mechanical failures being covered by OEM warranties for the first years of a vehicle's life. Moreover, alternative collision and mechanical parts are less likely to be used on newer vehicles. Our Specialty segment depends on sales of pickup trucks, sport utility vehicles, crossover utility vehicles, high performance vehicles and recreational vehicles; any reduction in the number of such vehicles in operation will adversely affect demand for our Specialty products.

Electric vehicles do not have traditional engines, transmissions, and certain related parts. Engines and transmissions represent some of our largest revenue generating SKUs in North America, and parts for engines and transmissions represent a significant amount of the revenue of our European operations. Thus, an increase in electric vehicles as a percentage of vehicles sold will have a negative impact on our sales of engines, transmissions, and other related parts.

Fluctuations in the prices of metals and other commodities could adversely affect our financial results.

Our recycling operations generate scrap metal and other metals that we sell. After we dismantle a salvage vehicle for wholesale parts and after vehicles have been processed in our self service retail business, the remaining vehicle hulks are sold to scrap processors and other remaining metals are sold to processors and brokers of metals. In addition, we receive "crush only" vehicles from other companies, including OEMs, which we dismantle and which generate scrap metal and other metals. The prices of scrap and other metals have historically fluctuated, sometimes significantly, due to market factors. In addition, buyers may stop purchasing metals entirely due to excess supply. To the extent that the prices of metals decrease materially or buyers stop purchasing metals, our revenue from such sales will suffer and a write-down of our inventory value could be required. For example, in 2018 China imposed a ban on the importation of various types of solid waste allegedly in an effort to reduce environmental pollution. This ban includes certain metals that we sell and continues to have the effect of reducing the prices of such products.

The cost of our wholesale recycled and our self service retail inventory purchases will change as a result of fluctuating scrap metal and other metals prices. In a period of falling metal prices, there can be no assurance that our inventory purchasing cost will decrease the same amount or at the same rate as the scrap metal and other metals prices decline, and there may be a delay between the scrap metal and other metals price reductions and any inventory cost reductions. The prices of steel, aluminum, and plastics are components of the cost to manufacture products for our aftermarket business. If the prices of commodities rise and result in higher costs to us for products we sell, we may not be able to pass these higher costs on to our customers.

Existing or new laws and regulations, or changes to enforcement or interpretation of existing laws or regulations, may prohibit, restrict or burden the sale of aftermarket, recycled, refurbished or remanufactured products.

Most states have passed laws that prohibit or limit the use of aftermarket products in collision repair work. These laws include requirements relating to consumer disclosure, vehicle owner’s consent regarding the use of aftermarket products in the repair process, and the requirement to have aftermarket products certified by an independent testing organization. Additional legislation of this kind may be introduced in the future. If additional laws prohibiting or restricting the use of aftermarket products are passed, it could have an adverse impact on our aftermarket products business.

Certain organizations test the quality and safety of vehicle replacement products. If these organizations decide not to test a particular vehicle product, or in the event that such organizations decide that a particular vehicle product does not meet applicable quality or safety standards, we may decide to discontinue sales of such product or insurance companies may decide to discontinue authorization of repairs using such product. Such events could adversely affect our business.

Some jurisdictions have enacted laws prohibiting or severely restricting the sale of certain recycled products that we provide, such as airbags. In addition, laws relating to the regulation of parts affecting vehicle emissions, such as California’s Proposition 65, may impact the ability of our Specialty segment to sell certain accessory products. These and other jurisdictions could enact similar laws or could prohibit or severely restrict the sale of additional recycled products. The passage of legislation with prohibitions or restrictions that are more severe than current laws could have a material adverse impact on our business. Additionally, Congress could enact federal legislation restricting the use of aftermarket or recycled automotive products used in the course of vehicle repairs.

The Federal Trade Commission has issued guides that regulate the use of certain terms such as “rebuilt” or “remanufactured” in connection with the sale of automotive parts. Restrictions on the products we are able to sell and on the marketing of such products could decrease our revenue and have an adverse effect on our business and operations.

In 1992, Congress enacted the Anti-Car Theft Act to deter trafficking in stolen vehicles. The purpose of the law is to implement an electronic system to track and monitor vehicle identification numbers and major automotive parts. In January 2009, the U.S. Department of Justice implemented the portion of the system to track and monitor vehicle identification numbers. The portion of the system that would track and monitor major automotive parts would require various entities, including automotive parts recyclers like us, to inspect salvage vehicles for the purpose of collecting the part number for any "covered major part." The Department of Justice has not promulgated rules on this portion of the system, and therefore there has been no progress on the implementation of the system to track and monitor major automotive parts. However, if this system is fully implemented, the requirement to collect the information would place substantial burdens on vehicle recyclers, including us, that otherwise would not normally exist. It would place similar burdens on repair shops, which may discourage the use by such shops of recycled products. There is no pending initiative to implement the parts registration from a law enforcement point of view. However, there is a risk that a heightened legislative concern over safety of parts might precipitate an effort to push for the implementation of such rules.

An adverse change in our relationships with our suppliers or a disruption to our supply of inventory could increase our expenses and impede our ability to serve our customers.

Our North American business is dependent on a relatively small number of suppliers of aftermarket products, a large portion of which are sourced from Taiwan. Our European business also acquires product from Asian sources. We incur substantial freight costs to import parts from our suppliers, many of which are located in Asia. If the cost of freight rose, we might not be able to pass the cost increases on to our customers. Furthermore, although alternative suppliers exist for substantially all aftermarket products distributed by us, the loss of any one supplier could have a material adverse effect on us until alternative suppliers are located and have commenced manufacturing and providing the relevant products. In addition, we are subject to disruptions from work stoppages and other labor disputes at port facilities through which we import our inventory. We also face the risk that our suppliers could attempt to circumvent us and sell their product directly to our customers; consolidation of our suppliers could enhance their ability to distribute products through additional sales channels and thus decrease their reliance on wholesale distributors like us.

Moreover, our operations are subject to the customary risks of doing business abroad, including, among other things, natural disasters, transportation costs and delays, political instability, currency fluctuations and the imposition of tariffs, import and export controls and other non-tariff barriers (including changes in the allocation of quotas), as well as the uncertainty regarding future relations between China, Japan and Taiwan. For example, U.S. Customs and Border Protection have used claims of intellectual property infringement to seize certain of our aftermarket parts as we attempted to import them into the U.S.

Because a substantial volume of our sales involves products manufactured from sheet metal, we can be adversely impacted if sheet metal becomes unavailable or is only available at higher prices, which we may not be able to pass on to our customers. Additionally, as OEMs convert to raw materials other than steel, it may be more difficult or expensive to source aftermarket parts made with such materials and it may be more difficult for repair shops to work with such materials in the repair process.

Most of our salvage and a portion of our self service inventory is obtained from vehicles offered at salvage auctions operated by several companies that own auction facilities in numerous locations across the U.S. We do not typically have contracts with the auction companies. According to industry analysts, a small number of companies control a large percentage of the salvage auction market in the U.S. If an auction company prohibited us from participating in its auctions, began competing with us, or significantly raised its fees, our business could be adversely affected through higher costs or the resulting potential inability to service our customers. Moreover, we face competition in the purchase of vehicles from direct competitors, rebuilders, exporters and other bidders. To the extent that the number of bidders increases, it may have the effect of increasing our cost of goods sold for wholesale recycled products. Some states regulate bidders to help ensure that salvage vehicles are purchased for legal purposes by qualified buyers. Auction companies have been actively seeking to reduce, circumvent or eliminate these regulations, which would further increase the number of bidders.

In addition, there is a limited supply of salvage vehicles in the U.S., and thus the costs to us of these vehicles could increase over time. In some states, when a vehicle is deemed a total loss, a salvage title is issued. Whether states issue salvage titles is important to the supply of inventory for the vehicle recycling industry because an increase in vehicles that qualify as salvage vehicles provides greater availability and typically lowers the price of such vehicles. Currently, these titling issues are a matter of state law. In 1992, the U.S. Congress commissioned an advisory committee to study problems relating to vehicle titling, registration, and salvage. Since then, legislation has been introduced seeking to establish national uniform requirements in this area, including a uniform definition of a salvage vehicle. The vehicle recycling industry will generally favor a uniform

definition, since it will avoid inconsistencies across state lines, and will generally favor a definition that expands the number of damaged vehicles that qualify as salvage. However, certain interest groups, including repair shops and some insurance associations, may oppose this type of legislation. National legislation has not yet been enacted in this area, and there can be no assurance that such legislation will be enacted in the future.

We also acquire inventory directly from insurance companies, OEMs, and others. To the extent that these suppliers decide to discontinue these arrangements, our business could be adversely affected through higher costs or the resulting potential inability to service our customers.

In Europe, we acquire products from a wide variety of suppliers. As vehicle technology changes, some parts will become more complex and the design or technology of those parts may be covered by patents or other rights that make it difficult for aftermarket suppliers to produce for sale to companies such as ours. The complexity of the parts may include software or other technical aspects that make it difficult to identify what is wrong with the vehicle. More complex parts may be difficult to repair and may require expensive or difficult to obtain software updates, limiting our ability to compete with the OEMs.

Our annual and quarterly performance may fluctuate.

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, many of which are beyond our control. Future factors that may affect our operating results include, but are not limited to, those listed in the Special Note on Forward-Looking Statements in this Annual Report on Form 10-K. Additionally, the number of selling days can fluctuate each quarter causing volatility in revenue and net income. Accordingly, our results of operations may not be indicative of future performance. These fluctuations in our operating results may cause our results to fall below our published financial guidance and the expectations of public markets, which could cause our stock price or the value of our debt instruments to decline.

Our key management personnel are important to successfully manage our business and achieve our objectives.

Our future success depends in large part upon the leadership and performance of our executive management team and key employees at the operating level. If we lose the services of one or more of our executive officers or key employees, or if one or more of them decides to join a competitor or otherwise compete directly or indirectly with us, we may not be able to successfully manage our business or achieve our business objectives. If we lose the services of any of our key employees at the operating or regional level, we may not be able to replace them with similarly qualified personnel, which could harm our business. In addition, to the extent wage inflation occurs in jurisdictions in which we operate, we may not be able to retain key employees or we may experience increased costs.

We operate in foreign jurisdictions, which exposes us to foreign exchange and other risks.

We have operations in North America, Europe and Taiwan, and we may expand our operations in the countries in which we do business and into other countries. Our foreign operations expose us to additional risks associated with international business, which could have an adverse effect on our business, results of operations and/or financial condition, including import and export requirements and compliance with anti-corruption laws, such as the U.K. Bribery Act 2010 and the Foreign Corrupt Practices Act. We also incur costs in currencies other than our functional currencies in some of the countries in which we operate. We are thus subject to foreign exchange exposure to the extent that we operate in different currencies, as well as exposure to foreign tax and other foreign and domestic laws. In addition, certain countries in which we operate have a higher level of political instability and criminal activity than the U.S. that could affect our operations and the ability to maintain our supply of products.

If we determine that our goodwill or other intangible assets have become impaired, we may incur significant charges to our pre-tax income.

Goodwill represents the excess of cost over the fair market value of net assets acquired in business combinations. In the future, our goodwill and intangible assets may increase as a result of acquisitions. Goodwill is reviewed at least annually for impairment. Impairment may result from, among other things, deterioration in the performance of acquired businesses, deterioration of expected future cash flows or performance, increases in our cost of capital, adverse market conditions, and adverse changes in applicable laws or regulations, including modifications that restrict the activities of the acquired business. As of December 31, 2019, our total goodwill subject to future impairment testing was $4.4 billion. For further discussion of our annual impairment test, see "Goodwill Impairment" in the Critical Accounting Policies and Estimates section of Item 7 in this Annual Report on Form 10-K.

Except for indefinite-lived intangibles, we amortize other intangible assets over the assigned useful lives, each of which is based upon the expected period to be benefited. We review indefinite-lived intangible assets for impairment annually or sooner if events or changes in circumstances indicate that the carrying value may not be recoverable. We review finite-lived intangible assets for possible impairment whenever events or changes in circumstances indicate that the carrying value may not

be recoverable. In the event conditions change that affect our ability to realize the underlying cash flows associated with our intangible assets, we may record an impairment charge. As of December 31, 2019, the value of our other intangible assets, net of accumulated amortization, was $850 million.

Our business may be adversely affected by union activities and labor and employment laws.

Certain of our employees are represented by labor unions and other employee representative bodies and work under collective bargaining or similar agreements, which are subject to periodic renegotiation. From time to time, there have been efforts to organize additional portions of our workforce and those efforts can be expected to continue. In addition, legislators and government agencies could adopt new regulations, or interpret existing regulations in a manner, that could make it significantly easier for unionization efforts to be successful. Also, we may in the future be subject to strikes or work stoppages, union and works council campaigns, and other labor disruptions and disputes. Additional unionization efforts, new collective bargaining or similar agreements, and work stoppages could materially increase our costs and reduce revenue and could limit our flexibility in terms of work schedules, reductions in force and other operational matters.

We also are subject to laws and regulations that govern such matters as minimum wage, overtime and other working conditions. Some of these laws are technical in nature and could be subject to interpretation by government agencies and courts different than our interpretations. Efforts to comply with existing laws, changes to such laws and newly-enacted laws may increase our labor costs and limit our flexibility. If we were found not to be in compliance with such laws, we could be subject to fines, penalties and liabilities to our employees or government agencies. In addition, efforts to better protect local markets from foreign workers and decisions of countries to withdraw from treaties and joint economic areas may lead to increased restrictions on the free movement of people and labor and may limit our ability to place key personnel where they could best serve our needs.

We rely on information technology and communication systems in critical areas of our operations and a disruption relating to such technology could harm our business.

In the ordinary course of business, we rely upon information technology networks and systems, some of which are leased from third parties, to process, transmit and store electronic information and to manage and support a variety of business processes and activities. The secure operation of these information technology networks and the processing and maintenance of this information is critical to our business operations and strategy. Despite security measures and business continuity plans, our information technology networks and infrastructure may be vulnerable to damage, disruptions or shutdowns due to attacks by cyber criminals, breaches due to employee error or malfeasance, disruptions during the process of upgrading or replacing computer software or hardware, terminations of business relationships by third party service providers, power outages, computer viruses, telecommunication or utility failures, terrorist acts, natural disasters or other catastrophic events. The occurrence of any of these events could compromise our networks, and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or loss of information could result in legal claims or proceedings, disruption to our operations and damage to our reputation, any of which could adversely affect our business. In addition, as security threats continue to evolve, we will likely need to invest additional resources to protect the security of our systems.

In the event that we decide to switch providers or to implement upgrades or replacements to our own systems, we may be unsuccessful in the development of our own systems or we may underestimate the costs and expenses of switching providers or developing and implementing our own systems. Also, our revenue may be hampered during the period of implementing an alternative system, which period could extend longer than we anticipated. We are in the midst of a systems conversion project for our European businesses, which will be subject to all of these risks.

The costs of complying with the requirements of laws pertaining to the privacy and security of personal information and the potential liability associated with the failure to comply with such laws could materially adversely affect our business and results of operations.

We collect personally identifiable information ("PII") and other data as part of our business processes and operations. The legislative and regulatory framework relating to privacy and data protection is rapidly evolving worldwide and is likely to remain uncertain for the foreseeable future. This data is subject to a variety of U.S. and international laws and regulations. Many foreign countries and governmental bodies, including the European Union, Canada and other jurisdictions where we conduct business, have laws and regulations concerning the collection and use of PII and other data obtained from their residents or by businesses operating within their jurisdictions that are more restrictive than those in the U.S. Additionally, the European Union adopted the General Data Protection Regulation ("GDPR") that will impose more stringent data protection requirements for processors and controllers of personal data, including expanded disclosures about how PII is to be used, limitations on retention of PII, mandatory data breach notification requirements, and higher standards for data controllers to demonstrate that they have obtained valid consent for certain data processing activities. The GDPR became effective in May 2018, and there can be no assurance that we have timely implemented all processes required for full compliance with the regulation. The GDPR provides severe penalties for noncompliance. In addition, stricter laws in this area are being enacted in certain states in the U.S. and in other countries, and more jurisdictions are likely to follow this trend.

Any inability, or perceived inability, to adequately address privacy and data protection issues, even if unfounded, or comply with applicable laws, regulations, policies, industry standards, contractual obligations or other legal obligations (including at newly-acquired companies) could result in additional cost and liability to us, result in governmental investigations and enforcement actions, give rise to civil litigation, result in damage to our reputation (including the loss of trust by our customers and employees), inhibit sales, and otherwise adversely affect our business. We also may be subject to these adverse effects if other parties with whom we do business, including lenders, suppliers, consultants and advisors, violate applicable laws or contractual obligations or suffer a security breach.

Business interruptions in our distribution centers or other facilities may affect our operations, the function of our computer systems, and/or the availability and distribution of merchandise, which may affect our business.

Weather, terrorist activities, war or other disasters, or the threat of any of them, may result in the closure of our distribution centers or other facilities or may adversely affect our ability to deliver inventory through our system on a timely basis. This may affect our ability to serve our customers, resulting in lost sales or a potential loss of customer loyalty. Some of our merchandise is imported from other countries and these goods could become difficult or impossible to bring into the U.S. or into the other countries in which we operate, and we may not be able to obtain such merchandise from other sources at similar prices. Such a disruption in revenue could potentially have a negative impact on our results of operations and financial condition.

We are subject to environmental regulations and incur costs relating to environmental matters.

We are subject to various environmental protection and health and safety laws and regulations governing, among other things: the emission and discharge of hazardous materials into the ground, air, or water; exposure to hazardous materials; and the generation, handling, storage, use, treatment, identification, transportation, and disposal of industrial by-products, waste water, storm water, and mercury and other hazardous materials. We are also required to obtain environmental permits from governmental authorities for certain of our operations. If we violate or fail to obtain or comply with these laws, regulations, or permits, we could be fined or otherwise sanctioned by regulators or lose our operating permits. We could also become liable if employees or other parties are improperly exposed to hazardous materials. We have an environmental management process designed to facilitate and support our compliance with these requirements; we cannot assure you, however, that we will at all times be in complete compliance with such requirements.

We have made and will continue to make capital and other expenditures relating to environmental matters. Although we presently do not expect to incur any capital or other expenditures relating to environmental controls or other environmental matters in amounts that would be material to us, we may be required to make such expenditures in the future.

Under certain environmental laws, we could be held responsible for all of the costs relating to any contamination at, or migration to or from, our or our predecessors' past or present facilities and at independent waste disposal sites. These laws often impose liability even if the owner or operator did not know of, or was not responsible for, the release of such hazardous substances. Many of our facilities are located on or near properties with a history of industrial use that may have involved hazardous materials. As a result, some of our properties may be contaminated. Some environmental laws hold current or previous owners or operators of real property liable for the costs of cleaning up contamination. These environmental laws also impose liability on any person who disposes of, treats, or arranges for the disposal or treatment of hazardous substances, regardless of whether the affected site is owned or operated by such person, and at times can impose liability on companies deemed under law to be a successor to such person. Third parties may also make claims against owners or operators of properties, or successors to such owners or operators, for personal injuries and property damage associated with releases of hazardous or toxic substances.

Contamination resulting from vehicle recycling processes can include soil and ground water contamination from the release, storage, transportation, or disposal of gasoline, motor oil, antifreeze, transmission fluid, chlorofluorocarbons ("CFCs") from air conditioners, other hazardous materials, or metals such as aluminum, cadmium, chromium, lead, and mercury. Contamination from the refurbishment of chrome plated bumpers can occur from the release of the plating material. Contamination can migrate on-site or off-site, which can increase the risk, and the amount, of any potential liability.

When we identify a potential material environmental issue during our acquisition due diligence process, we analyze the risks, and, when appropriate, perform further environmental assessment to verify and quantify the extent of the potential contamination. Furthermore, where appropriate, we have established financial reserves for certain environmental matters. In the event we discover new information or if laws change, we may incur significant liabilities, which may exceed our reserves.

Environmental laws are complex, change frequently, and have tended to become more stringent over time. Our costs of complying with current and future environmental and health and safety laws, and our liabilities arising from past or future releases of, or exposure to, hazardous substances, may adversely affect our business, results of operations, or financial condition.

We could be subject to product liability claims and involved in product recalls.

If customers of repair shops that purchase our products are injured or suffer property damage, we could be subject to product liability claims by such customers. The successful assertion of this type of claim could have an adverse effect on our business, results of operations or financial condition. In addition, we may become involved in the recall of a product that is determined to be defective. More generally, a recall involving alternative parts, even if we did not sell the recalled products, could adversely affect the perceived quality of alternative parts, leading to decreased usage of alternative parts. The expenses of a recall and the damage to our reputation, or the reputation of alternative parts generally, could have an adverse effect on our business, results of operations or financial condition.

We have agreed to defend and indemnify in certain circumstances insurance companies and customers against claims and damages relating to product liability and product recalls. The existence of claims or damages for which we must defend and indemnify these parties could also negatively impact our business, results of operations or financial condition.

Governmental agencies may refuse to grant or renew our operating licenses and permits.

Our operating subsidiaries in our salvage, self-service, and refurbishing operations must obtain licenses and permits from state and local governments to conduct their operations. When we develop or acquire a new facility, we must seek the approval of state and local units of government. Governmental agencies may resist the establishment of a vehicle recycling or refurbishing facility in their communities. There can be no assurance that future approvals or transfers will be granted. In addition, there can be no assurance that we will be able to maintain and renew the licenses and permits our operating subsidiaries currently hold.

Regulations related to conflict-free minerals may force us to incur additional expenses and otherwise adversely impact our business.

In August 2012, as mandated by the Dodd-Frank Wall Street Reform and Consumer Protection Act, the SEC adopted final rules regarding disclosure of the use of certain minerals, known as conflict minerals, originating from the Democratic Republic of Congo or adjoining countries. These requirements impose significant burdens on U.S. public companies. Compliance with the rules requires substantial due diligence in an effort to determine whether products contain the conflict minerals. The results of such due diligence efforts must be disclosed on an annual basis in a filing with the SEC.

Our supply chain is complex and we may incur significant costs to determine the source of any such minerals used in our products. We may also incur costs with respect to potential changes to products, processes or sources of supply as a consequence of our diligence activities. Further, the implementation of these rules and their effect on customer, supplier and/or consumer behavior could adversely affect the sourcing, supply and pricing of materials used in our products. As there may be only a limited number of suppliers offering products free of conflict minerals in some circumstances, we cannot be sure that we will be able to obtain necessary products from such suppliers in sufficient quantities or at competitive prices. We may face reputational challenges if we determine that certain of our products contain minerals not determined to be conflict-free or if we are unable to sufficiently verify the origins for all conflict minerals used in our products through the procedures we implement. Accordingly, these rules could have a material adverse effect on our business, results of operations and/or financial condition.

If we experience problems with our fleet of trucks and other vehicles, our business could be harmed.

We use a fleet of trucks and other vehicles to deliver the majority of the products we sell. We are subject to the risks associated with providing delivery services, including inclement weather, disruptions in the transportation infrastructure, governmental regulation, availability and price of fuel, liabilities arising from accidents to the extent we are not covered by insurance, and insurance premium increases. In addition, our failure to deliver products in a timely and accurate manner could harm our reputation and brand, which could have a material adverse effect on our business.

We may lose the right to operate at key locations.

We lease most of the properties at which we conduct our businesses. At the end of a lease term, we must negotiate a renewal, exercise a purchase option (to the extent we have that right), or find a new location. There can be no assurance that we will be able to negotiate renewals on terms acceptable to us or that we will find a suitable alternative location, especially with respect to our salvage operations (which have characteristics that are often not attractive to landlords, local governments, or neighbors). In such cases, we may lose the right to operate at key locations.

Our effective tax rate could materially increase as a consequence of various factors, including interpretations and administrative guidance in regard to the Tax Act (defined below), U.S. and/or international tax legislation, mix of earnings by jurisdiction, and U.S. and foreign jurisdictional audits.

We are a U.S. based multinational company subject to income taxes in the U.S. and a number of foreign jurisdictions. Therefore, we are subject to changes in tax laws in each of these jurisdictions and such changes could have a material adverse effect on our effective tax rate and cash flows.

On December 22, 2017, the U.S. enacted legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). Among other things, the Tax Act reduced the U.S. statutory corporate tax rate from 35% to 21% for tax years beginning after December 31, 2017. Additionally, beginning in 2018, the Tax Act imposed a regime of taxation on foreign subsidiary earnings (Global Intangible Low-Taxed Income, "GILTI") and on certain related party payments (Base Erosion Anti-abuse Tax, "BEAT"). Other important changes potentially material to our operations included the full expensing of certain assets placed into service after September 27, 2017, the repeal of the domestic manufacturing deduction, and additional limitations on the deductibility of executive compensation. Finally, as part of the transition of U.S. international taxation from a worldwide tax system to a territorial tax system, the Tax Act imposed a one-time transition tax on the deemed repatriation of historical earnings of foreign subsidiaries as of December 31, 2017.

Many non-U.S. jurisdictions are implementing tax legislation based upon recommendations made by the Organization for Economic Co-operation and Development in connection with its Base Erosion and Profit Shifting study, as well as certain anti-tax-avoidance initiatives advanced by the European Commission. The outcome of these legislative developments could have a material adverse effect on our effective tax rate and cash flows.

The tax rates applicable in the jurisdictions within which we operate vary widely. Therefore, our effective tax rate may be adversely affected by changes in the mix of our earnings by jurisdiction.

We are also subject to ongoing audits of our income tax returns in various jurisdictions both in the U.S. and internationally. While we believe that our tax positions will be sustained, the outcomes of such audits could result in the assessment of additional taxes, which could adversely impact our cash flows and financial results.

If significant tariffs or other restrictions are placed on products or materials we import or any related counter-measures are taken by countries to which we export products, our revenue and results of operations may be materially harmed.

The current U.S. administration has imposed tariffs on certain materials imported into the U.S. from China and announced additional tariffs on other goods from China and other countries. Moreover, counter-measures have been taken by other countries in retaliation for the U.S.-imposed tariffs. The tariffs cover products and materials that we import, and the counter-measures may affect products we export. The effects currently are not material; however, depending on the breadth of products and materials ultimately affected by, and the duration of, the tariffs and countermeasures, our financial results may be materially harmed. In addition, countries may impose other restrictions on the importation of products. For example, in 2018 China imposed a ban on the importation of various types of solid waste allegedly in an effort to reduce environmental pollution. This ban includes certain scrap metals that we sell and continues to have the effect of reducing the prices of such products.

Activist investors could cause us to incur substantial costs, divert management's attention, and have an adverse effect on our business.

We have in the past received, and we may in the future be subject to, proposals by activist investors urging us to take certain corporate actions. Activist investor activities could cause our business to be adversely affected because responding to proxy contests and other demands by activist investors can be costly and time-consuming, disrupt our operations, and divert the attention of management and our employees. For example, we have retained, and may in the future be required to retain, the services of various professionals to advise us on activist investor matters, including legal, financial and communications advisors, the costs of which may negatively impact our future financial results. Campaigns by activist investors to effect changes at publicly-traded companies are sometimes led by investors seeking to increase short term investor value through actions such as financial restructuring, increased debt, special dividends, stock repurchases, or sales of assets or the entire company. Perceived uncertainties as to our future direction, strategy or leadership that arise as a consequence of activist investor initiatives may result in the loss of potential business opportunities, harm our ability to attract new investors, employees and business partners, and cause our stock price to experience periods of volatility or stagnation.

Risks Relating to Our Common Stock and Financial Structure

The market price of our common stock may be volatile and could expose us to securities class action litigation.

The stock market and the price of our common stock may be subject to wide fluctuations based upon general economic and market conditions. The market price for our common stock may also be affected by our ability to meet analysts' expectations. Failure to meet such expectations, even slightly, could have an adverse effect on the market price of our common stock. In addition, stock market volatility has had a significant effect on the market prices of securities issued by many companies for reasons unrelated to the operating performance of these companies. Downturns in the stock market may cause the price of our common stock to decline. Additionally, the market price for our common stock has been in the past, and in the future may be, adversely affected by allegations made or reports issued by short sellers, analysts, activists or others regarding our business model, our management or our financial accounting.

Following periods of volatility in the market price of a company's securities, securities class action litigation has often been instituted against such companies. If similar litigation were instituted against us, it could result in substantial costs and a diversion of our management's attention and resources, which could have an adverse effect on our business.

Delaware law, our charter documents and our loan documents may impede or discourage a takeover, which could affect the price of our stock.

The anti-takeover provisions of our certificate of incorporation and bylaws, our loan documents and Delaware law could, together or separately, impose various impediments to the ability of a third party to acquire control of us, even if a change in control would be beneficial to our existing stockholders. Our certificate of incorporation and bylaws have provisions that could discourage potential takeover attempts and make attempts by stockholders to change management more difficult. Our credit agreement provides that a change of control is an event of default. Our incorporation under Delaware law and these provisions could also impede an acquisition, takeover, or other business combination involving us or discourage a potential acquirer from making a tender offer for our common stock, which, under certain circumstances, could reduce the price of our common stock.

Future sales of our common stock or other securities may depress our stock price.

We and our stockholders may sell shares of common stock or other equity, debt or instruments that constitute an element of our debt and equity (collectively, "securities") in the future. We may also issue shares of common stock under our equity incentive plan or in connection with future acquisitions. We cannot predict the size of future issuances of securities or the effect, if any, that future issuances and sales of shares of our common stock or other securities will have on the price of our common stock. Sales of substantial amounts of common stock (including shares issued in connection with an acquisition), the issuance of additional debt securities, or the perception that such sales or issuances could occur, may cause the price of our common stock to fall.

We cannot guarantee that our stock repurchase program will be fully implemented.

In October 2018, our Board of Directors approved a stock repurchase program totaling $500 million. In October 2019, our Board of Directors authorized an increase to our existing stock repurchase program under which the Company may purchase up to an additional $500 million of our common stock, bringing the authorized total to $1.0 billion. We are not obligated to repurchase a specified number or dollar value of shares, and our repurchase program may be suspended or terminated at any time.

We have a substantial amount of indebtedness, which could have a material adverse effect on our financial condition and our ability to obtain financing in the future and to react to changes in our business.

As of December 31, 2019, we had approximately $1.6 billion aggregate principal amount of secured debt outstanding and approximately $1.8 billion of availability under our credit agreement ($1.9 billion of availability reduced by $69 million of amounts outstanding under letters of credit). In addition, we had approximately $2.3 billion aggregate principal amount of unsecured debt outstanding comprising $600 million aggregate principal amount of 4.75% senior notes due May 15, 2023 (the "U.S. Notes (2023)"), €500 million ($561 million) aggregate principal amount of 3.875% senior notes due April 1, 2024 (the "Euro Notes (2024)"), and €1.0 billion ($1.1 billion) aggregate principal amount consisting of €750 million of 3.625% senior notes due 2026 (the "Euro Notes (2026)") and €250 million of 4.125% senior notes due 2028 (the "Euro Notes (2028)," together with the 2026 notes, the "Euro Notes (2026/28)," and together with the U.S. Notes (2023), Euro Notes (2024), and Euro Notes (2026), the "senior notes"). Borrowings under the credit agreement mature in January 2024. On January 10, 2020, we redeemed the U.S. Notes (2023) at a redemption price equal to 101.583% of the principal amount of the U.S. Notes (2023) plus accrued and unpaid interest.

Our significant amount of debt and our debt service obligations could limit our ability to satisfy our obligations, limit our ability to operate our business and impair our competitive position.

For example, our debt and our debt service obligations could:

- increase our vulnerability to adverse economic and general industry conditions, including interest rate fluctuations, because a portion of our borrowings are and will continue to be at variable rates of interest;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our debt, which would reduce the availability of our cash flow from operations to fund working capital, capital expenditures or other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and industry;
- place us at a disadvantage compared to competitors that may have proportionately less debt;

- limit our ability to obtain additional debt or equity financing due to applicable financial and restrictive covenants in our debt agreements; and
- increase our cost of borrowing.

In addition, if we or our subsidiaries incur additional debt, the risks associated with our substantial leverage and the ability to service such debt would increase.

Our senior notes do not impose any limitations on our ability to incur additional debt or protect against certain other types of transactions.

Although we are subject to our credit agreement for so long as it remains in effect, the indentures governing the senior notes do not restrict the future incurrence of unsecured indebtedness, guarantees or other obligations. The indentures contain certain limitations on our ability to incur liens on assets and engage in sale and leaseback transactions. However, these limitations are subject to important exceptions. In addition, the indentures do not contain many other restrictions, including certain restrictions contained in our credit agreement, including, without limitation, making investments, prepaying subordinated indebtedness or engaging in transactions with our affiliates.

Our credit agreement will permit, subject to specified conditions and limitations, the incurrence of a significant amount of additional indebtedness. As of December 31, 2019, we would have been able to incur an additional $1.8 billion of indebtedness under our credit agreement ($1.9 billion of availability reduced by $69 million of amounts outstanding under letters of credit). If we or our subsidiaries incur additional debt, the risks associated with our substantial leverage and the need to service such debt would increase.

Our credit agreement imposes significant operating and financial restrictions on us and our subsidiaries, which may prevent us from capitalizing on business opportunities.

Our credit agreement imposes significant operating and financial restrictions on us. These restrictions limit our ability, among other things, to:

- incur, assume or permit to exist additional indebtedness (including guarantees thereof);
- pay dividends or certain other distributions on our capital stock or repurchase our capital stock or prepay subordinated indebtedness;
- incur liens on assets;
- make certain investments or other restricted payments;
- engage in transactions with affiliates;
- sell certain assets or merge or consolidate with or into other companies;
- guarantee indebtedness; and
- alter the business we conduct.

As a result of these covenants and restrictions, we will be limited in how we conduct our business and we may be unable to raise additional debt or equity financing to compete effectively or to take advantage of new business opportunities. The terms of any future indebtedness we may incur could include more restrictive covenants. We cannot assure you that we will be able to maintain compliance with these covenants in the future and, if we fail to do so, that we will be able to obtain waivers from the lenders and/or amend the covenants. The failure to comply with any of these covenants would cause a default under the credit agreement. A default, if not waived, could result in acceleration of our debt, in which case the debt would become immediately due and payable. If this occurs, we may not be able to repay our debt or borrow sufficient funds to refinance it. Even if new financing were available, it may be on terms that are less attractive to us than our existing credit facilities or it may be on terms that are not acceptable to us.

We may not be able to generate sufficient cash to service all of our indebtedness, and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

Our ability to make scheduled payments on or to refinance our debt obligations depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. We cannot assure you that we will maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness. If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay investments and capital expenditures, or to sell assets, seek additional capital or restructure or refinance our indebtedness. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. If our operating results and available cash are insufficient to meet our debt service obligations, we could face substantial liquidity problems and might

be required to dispose of material assets or operations to meet our debt service and other obligations. We may not be able to consummate those dispositions or to obtain the proceeds that we hope to realize from them, and these proceeds may not be adequate to meet any debt service obligations then due. Any future refinancing of our indebtedness could be at higher interest rates and may require us to comply with more onerous covenants which could further restrict our business operations. Additionally, our credit agreement and the indentures that govern our senior notes limit the use of the proceeds from certain dispositions of our assets; as a result, our credit agreement and our senior notes may prevent us from using the proceeds from such dispositions to satisfy all of our debt service obligations.

Our future capital needs may require that we seek to refinance our debt or obtain additional debt or equity financing, events that could have a negative effect on our business.

We may need to raise additional funds in the future to, among other things, refinance existing debt, fund our existing operations, improve or expand our operations, respond to competitive pressures, or make acquisitions. From time to time, we may raise additional funds through public or private financing, strategic alliances, or other arrangements. Funds may not be available or available on terms acceptable to us as a result of different factors, including but not limited to turmoil in the credit markets that results in the tightening of credit conditions and current or future regulations applicable to the financial institutions from whom we seek financing. If adequate funds are not available on acceptable terms, we may be unable to meet our business or strategic objectives or compete effectively. If we raise additional funds by issuing equity securities, stockholders may experience dilution of their ownership interests, and the newly issued securities may have rights superior to those of our common stock. If we raise additional funds by issuing debt, we may be subject to higher borrowing costs and further limitations on our operations. If we refinance or restructure our debt, we may incur charges to write off the unamortized portion of deferred debt issuance costs from a previous financing, or we may incur charges related to hedge ineffectiveness from our interest rate swap obligations. There are restrictions in the indenture that governs the Euro Notes (2024), Euro Notes (2026) and Euro Notes (2028) on our ability to refinance such notes prior to January 1, 2024, April 1, 2021, and April 1, 2023, respectively. If we fail to raise capital when needed, our business may be negatively affected.

Our variable rate indebtedness subjects us to interest rate risk, which could cause our indebtedness service obligations to increase significantly and could affect the value of our senior notes.

Certain borrowings under our credit agreement and the borrowing under our accounts receivable securitization facility are at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income and cash flows, including cash available for servicing our indebtedness, would correspondingly decrease. Moreover, changes in market interest rates could affect the trading value of the senior notes. Certain of our variable rate debt, including our revolving credit facility, currently uses the London Interbank Offered Rate ("LIBOR") as a benchmark for establishing the interest rate. LIBOR is the subject of recent proposals for reform. These reforms and other pressures may cause LIBOR to disappear entirely or to perform differently than in the past. The consequences of these developments with respect to LIBOR cannot be entirely predicted but could result in an increase in the cost of our variable rate debt. Assuming all revolving loans were fully drawn and no interest rate swaps were in place, each one percentage point change in interest rates would result in a $36 million change in annual cash interest expense under our credit agreement and our accounts receivable securitization facility.

Repayment of our indebtedness, including our senior notes, is dependent on cash flow generated by our subsidiaries.

We are a holding company and repayment of our senior notes will be dependent upon cash flow generated by our subsidiaries and their ability to make such cash available to us, by dividend, debt repayment or otherwise. Unless they are borrowers or guarantors of the indebtedness, our subsidiaries do not have any obligation to pay amounts due on the indebtedness or to make funds available for that purpose. Our subsidiaries may not be able to, or be permitted to, make distributions to enable us to make payments in respect of our indebtedness, including the senior notes. Each of our subsidiaries is a distinct legal entity and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries and, under certain circumstances, distributions from our subsidiaries may be subject to taxes that reduce the amount of such distributions available to us. While the indentures governing the senior notes limit the ability of our subsidiaries to restrict the payment of dividends or to restrict other intercompany payments to us, these limitations are subject to certain qualifications and exceptions. In the event that we do not receive distributions from our subsidiaries, we may be unable to make required principal and interest payments on our indebtedness, including the senior notes.

A downgrade in our credit rating would impact our cost of capital and could impact the market value of our senior notes.

Credit ratings have an important effect on our cost of capital. Credit rating agencies rate our debt securities on factors that include, among other items, our results of operations, business decisions that we make, their view of the general outlook for our industry, and their view of the general outlook for the economy. Actions taken by the rating agencies can include maintaining, upgrading, or downgrading the current rating or placing us on a watch list for possible future downgrading. We believe our current credit ratings enhance our ability to borrow funds at favorable rates. A downgrade in our current credit rating from a rating agency could adversely affect our cost of capital by causing us to pay a higher interest rate on borrowed

funds under our credit facilities. A downgrade could also adversely affect the market price and/or liquidity of our senior notes, preventing a holder from selling the senior notes at a favorable price, as well as adversely affecting our ability to issue new notes in the future or incur other indebtedness upon favorable terms.

The right to receive payments on the senior notes is effectively junior to those lenders who have a security interest in our assets.

Our obligations under our senior notes and our guarantors' obligations under their guarantees of the senior notes are unsecured, but our and each co-borrower's obligations under our credit agreement and each guarantor's obligations under their respective guarantees of the credit agreement are secured by a security interest in substantially all of our domestic tangible and intangible assets, including the stock of most of our wholly-owned United States subsidiaries and the stock of certain of our non-United States subsidiaries. If we are declared bankrupt or insolvent, or if we default under our credit agreement, the lenders could declare all of the funds borrowed thereunder, together with accrued interest, immediately due and payable. If we were unable to repay such indebtedness, the lenders could foreclose on the pledged assets to the exclusion of holders of our senior notes, even if an event of default exists under the applicable indenture governing the senior notes. Furthermore, if the lenders foreclose and sell the pledged equity interests in any subsidiary guarantor under our senior notes, then that guarantor will be released from its guarantee of the senior notes automatically and immediately upon such sale. In any such event, because the senior notes are not secured by any of our assets or the equity interests in subsidiary guarantors, it is possible that there would be no assets remaining from which claims by holders of the senior notes could be satisfied or, if any assets remained, they might be insufficient to satisfy claims fully. As of December 31, 2019, we had approximately $1.6 billion aggregate principal amount of secured debt outstanding and approximately $1.8 billion of availability under our credit agreement ($1.9 billion of availability reduced by $69 million of amounts outstanding under letters of credit).

United States federal and state statutes allow courts, under specific circumstances, to void the senior notes and the guarantees, subordinate claims in respect of the senior notes and the guarantees, and require holders of the senior notes to return payments received from us or the guarantors.

Our direct and indirect domestic subsidiaries that are obligors under the credit agreement guarantee the obligations under our senior notes. In addition, certain subsidiaries of the issuer of the Euro Notes (2024) guarantee the obligations under the Euro Notes (2024). The issuance of our senior notes and the issuance of the guarantees by the guarantors may be subject to review under state and federal laws if a bankruptcy, liquidation or reorganization case or a lawsuit, including in circumstances in which bankruptcy is not involved, were commenced at some future date by, or on behalf of, our unpaid creditors or the unpaid creditors of a guarantor. Under the federal bankruptcy laws of the United States and comparable provisions of state fraudulent transfer laws, a court may avoid or otherwise decline to enforce the senior notes, or a guarantor's guarantee, or may subordinate the senior notes, or such guarantee, to our or the applicable guarantor's existing and future indebtedness. While the relevant laws may vary from jurisdiction to jurisdiction, a court might do so if it found that when indebtedness under the senior notes was issued, or when the applicable guarantor entered into its guarantee, or, in some jurisdictions, when payments became due under the senior notes, or such guarantee, the issuer or the applicable guarantor received less than reasonably equivalent value or fair consideration and:

- was insolvent or rendered insolvent by reason of such incurrence;
- was engaged in a business or transaction for which its remaining assets constituted unreasonably small capital; or
- intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.

A court would likely find that we or a guarantor did not receive reasonably equivalent value or fair consideration for the senior notes or such guarantee if we or such guarantor did not substantially benefit directly or indirectly from the issuance of the senior notes. Thus, if the guarantees were legally challenged, any guarantee could be subject to the claim that, since the guarantee was incurred for our benefit, and only indirectly for the benefit of the guarantor, the obligations of the applicable guarantor were incurred for less than reasonably equivalent value or fair consideration. If a court were to void the issuance of the senior notes or any guarantee, a holder of the senior notes would no longer have any claim against us or the applicable guarantor. In the event of a finding that a fraudulent transfer or conveyance occurred, a holder of the senior notes may not receive any repayment on the senior notes. Further, the avoidance of the senior notes could result in an event of default with respect to our and our subsidiaries' other debt, which could result in acceleration of that debt. The measures of insolvency for purposes of these fraudulent transfer laws vary depending upon the law applied in any proceeding to determine whether a fraudulent transfer has occurred. Generally, however, an issuer or a guarantor, as applicable, would be considered insolvent if:

- the sum of its debts, including contingent liabilities, was greater than the fair value of its assets;
- the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or
- it could not pay its debts as they become due.

A court might also void the senior notes, or a guarantee, without regard to the above factors, if the court found that the senior notes were incurred or issued or the applicable guarantor entered into its guarantee with actual intent to hinder, delay or defraud its creditors. We cannot give any assurance as to what standard a court would apply in determining whether we or the guarantors were solvent at the relevant time or that a court would agree with our conclusions in this regard, or, regardless of the standard that a court uses, that it would not determine that we or a guarantor were indeed insolvent on that date; that any payments to the holders of the senior notes (including under the guarantees) did not constitute preferences, fraudulent transfers or conveyances on other grounds; or that the issuance of the senior notes and the guarantees would not be subordinated to our or any guarantor's other debt. In addition, any payment by us or a guarantor pursuant to the senior notes, or its guarantee, could be avoided and required to be returned to us or such guarantor or to a fund for the benefit of our or such guarantor's creditors, and accordingly the court might direct holders of the senior notes to repay any amounts already received from us or such guarantor. Among other things, under U.S. bankruptcy law, any payment by us pursuant to the senior notes or by a guarantor under a guarantee made at a time we or such guarantor were found to be insolvent could be voided and required to be returned to us or such guarantor or to a fund for the benefit of our or such guarantor's creditors if such payment is made to an insider within a one-year period prior to a bankruptcy filing or within 90 days for any outside party and such payment would give such insider or outsider party more than such party would have received in a distribution under the Bankruptcy Code in a hypothetical Chapter 7 case. Although each guarantee contains a "savings clause" intended to limit the subsidiary guarantor's liability to the maximum amount that it could incur without causing the incurrence of obligations under its subsidiary guarantee to be a fraudulent transfer, this provision may not be effective as a legal matter to protect any subsidiary guarantees from being avoided under fraudulent transfer law. In that regard, in *Official Committee of Unsecured Creditors of TOUSA, Inc. v Citicorp North America, Inc*., the United States Bankruptcy Court in the Southern District of Florida held that a savings clause similar to the savings clause included in our indentures was unenforceable. As a result, the subsidiary guarantees were found to be fraudulent conveyances. The United States Court of Appeals for the Eleventh Circuit subsequently affirmed the liability findings of the Bankruptcy Court without ruling directly on the enforceability of savings clauses generally. If the decision of the bankruptcy court in *TOUSA* were followed by other courts, the risk that the guarantees would be deemed fraudulent conveyances would be significantly increased.

To the extent a court avoids the senior notes or any of the guarantees as fraudulent transfers or holds the senior notes or any of the guarantees unenforceable for any other reason, the holders of the senior notes would cease to have any direct claim against us or the applicable guarantor. If a court were to take this action, our or the applicable guarantor's assets would be applied first to satisfy our or the applicable guarantor's other liabilities, if any, and might not be applied to the payment of the senior notes. Sufficient funds to repay the senior notes may not be available from other sources, including the remaining guarantors, if any. In addition, the Euro Notes (2024) and the related guarantees may be subject to avoidance under the laws of foreign jurisdictions, including Italy and Czech Republic, to the extent that we, the issuer of the Euro Notes (2024), or any of the guarantors (as applicable) were to be the subject of an insolvency or related proceeding in such jurisdiction(s).

Not all of our subsidiaries have guaranteed our credit agreement or our senior notes, and the assets of our non-guarantor subsidiaries may not be available to make payments on such obligations.

Not all of our subsidiaries have guaranteed the credit agreement, our U.S. Notes (2023), Euro Notes (2024), Euro Notes (2026), and Euro Notes (2028). In the event that any non-guarantor subsidiary becomes insolvent, liquidates, reorganizes, dissolves or otherwise winds up, holders of its indebtedness and its trade creditors generally will be entitled to payment on their claims from the assets of that subsidiary before any of those assets are made available to the lenders under the credit agreement or the holders of the senior notes. Consequently, claims in respect of the credit agreement and the senior notes are structurally subordinated to all of the liabilities of our subsidiaries that are not guarantors of such instruments, including trade payables, and any claims of third party holders of preferred equity interests, if any, in our non-guarantor subsidiaries. For the year ended December 31, 2019, our subsidiaries that are not borrowers under or do not guarantee the credit agreement and our subsidiaries that do not guarantee the U.S. Notes (2023) represented approximately 51% and 30% of our total revenue and operating income, respectively. In addition, these non-guarantor subsidiaries represented approximately 54% and 55% of our total assets and total liabilities, respectively, as of December 31, 2019 (excluding, in each case, intercompany amounts). As of the same date, our subsidiaries that do not guarantee the credit agreement or the U.S. Notes (2023) had approximately $2.5 billion of outstanding indebtedness (which includes $662 million of borrowings under our revolving credit facilities by foreign subsidiaries that are borrowers under the revolving credit facilities but that do not guarantee the U.S. Notes (2023)). The group of subsidiaries that does not guarantee the Euro Notes (2024) is similar to the group that does not guarantee the U.S. Notes (2023), Euro Notes (2026) and Euro Notes (2028), except that, in addition to the issuer of the Euro Notes (2024), there are four subsidiaries in the group that do not guarantee the U.S. Notes (2023), Euro Notes (2026) and Euro Notes (2028) that guarantee the Euro Notes (2024).

We may not be able to repurchase the senior notes upon a change of control or pursuant to an asset sale offer.

Upon a change of control, as defined in the indentures governing the senior notes, the holders of the senior notes will have the right to require us to offer to purchase all of the senior notes then outstanding at a price equal to 101% of their

principal amount plus accrued and unpaid interest. Such a change of control would also be an event of default under our credit agreement. In order to obtain sufficient funds to pay amounts due under the credit agreement and the purchase price of the outstanding senior notes, we expect that we would have to refinance our indebtedness. We cannot assure you that we would be able to refinance our indebtedness on reasonable terms, if at all. Our failure to offer to purchase all outstanding senior notes or to purchase all validly tendered senior notes would be an event of default under the indenture. Such an event of default may cause the acceleration of our other debt. Our other debt also may contain restrictions or repayment requirements with respect to specified events or transactions that constitute a change of control under the indenture.

The definition of change of control in the indentures governing the senior notes includes a phrase relating to the sale of “all or substantially all” of our assets. There is no precise established definition of the phrase “substantially all” under applicable law. Accordingly, the ability of a holder of senior notes to require us to repurchase its senior notes as a result of a sale of less than all our assets to another person may be uncertain.

In addition, in certain circumstances as specified in the indentures governing the senior notes, we will be required to commence an asset sale offer, as defined in the indentures governing the senior notes, pursuant to which we will be obligated to purchase certain senior notes at a price equal to 100% of their principal amount plus accrued and unpaid interest with the proceeds we receive from certain asset sales. Our other debt may contain restrictions that would limit or prohibit us from completing any such asset sale offer. In particular, our credit agreement contains provisions that require us, upon the sale of certain assets, to apply all of the proceeds from such asset sale to the prepayment of amounts due under the credit agreement. The mandatory prepayment obligations under the credit agreement will be effectively senior to our obligations to make an asset sale offer with respect to the senior notes under the terms of the indentures governing the senior notes. Our failure to purchase any such senior notes when required under the indentures would be an event of default under the indentures.

Key terms of the senior notes will be suspended if the notes achieve investment grade ratings and no default or event of default has occurred and is continuing.

Many of the covenants in the indentures governing the senior notes will be suspended if the senior notes are rated investment grade by Standard & Poor’s and Moody’s provided at such time no default or event of default has occurred and is continuing, including those covenants that restrict, among other things, our ability to pay dividends, incur liens and to enter into certain other transactions. There can be no assurance that the senior notes will ever be rated investment grade. However, suspension of these covenants would allow us to engage in certain transactions that would not be permitted while these covenants were in force (although provisions under our other debt, like the credit agreement, may continue to restrict us from engaging in these transactions), and the effects of any such transactions will be permitted to remain in place even if the senior notes are subsequently downgraded below investment grade.

The liquidity and market value of the senior notes may change due to a variety of factors.

The liquidity of any trading market in the senior notes, and the market price quoted for the senior notes, may be adversely affected by changes in the overall market for these types of securities, changes in interest rates, changes in our ratings, and changes in our financial performance or prospects or in the prospects for companies in our industries generally.

We rely on an accounts receivable securitization program for a portion of our liquidity.

We have an arrangement whereby we sell an interest in a portion of our accounts receivable to a special purpose vehicle and receive funding through the commercial paper market. This arrangement expires in November 2021. In the event that the market for commercial paper were to close or otherwise become constrained, our cost of credit relative to this program could rise, or credit could be unavailable altogether.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our properties are described in Item 1 of this Annual Report on Form 10-K, and such description is incorporated by reference into this Item 2. Our properties are sufficient to meet our present needs, and we do not anticipate any difficulty in securing additional space to conduct operations or additional office space, as needed, on terms acceptable to us.

ITEM 3. LEGAL PROCEEDINGS

On May 10, 2018, our Specialty segment received a Notice of Violation from the U.S. Environmental Protection Agency ("EPA") alleging that certain performance-related parts that we sold between January 1, 2015 and October 15, 2017

violated the provisions of the Clean Air Act that prohibit the sale of parts that could alter or defeat the emission control system of a vehicle. We are in negotiations with the EPA to resolve this matter, which may involve the payment of a civil penalty. Any penalty that is likely to be imposed is not expected to have material effect on our financial position, results of operations or cash flows.

In addition, we are from time to time subject to various claims and lawsuits incidental to our business. In the opinion of management, currently outstanding claims and suits will not, individually or in the aggregate, have a material adverse effect on our financial position, results of operations or cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

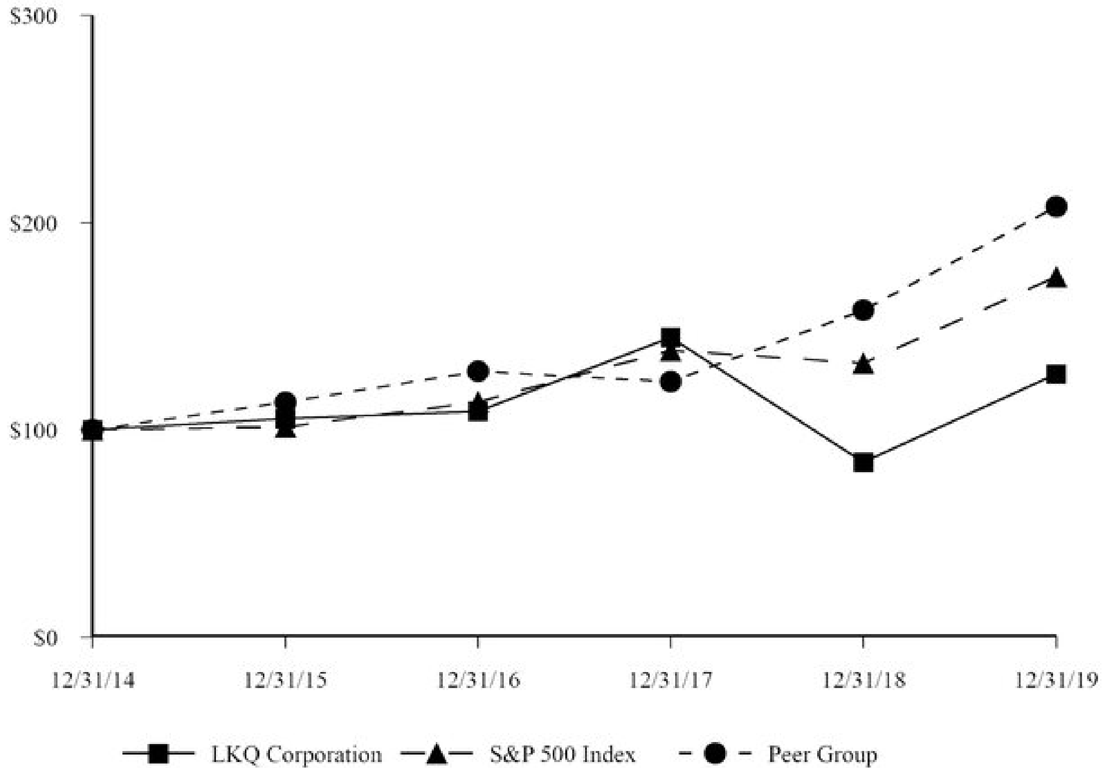
Our common stock is traded on the NASDAQ Global Select Market ("NASDAQ") under the symbol "LKQ." At December 31, 2019, there were 16 record holders of our common stock.

We have not paid any cash dividends on our common stock. We intend to continue to retain our earnings to finance our growth, repurchase stock through our stock repurchase program, and for general corporate purposes. We do not anticipate paying any cash dividends on our common stock in the foreseeable future. In addition, our senior secured credit agreement and our senior notes indentures contain, and future financing agreements may contain, limitations on payment of cash dividends or other distributions of assets. Delaware law also imposes restrictions on dividend payments. Based on limitations in effect under our senior secured credit agreement and senior notes indentures, the maximum amount of dividends we could pay as of December 31, 2019 was approximately $1.9 billion. The limit on the payment of dividends is calculated using historical financial information and will change from period to period.

Stock Performance Graph and Cumulative Total Return

The following graph compares the percentage change in the cumulative total returns on our common stock, the Standard & Poor's 500 Stock Index ("S&P 500 Index") and the following group of peer companies (the "Peer Group"): Copart, Inc.; O'Reilly Automotive, Inc.; Genuine Parts Company; and Fastenal Co., for the period beginning on December 31, 2014 and ending on December 31, 2019 (which was the last day of our 2019 fiscal year). The stock price performance in the graph is not necessarily indicative of future stock price performance. The graph assumes that the value of an investment in each of the Company's common stock, the S&P 500 Index and the Peer Group was $100 on December 31, 2014 and that all dividends, where applicable, were reinvested.

Comparison of Cumulative Return
Among LKQ Corporation, the S&P 500 Index and the Peer Group



	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019
LKQ Corporation	$ 100	$ 105	$ 109	$ 145	$ 84	$ 127
S&P 500 Index	$ 100	$ 101	$ 114	$ 138	$ 132	$ 174
Peer Group	$ 100	$ 113	$ 128	$ 123	$ 158	$ 208

This stock performance information is "furnished" and shall not be deemed to be "soliciting material" or subject to Rule 14A, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section, and shall not be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, whether made before or after the date of this report and irrespective of any general incorporation by reference language in any such filing, except to the extent that it specifically incorporates the information by reference.

Issuer Purchases of Equity Securities

On October 25, 2018, our Board of Directors authorized a stock repurchase program under which we were authorized to purchase up to $500 million of our common stock from time to time through October 25, 2021. Repurchases under the program may be made in the open market or in privately negotiated transactions, with the amount and timing of repurchases depending on market conditions and corporate needs. The repurchase program does not obligate us to acquire any specific number of shares and may be suspended or discontinued at any time. Delaware law imposes restrictions on stock repurchases.

On October 25, 2019, our Board of Directors authorized an increase to our existing stock repurchase program under which the Company may purchase up to an additional $500 million of our common stock from time to time through October 25, 2022; this extended date also applies to the original repurchase program. With the increase, the Board of Directors has authorized a total of $1.0 billion of common stock repurchases.

During the year ended December 31, 2019, we repurchased 10.9 million shares of common stock for an aggregate price of $292 million. There were no stock repurchases during the three months ended December 31, 2019. As of December 31, 2019, there was a total of $648 million of remaining capacity under our repurchase program.

Securities Authorized for Issuance Under Equity Compensation Plans

Information about our common stock that may be issued under our equity compensation plans as of December 31, 2019 included in Part III, Item 12 of this Annual Report on Form 10-K is incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA

The following selected consolidated financial data should be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 of this Annual Report on Form 10-K and our consolidated financial statements and related notes included in Item 8 of this Annual Report on Form 10-K.

(in thousands, except per share data)	Year Ended December 31,				
	2019	2018	2017	2016	2015
	(1)	(2)	(3)	(4)	(5)
Statements of Income Data:					
Revenue	$ 12,506,109	$ 11,876,674	$ 9,736,909	$ 8,584,031	$ 7,192,633
Cost of goods sold	7,654,315	7,301,817	5,937,286	5,232,328	4,359,104
Gross margin	4,851,794	4,574,857	3,799,623	3,351,703	2,833,529
Operating income (6) (7)	896,643	882,241	844,998	763,398	704,627
Other expense (income):					
Interest expense	138,504	146,377	101,640	88,263	57,860
(Gain) loss on debt extinguishment	(128)	1,350	456	26,650	—
Interest income and other income, net	(32,755)	(8,917)	(23,725)	(28,796)	(2,263)
Income from continuing operations before provision for income taxes	791,022	743,431	766,627	677,281	649,030
Provision for income taxes	215,330	191,395	235,560	220,566	219,703
Equity in (losses) earnings of unconsolidated subsidiaries (8)	(32,277)	(64,471)	5,907	(592)	(6,104)
Income from continuing operations	543,415	487,565	536,974	456,123	423,223
Net income (loss) from discontinued operations	1,619	(4,397)	(6,746)	7,852	—
Net income	545,034	483,168	530,228	463,975	423,223
Less: net income (loss) attributable to continuing noncontrolling interest	2,800	3,050	(3,516)	—	—
Less: net income attributable to discontinued noncontrolling interest	974	—	—	—	—
Net income attributable to LKQ stockholders	$ 541,260	$ 480,118	$ 533,744	$ 463,975	$ 423,223
Basic earnings per share: (9)					
Income from continuing operations	$ 1.75	$ 1.55	$ 1.74	$ 1.49	$ 1.39
Net income (loss) from discontinued operations	0.01	(0.01)	(0.02)	0.03	—
Net income	1.76	1.54	1.72	1.51	1.39
Less: net income (loss) attributable to continuing noncontrolling interest	0.01	0.01	(0.01)	—	—
Less: net income attributable to discontinued noncontrolling interest	0.00	—	—	—	—
Net income attributable to LKQ stockholders	$ 1.75	$ 1.53	$ 1.73	$ 1.51	$ 1.39
Diluted earnings per share: (9)					
Income from continuing operations	$ 1.75	$ 1.54	$ 1.73	$ 1.47	$ 1.38
Net income (loss) from discontinued operations	0.01	(0.01)	(0.02)	0.03	—
Net income	1.75	1.53	1.71	1.50	1.38
Less: net income (loss) attributable to continuing noncontrolling interest	0.01	0.01	(0.01)	—	—
Less: net income attributable to discontinued noncontrolling interest	0.00	—	—	—	—
Net income attributable to LKQ stockholders	$ 1.74	$ 1.52	$ 1.72	$ 1.50	$ 1.38
Weighted average shares outstanding-basic	310,155	314,428	308,607	306,897	304,722
Weighted average shares outstanding-diluted	310,969	315,849	310,649	309,784	307,496

(in thousands)	Year Ended December 31, 2019	2018	2017	2016	2015
	(1)	(2)	(3)	(4)	(5)
Other Financial Data:					
Net cash provided by operating activities	$ 1,064,033	$ 710,739	$ 518,900	$ 635,014	$ 544,282
Net cash used in investing activities	(264,853)	(1,458,939)	(384,595)	(1,709,928)	(329,993)
Net cash (used in) provided by financing activities	(600,669)	882,995	(112,567)	1,225,737	(238,537)
Capital expenditures	(265,730)	(250,027)	(179,090)	(207,074)	(170,490)
Cash paid for acquisitions, net of cash and restricted cash acquired	(27,296)	(1,214,995)	(513,088)	(1,349,339)	(160,517)
Depreciation and amortization	314,406	294,077	230,203	206,086	128,192
Balance Sheet Data:					
Total assets (10)	$ 12,779,956	$ 11,393,402	$ 9,366,872	$ 8,303,199	$ 5,647,837
Working capital (11)	2,491,505	2,830,601	2,499,410	2,045,273	1,588,742
Long-term obligations, including current portion	4,041,756	4,310,500	3,403,980	3,341,771	1,584,702
Total Company stockholders' equity	5,008,876	4,782,298	4,198,169	3,442,949	3,114,682

(1) Includes the results of operations of seven businesses from their respective acquisition dates in 2019.

(2) Includes the results of operations of Stahlgruber, from its acquisition effective May 30, 2018, and 13 other businesses from their respective acquisition dates in 2018.

(3) Includes the results of operations of 26 businesses from their respective acquisition dates in 2017.

(4) Includes the results of operations of: (i) Rhiag, from its acquisition effective March 18, 2016; (ii) the aftermarket automotive glass distribution business of Pittsburgh Glass Works LLC ("PGW autoglass"), from its acquisition effective April 21, 2016; and (iii) 13 other businesses from their respective acquisition dates in 2016.

(5) Includes the results of operations of 18 businesses from their respective acquisition dates in 2015.

(6) Reflects $47 million of impairment charges on net assets held for sale for the year ended December 31, 2019. See "Net Assets Held for Sale" in Note 4, "Summary of Significant Accounting Policies," for further information.

(7) Reflects a $33 million goodwill impairment charge on the Aviation reporting unit for the year ended December 31, 2018. See "Intangible Assets" in Note 4, "Summary of Significant Accounting Policies," for further information.

(8) Reflects impairment charges in 2019 and 2018 of $40 million and $71 million, respectively, related to the Mekonomen equity investment. See "Investments in Unconsolidated Subsidiaries" in Note 4, "Summary of Significant Accounting Policies," for further information.

(9) The sum of the individual earnings per share amounts may not equal the total due to rounding.

(10) Refer to "Recent Accounting Pronouncements–Adoption of New Lease Standard" in Note 4, "Summary of Significant Accounting Policies," for the increase in total assets compared to December 31, 2018 as a result of the adoption of the new lease standard.

(11) Working capital amounts represent current assets less current liabilities, excluding assets and liabilities of discontinued operations.

ITEM 7. 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, and specialty products and accessories to improve the performance, functionality and appearance of vehicles.

Buyers of vehicle replacement products have the option to purchase from primarily five sources: new products produced by OEMs; new products produced by companies other than the OEMs, which are referred to as aftermarket products; recycled products obtained from salvage and total loss vehicles; recycled products that have been refurbished; and recycled 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 and transmissions. Collectively, we refer to the four sources that are not new OEM products as alternative parts.

We are a leading provider of alternative vehicle collision replacement products and 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, Germany, the Benelux region (Belgium, Netherlands, and Luxembourg), Italy, Czech Republic, Poland, Slovakia, Austria, and various other 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 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 referred to 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 vehicle products to our customers through our distribution network.

During 2019, we completed seven acquisitions for a total consideration of $63 million, including three wholesale businesses and one self service business in North America, and three wholesale businesses in Europe.

On May 30, 2018, we acquired Stahlgruber, a leading European wholesale distributor of aftermarket spare parts for passenger cars, tools, capital equipment and accessories with operations in Germany, Austria, Italy, Slovenia, and Croatia with further sales to Switzerland. This acquisition expanded LKQ's geographic presence in continental Europe and serves as an additional strategic hub for our European operations. In addition, this acquisition should allow for continued improvement in procurement, logistics and infrastructure optimization.

On July 3, 2017, we acquired four parts distribution businesses in Belgium. These companies were acquired with the objective of transforming the existing three-step distribution model in Belgium to a two-step distribution model to align with our Netherlands operations.

On November 1, 2017, we acquired the aftermarket business of Warn, a leading designer, manufacturer and marketer of high performance vehicle equipment and accessories. This acquisition expanded LKQ's presence in the specialty market and created viable points of entry into related markets.

On April 21, 2016, we 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 II, Item 7 of this Annual Report on Form 10-K refers to the aftermarket glass distribution operations of PGW, PGW autoglass, which is included within continuing operations. See Note 3, "Discontinued Operations" in Item 8 of this Annual Report on Form 10-K for further information related to our discontinued operations. The acquisition of PGW autoglass expanded our addressable market in North America and provided distribution synergies with our existing network.

In October 2016, we acquired substantially all of the business assets of Andrew Page Limited ("Andrew Page"), a distributor of aftermarket automotive parts in the United Kingdom. The U.K. Competition and Markets Authority ("CMA") concluded its review of this acquisition on October 31, 2017 and required us to divest less than 10% of the acquired locations. We divested the required locations during 2018.

In addition to the significant acquisitions mentioned above, during the years ended December 31, 2019, 2018, and 2017, we acquired various smaller businesses across our North America, Europe, and Specialty segments.

On December 1, 2016, we acquired a 26.5% equity interest in Mekonomen AB ("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 acquired additional shares in the fourth quarter of 2018, increasing our equity interest to 26.6%. 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" and "Investments in Unconsolidated Subsidiaries" in Note 4, "Summary of Significant Accounting Policies," to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for additional information related to our acquisitions and investments.

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 replacement parts, components and systems used in the repair and maintenance of vehicles, and specialty products and accessories to improve the performance, functionality and appearance of vehicles. Our service revenue is generated primarily from the sale of service-type warranties, fees for admission to our self service yards, diagnostic and repair services, and processing fees related to the secure disposal of vehicles. During the year ended December 31, 2019, parts and services revenue represented approximately 95% of our consolidated revenue. Revenue from other sources includes scrap sales, bulk sales to mechanical manufacturers (including cores), and sales of aluminum ingots and sows from our furnace operations. Other revenue will vary from period to period based on fluctuations in commodity prices and the volume of materials sold. See Note 5, "Revenue Recognition" to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for additional information related to our sources of revenue.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations are based upon our 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. On an ongoing basis, we evaluate our estimates, assumptions, and judgments, including those related to revenue recognition, inventory valuation, business combinations and goodwill impairment. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. The results of these estimates form the basis for our judgments about the carrying values of assets and liabilities and our recognition of revenue. Actual results may differ from these estimates.

Revenue Recognition

For information regarding our critical accounting policies related to revenue, refer to Note 5, "Revenue Recognition," to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K.

Inventory Accounting

For all inventory, carrying value is recorded at the lower of cost or net realizable value. Net realizable value can be influenced by current anticipated demand. If actual demand differs from our estimates, additional reductions to inventory carrying value would be necessary in the period such determination is made.

For all of our aftermarket products, excluding our aftermarket automotive glass products, cost is established based on the average price we pay for parts; for our aftermarket automotive glass products inventory, cost is established using the first-in first-out method. Inventory cost for all of our aftermarket products includes expenses incurred for freight in and overhead costs; for items purchased from foreign companies, import fees and duties and transportation insurance are also included. Refurbished inventory cost is based upon the average price we pay for cores. The cost of our refurbished inventory also includes expenses incurred for freight in, labor and other overhead costs. Our salvage inventory cost is established based upon the price we pay for a vehicle, including auction, towing and storage fees, as well as expenditures for buying and dismantling vehicles. Inventory carrying value is determined using the average cost to sales percentage at each of our facilities and applying that percentage to the facility's inventory at expected selling prices, the assessment of which incorporates the sales probability based

on a part's days in stock and historical demand. The average cost to sales percentage is derived from each facility's historical profitability for salvage vehicles. Remanufactured inventory cost is based upon the price paid for cores, and also includes expenses incurred for freight, direct manufacturing costs and overhead related to our remanufacturing operations. The cost of manufactured product inventory is established using the first-in first-out method.

Lease Accounting

On January 1, 2019, we adopted Accounting Standards Update 2016-02, "Leases" ("ASU 2016-02"), which represents the FASB Accounting Standards Codification Topic 842 ("ASC 842"). We adopted the new guidance using the modified retrospective transition approach by applying the new standard to all leases existing at the date of initial application with no restatement of comparative periods. The most significant impact was the recognition of lease assets and liabilities for operating leases. Refer to "Recent Accounting Pronouncements–Adoption of New Lease Standard" in Note 4, "Summary of Significant Accounting Policies" and Note 13, "Leases" to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for additional information regarding the adoption of the new lease standard and our critical accounting policies related to leases.

Business Combinations

We record our acquisitions using the purchase method of accounting, under which the acquisition purchase price is allocated to the assets acquired and liabilities assumed based upon their respective fair values. We utilize management estimates and, in some instances, independent third party valuation firms to assist in determining the fair values of assets acquired, liabilities assumed and contingent consideration granted. There are inherent assumptions and estimates used in developing the future cash flows and fair values of tangible and intangible assets, such as projecting revenues and profits, discount rates, income tax rates, royalty rates, customer attrition rates and other various valuation assumptions. We use various valuation methods to value property, plant and equipment. When valuing real property, we typically use the sales comparison approach for land and the income approach for buildings and building improvements. When valuing personal property, we typically use either the income or cost approach. We used the relief-from-royalty method to value trade names, trademarks, software and other technology assets, and we used the multi-period excess earnings method to value customer relationships. The relief-from-royalty method assumes that the intangible asset has value to the extent that its owner is relieved of the obligation to pay royalties for the benefits received from the intangible asset. The multi-period excess earnings method is based on the present value of the incremental after-tax cash flows attributable only to the customer relationship after deducting contributory asset charges.

Goodwill and Indefinite-Lived Intangibles Impairment

We are required to test our goodwill and indefinite-lived intangible assets for impairment at least annually. When testing goodwill for impairment, we are required to evaluate events and circumstances that may affect the performance of the reporting unit and the extent to which the events and circumstances may impact the future cash flows of the reporting unit to determine whether the fair value of the assets exceeds the carrying value. Developing the estimated future cash flows and fair value of the reporting unit requires management's judgment in projecting revenues and profits, allocation of shared corporate costs, tax rates, capital expenditures, working capital requirements, discount rates and market multiples. Many of the factors used in assessing fair value are outside the control of management, and it is reasonably likely that assumptions and estimates can change in future periods. If these assumptions or estimates change in the future, we may be required to record impairment charges for these assets. In response to changes in industry and market conditions, we may be required to strategically realign our resources and consider restructuring, disposing of, or otherwise exiting businesses, which could result in an impairment of goodwill.

We perform goodwill impairment tests annually in the fourth quarter and between annual tests whenever events indicate that an impairment may exist. During 2019, we did not identify any events or changes in circumstances that would more likely than not reduce the fair value of our reporting units below their carrying amounts. Therefore, we did not perform any impairment tests other than our annual test in the fourth quarter as of October 31, 2019.

Our goodwill impairment assessment is performed by reporting unit. A reporting unit is an operating segment, or a business one level below an operating segment (the "component" level), for which discrete financial information is prepared and regularly reviewed by segment management. However, components are aggregated as a single reporting unit if they have similar economic characteristics. For the purpose of aggregating our components into reporting units, we review the long-term performance of Segment EBITDA. Additionally, we review qualitative factors such as type or class of customers, nature of products, distribution methods, inventory procurement methods, level of integration, and interdependency of processes across components. Our assessment of the aggregation includes both qualitative and quantitative factors and is based on the facts and circumstances specific to the components.

We have four operating segments: Wholesale – North America, Europe, Specialty and Self Service. Each of these operating segments consists of multiple components that have discrete financial information available that is reviewed by

segment management on a regular basis. We have evaluated these components and concluded that the components that compose the Wholesale – North America, Europe, Specialty, and Self Service operating segments are economically similar and thus were aggregated into four separate reporting units for our 2019 annual goodwill impairment test.

Our goodwill would be considered impaired if the carrying value of a reporting unit exceeded its estimated fair value. The fair value estimates are established using weightings of the results of a discounted cash flow methodology and a comparative market multiples approach. We believe that using two methods to determine fair value limits the chances of an unrepresentative valuation. Discount rates, growth rates and cash flow projections are the assumptions that are most sensitive and susceptible to change as they require significant management judgment. Impairment may result from, among other things, deterioration in the performance of acquired businesses, increases in our cost of capital, adverse market conditions, and adverse changes in applicable laws or regulations, including modifications that restrict the activities of the acquired business. To assess the reasonableness of the fair value estimates, we compare the sum of the reporting units' fair values to the Company's market capitalization and calculate an implied control premium, which is then evaluated against recent market transactions in our industry. If we were required to recognize goodwill impairments, we would report those impairment losses as part of our operating results.

We determined no impairments existed when we performed our annual goodwill impairment testing in 2019 on all four reporting units as each of those reporting units had a fair value estimate that exceeded the carrying value by at least 25%. As of December 31, 2019, we had a total of $4.4 billion in goodwill subject to future impairment tests.

Based on our annual goodwill impairment test in the fourth quarter of 2018, we determined the carrying value of our Aviation reporting unit exceeded the fair value estimate by more than the carrying value, thus we recorded an impairment charge of $33 million, which represented the total carrying value of goodwill in our Aviation reporting unit. The impairment charge was due to a decrease in the fair value estimate from the prior year fair value estimate, primarily driven by a significant deterioration in the outlook for the Aviation reporting unit due to competition, customer financial issues and changing market conditions for the airplane platforms that the business services, which lowered our projected gross margin and related future cash flows. We reported the impairment charge in Impairment of net assets held for sale and goodwill on the Consolidated Statements of Income for the year ended December 31, 2018. We sold the Aviation business in the third quarter of 2019.

We review indefinite-lived intangible assets for impairment annually or sooner if events or changes in circumstances indicate that the carrying value may not be recoverable. We performed a quantitative impairment test in the fourth quarter as of October 31, 2019, using the relief-from-royalty method to value the Warn trademark, which is our only indefinite-lived intangible; we determined no impairment existed as the trademark had a fair value estimate which exceeded the carrying value.

Recently Issued Accounting Pronouncements

See "Recent Accounting Pronouncements" in Note 4, "Summary of Significant Accounting Policies" to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for information related to new accounting standards.

Financial Information by Geographic Area

See Note 16, "Segment and Geographic Information" to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for information related to our revenue and long-lived assets by geographic region.

1 LKQ Europe Program

We have undertaken the 1 LKQ Europe program to create structural centralization and standardization of key functions to facilitate the operation of the Europe segment as a single business. Under this multi-year program, we have recognized to date and expect to continue to recognize the following:

- Restructuring expenses — Non-recurring costs resulting directly from the implementation of the 1 LKQ Europe program from which the business will derive no ongoing benefit. See Note 6, "Restructuring and Acquisition Related Expenses" to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for further details.
- Transformation expenses — Period costs incurred to execute the 1 LKQ Europe program that are expected to contribute to ongoing benefits to the business (e.g. non-capitalizable implementation costs related to a common ERP system). These expenses are recorded in Selling, general and administrative expenses.
- Transformation capital expenditures — Capitalizable costs for long-lived assets, such as software and facilities, that directly relate to the execution of the 1 LKQ Europe program.

Costs related to the 1 LKQ Europe program incurred to date are reflected in Selling, general and administrative expenses and Purchases of property, plant and equipment in our consolidated financial statements in Part II, Item 8 of this

Annual Report on Form 10-K. We expect that future costs of the program, reflecting all three categories noted above, will range between $100 million and $125 million for the period from 2020 through 2021 with an additional $80 million to $100 million between 2022 and the projected completion date of the project in 2024.

Results of Operations—Consolidated

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

	Year Ended December 31,		
	2019	2018	2017
Revenue	100.0 %	100.0 %	100.0 %
Cost of goods sold	61.2 %	61.5 %	61.0 %
Gross margin	38.8 %	38.5 %	39.0 %
Selling, general and administrative expenses	28.6 %	28.2 %	27.9 %
Restructuring and acquisition related expenses	0.3 %	0.3 %	0.2 %
Impairment of net assets held for sale and goodwill	0.4 %	0.3 %	— %
Depreciation and amortization	2.3 %	2.3 %	2.3 %
Operating income	7.2 %	7.4 %	8.7 %
Other expense, net	0.8 %	1.2 %	0.8 %
Income from continuing operations before provision for income taxes	6.3 %	6.3 %	7.9 %
Provision for income taxes	1.7 %	1.6 %	2.4 %
Equity in (losses) earnings of unconsolidated subsidiaries	(0.3)%	(0.5)%	0.1 %
Income from continuing operations	4.3 %	4.1 %	5.5 %
Net income (loss) from discontinued operations	0.0 %	(0.0)%	(0.1)%
Net income	4.4 %	4.1 %	5.4 %
Less: net income (loss) attributable to continuing noncontrolling interest	0.0 %	0.0 %	(0.0)%
Less: net income attributable to discontinued noncontrolling interest	0.0 %	— %	— %
Net income attributable to LKQ stockholders	4.3 %	4.0 %	5.5 %

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

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

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

	Year Ended December 31,		Percentage Change in Revenue			
	2019	2018	Organic	Acquisition	Foreign Exchange	Total Change
Parts & services revenue	$ 11,877,846	$ 11,233,407	0.3 %	7.6%	(2.2)%	5.7 %
Other revenue	628,263	643,267	(3.3)%	1.2%	(0.2)%	(2.3)%
Total revenue	$ 12,506,109	$ 11,876,674	0.1 %	7.3%	(2.1)%	5.3 %

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

The growth in parts and services revenue of 5.7% represented increases in segment revenue of 11.8% in Europe (driven by the Stahlgruber acquisition in May 2018) and 0.9% in North America and a decrease of 0.9% in Specialty. The decrease in other revenue of 2.3% was primarily driven by a $21 million organic decrease, 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 by segment during the year ended December 31, 2019 compared to the year ended December 31, 2018.

Cost of Goods Sold. Cost of goods sold decreased to 61.2% of revenue in the year ended December 31, 2019 from 61.5% of revenue in the year ended December 31, 2018. Our North America segment generated a 0.6% improvement in gross margin, which was partially offset by (i) a 0.2% increase in cost of goods sold attributable to mix and (ii) an increase of 0.2% primarily due to inventory write-downs in our Europe segment. The mix impact is a result of our Stahlgruber acquisition, as the lower margin Europe segment makes up a larger percentage of the consolidated results and has a dilutive effect on the gross

margin percentage. We recorded a $21 million reduction of inventory primarily due to our Europe segment related to U.K. branch consolidation and brand rationalization initiated as part of our restructuring program. See Note 6, "Restructuring and Acquisition Related Expenses" to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for further information on our restructuring plans. 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 year ended December 31, 2019 compared to the year ended December 31, 2018.

Selling, General and Administrative Expenses. Our selling, general and administrative ("SG&A") expenses as a percentage of revenue increased to 28.6% in the year ended December 31, 2019 from 28.2% in the year ended December 31, 2018, primarily as a result of 0.3% and 0.2% increases from our North America and Europe segments, respectively. Refer to the discussion of our segment results of operations for factors contributing to the changes in SG&A expenses as a percentage of revenue by segment for the year ended December 31, 2019 compared to the year ended December 31, 2018.

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

	Year Ended December 31,		
	2019	2018	Change
Restructuring expenses	$ 34,832 (1)	$ 14,313 (2)	$ 20,519
Acquisition related expenses	2,147 (3)	18,115 (4)	(15,968)
Total restructuring and acquisition related expenses	$ 36,979	$ 32,428	$ 4,551

(1) Restructuring expenses for the year ended December 31, 2019 primarily consisted of (i) $20 million related to our 2019 global restructuring program, and (ii) $14 million related to integration costs from acquisitions.

(2) Restructuring expenses for the year ended December 31, 2018 primarily consisted of $10 million related to the integration of our acquisition of Andrew Page and $3 million related to our Specialty segment. These integration activities included the closure of duplicate facilities and termination of employees.

(3) Acquisition related expenses for the year ended December 31, 2019 included costs related to completed and pending acquisitions.

(4) Acquisition related expenses for the year ended December 31, 2018 primarily consisted of $16 million of costs for our acquisition of Stahlgruber. The remaining costs related to other completed acquisitions and acquisitions that were pending as of December 31, 2018.

See Note 6, "Restructuring and Acquisition Related Expenses" to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for further information on our restructuring and integration plans.

Impairment of Net Assets Held for Sale and Goodwill. We recorded a $47 million impairment charge on net assets held for sale for the year ended December 31, 2019. The impairment charge was primarily attributable to our North America segment. We recorded a $33 million goodwill impairment charge on the Aviation reporting unit in our North America segment in the fourth quarter of 2018. See "Net Assets Held for Sale" and "Intangible Assets" in Note 4, "Summary of Significant Accounting Policies" to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for further information on the impairment charges.

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

	Year Ended December 31,		
	2019	2018	Change
Depreciation	$ 150,649	$ 137,632	$ 13,017 (1)
Amortization	140,121	136,581	3,540 (2)
Total depreciation and amortization	$ 290,770	$ 274,213	$ 16,557

(1) Depreciation expense included an incremental $6 million in our Europe segment, principally due to (i) a $7 million increase in depreciation expense from our acquisition of Stahlgruber, and (ii) several individually immaterial factors that increased depreciation expense by $2 million in the aggregate, partially offset by (iii) a decrease of $3 million related to the impact of foreign currency translation, primarily due to decreases in the euro and pound sterling exchange rates during the year ended December 31, 2019 compared to the prior year period. Depreciation expense

also included an incremental $6 million in our North America segment, primarily due to capital expenditures related to new warehouse openings and upgrades to our existing information technology infrastructure.

(2) The increase in amortization expense primarily reflected (i) an incremental $16 million from our acquisition of Stahlgruber, partially offset by (ii) a decrease of $6 million related to the impact of foreign currency translation, principally due to a decrease in the euro exchange rate during the year ended December 31, 2019 compared to the prior year period, and (iii) a decrease of $6 million related to our 2016 acquisition of Rhiag, which had lower amortization expense during the year ended December 31, 2019 compared to the prior year period as a result of accelerated amortization on a customer relationship intangible asset.

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

Other expense, net for the year ended December 31, 2018	$ 138,810	
Decrease due to:		
Interest expense	(7,873)	(1)
(Gain) loss on debt extinguishment	(1,478)	
Interest income and other income, net	(23,838)	(2)
Net decrease	(33,189)	
Other expense, net for the year ended December 31, 2019	$ 105,621	

(1) The decrease in interest expense is primarily related to (i) a $9 million decrease from lower interest rates on borrowings under our senior secured credit agreement compared to the prior year period, and (ii) a $4 million decrease from foreign currency translation, primarily related to a decrease in the euro exchange rate during the year ended December 31, 2019 compared to the prior year period, partially offset by (iii) a $5 million increase resulting from higher outstanding debt during the year ended December 31, 2019 compared to the prior year period (including the borrowings in 2018 under our Euro Notes (2026/28) for the Stahlgruber acquisition).

(2) The increase in interest income and other income, net primarily consisted of (i) a $12 million non-recurring gain related to resolution of an acquisition related matter in the fourth quarter of 2019, (ii) a $5 million fair value loss recorded during 2018 related to a preferential rights issue to subscribe for new shares at a discounted share price for our equity method investment in Mekonomen; see Note 4, "Summary of Significant Accounting Policies" to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for further information, (iii) $3 million of proceeds received in the first quarter of 2019 related to an insurance settlement in our North America segment, (iv) a $2 million non-recurring impairment loss recorded during the second quarter of 2018 related to our Andrew Page operation, and (v) several individually immaterial factors that increased interest and other income by $2 million in the aggregate.

Provision for Income Taxes. Our effective income tax rate for the year ended December 31, 2019 was 27.2%, compared to 25.7% for the prior year. The increase was primarily attributable to the impact of a favorable discrete item of $10 million for the year ended December 31, 2018, reflecting an adjustment to the Tax Act transition tax. We did not have a similar benefit in 2019, thus creating an increase of 1.4% on the annual tax rate. The increase was also partially attributable to the impact of a favorable discrete item of approximately $5 million for the year ended December 31, 2018, for excess tax benefits from stock-based payments; there were $3 million of excess tax benefits from stock-based payments for the year ended December 31, 2019 for an unfavorable year over year impact of 0.3%. See Note 15, "Income Taxes" to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for further information.

Equity in (Losses) Earnings of Unconsolidated Subsidiaries. Equity in (losses) earnings of unconsolidated subsidiaries for the year ended December 31, 2019 primarily related to our investment in Mekonomen. During the years ended December 31, 2019 and 2018, we recognized other-than-temporary impairment charges of $40 million and $71 million, respectively, related to our investment in Mekonomen. See "Investments in Unconsolidated Subsidiaries" in Note 4, "Summary of Significant Accounting Policies" to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for further information on the impairment charges. Excluding the impairment charges, we recorded equity in earnings of $9 million and $7 million related to our investment in Mekonomen for the years ended December 31, 2019 and 2018, respectively.

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 year ended December 31, 2018, the Czech koruna, euro, pound sterling and Canadian dollar rates used to translate the 2019 statements of income decreased by 5%, 5%, 4% and 2%, respectively. The negative translation effect of the change in foreign currencies against the U.S. dollar combined with the negative impact of realized and

unrealized currency gains and losses for the year ended December 31, 2019 resulted in a $0.03 negative effect on diluted earnings per share relative to the prior year period.

Net Income (Loss) from Discontinued Operations. We recorded net income of $2 million and a net loss of $4 million from discontinued operations during the years ended December 31, 2019 and 2018, respectively. See Note 3, "Discontinued Operations" to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for further information.

Net (Loss) Income Attributable to Continuing and Discontinued Noncontrolling Interest. Net (loss) income attributable to continuing noncontrolling interest for the year ended December 31, 2019 was comparable to the prior year period, due to (i) a $2 million decrease in our North America segment, as we allocated a loss of $1 million to the noncontrolling interest of an immaterial subsidiary during the year ended December 31, 2019, which was offset by (ii) a $2 million increase related to the noncontrolling interest of subsidiaries acquired in connection with the Stahlgruber acquisition. Net income attributable to discontinued noncontrolling interest was $1 million for the year ended December 31, 2019 and related to the Stahlgruber Czech Republic wholesale business. See Note 3, "Discontinued Operations" to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for further information on this business.

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

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

	Year Ended December 31,		Percentage Change in Revenue			
	2018	2017	Organic	Acquisition	Foreign Exchange	Total Change
Parts & services revenue	$ 11,233,407	$ 9,208,634	4.4%	16.0%	1.5%	22.0%
Other revenue	643,267	528,275	20.4%	1.4%	0.0%	21.8%
Total revenue	$ 11,876,674	$ 9,736,909	5.3%	15.3%	1.4%	22.0%

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 22.0% represented increases in segment revenue of 6.5% in North America, 43.4% in Europe and 13.2% in Specialty. Organic growth in parts and services revenue on a per day basis was 4.1% as there was one additional selling day in 2018 compared to 2017. The increase in other revenue of 21.8% was primarily driven by a $108 million organic increase, 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 by segment during the year ended December 31, 2018 compared to the year ended December 31, 2017.

Cost of Goods Sold. Cost of goods sold increased to 61.5% of revenue in the year ended December 31, 2018 from 61.0% of revenue in the year ended December 31, 2017. Cost of goods sold increased 0.4% and 0.3% as a result of our Europe and North America segments, respectively. 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 year ended December 31, 2018 compared to the year ended December 31, 2017.

Selling, General and Administrative Expenses. Our SG&A expenses as a percentage of revenue increased to 28.2% in the year ended December 31, 2018 from 27.9% in the year ended December 31, 2017, primarily as a result of a 0.2% increase from our North America segment. Refer to the discussion of our segment results of operations for factors contributing to the changes in SG&A expenses as a percentage of revenue by segment for the year ended December 31, 2018 compared to the year ended December 31, 2017.

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

	Year Ended December 31,		
	2018	2017	Change
Restructuring expenses	$ 14,313 (1)	$ 5,012 (2)	$ 9,301
Acquisition related expenses	18,115 (3)	14,660 (4)	3,455
Total restructuring and acquisition related expenses	$ 32,428	$ 19,672	$ 12,756

(1) Restructuring expenses for the year ended December 31, 2018 primarily consisted of $10 million related to the integration of our acquisition of Andrew Page and $3 million related to our Specialty segment. These integration activities included the closure of duplicate facilities and termination of employees.

(2) Restructuring expenses for the year ended December 31, 2017 included $2 million, $2 million, and $1 million related to the integration of acquired businesses in our North America, Specialty, and Europe segments, respectively. These integration activities included the closure of duplicate facilities and termination of employees.

(3) Acquisition related expenses for the year ended December 31, 2018 primarily consisted of $16 million of costs for our acquisition of Stahlgruber. The remaining costs related to other completed acquisitions and acquisitions that were pending as of December 31, 2018.

(4) Acquisition related expenses for the year ended December 31, 2017 included $5 million of costs for our acquisition of Andrew Page, primarily related to legal and other professional fees associated with the CMA review. The remaining acquisition related costs for the year ended December 31, 2017 consisted of external costs for completed acquisitions; pending acquisitions as of December 31, 2017, including $4 million related to Stahlgruber; and potential acquisitions that were terminated.

See Note 6, "Restructuring and Acquisition Related Expenses" to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for further information on our restructuring and integration plans.

Impairment of Net Assets Held for Sale and Goodwill. We recorded a $33 million goodwill impairment charge on the Aviation reporting unit in the fourth quarter of 2018. See "Intangible Assets" in Note 4, "Summary of Significant Accounting Policies," for further information.

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

	Year Ended December 31,		
	2018	**2017**	**Change**
Depreciation	$ 137,632	$ 117,859	$ 19,773 (1)
Amortization	136,581	101,687	34,894 (2)
Total depreciation and amortization	$ 274,213	$ 219,546	$ 54,667

(1) The increase in depreciation expense primarily reflected an increase of $17 million in our Europe segment, composed of (i) $10 million of incremental depreciation expense from our acquisition of Stahlgruber, (ii) a $3 million increase due to a measurement period adjustment recorded in the year ended December 31, 2017 related to our valuation procedures for our acquisition of Rhiag that reduced depreciation expense, and (iii) $3 million of incremental depreciation expense from our acquisitions of aftermarket parts distribution businesses in Belgium and Poland in the third quarter of 2017. Depreciation expense also increased by $2 million related to the impact of foreign currency translation, primarily due to increases in the pound sterling, euro, and Czech koruna exchange rates during 2018 compared to the prior year.

(2) The increase in amortization expense primarily reflected (i) an increase of $37 million from our acquisition of Stahlgruber, and (ii) an increase of $4 million from our acquisition of Warn, partially offset by (iii) a $7 million decrease due to our 2016 acquisitions of Rhiag and PGW, which had higher amortization expense in 2017 compared to 2018 as a result of accelerated amortization on the customer relationship intangible assets.

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

Other expense, net for the year ended December 31, 2017	$ 78,371
Increase due to:	
Interest expense	44,737 (1)
Loss on debt extinguishment	894
Gains on bargain purchases	1,452 (2)
Interest income and other income, net	13,356 (3)
Net increase	60,439
Other expense, net for the year ended December 31, 2018	$ 138,810

(1) Additional interest primarily related to (i) a $38 million increase resulting from higher outstanding debt during 2018 compared to the prior year (including the borrowings under our Euro Notes (2026/28)), (ii) a $5 million increase from higher interest rates on borrowings under our senior secured credit agreement compared to the prior year, and (iii) a $2

million increase from foreign currency translation, primarily related to an increase in the euro exchange rate during the year ended December 31, 2018 compared to the year ended December 31, 2017.

(2) Over the past three years, we have completed several European acquisitions that resulted in gains on bargain purchase. In 2018, newly recorded gains and adjustments related to preliminary gains decreased relative to the prior year amount.

(3) The increase in interest income and other income, net primarily consisted of (i) a $6 million increase in foreign currency losses, (ii) a $5 million fair value loss recorded during 2018 related to a preferential rights issue to subscribe for new shares at a discounted share price for our equity method investment in Mekonomen; see Note 4, "Summary of Significant Accounting Policies" to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for further information, and (iii) a non-recurring $4 million gain recorded in 2017 due to a decrease in the fair value of contingent consideration liabilities.

Provision for Income Taxes. Our effective income tax rate was 25.7% for the year ended December 31, 2018, compared to 30.7% for the year ended December 31, 2017. The following table summarizes the components of our provision for income taxes for the periods indicated (in thousands):

	Year Ended December 31,		
	2018	2017	
Base provision for income taxes	$ 202,511	$ 266,403	(1)
Excess tax benefits from stock-based payments	(4,859)	(8,000)	(2)
U.S. tax reform deferred tax rate adjustment	—	(72,988)	(3)
U.S. tax reform transition tax on foreign earnings	(9,581)	50,800	(4)
Other discrete items	3,324	(655)	
Provision for income taxes	$ 191,395	$ 235,560	

(1) Excluding the impact of discrete items, prior to the enactment of the Tax Act our recurring annual effective tax rate was approximately 35%. Largely due to the reduction in the U.S. federal tax rate to 21%, we estimated the rate to be approximately 27%.

(2) Represents a discrete item for excess tax benefits received upon the exercise of stock options or vesting of RSUs.

(3) The 2017 amount represented the provisional estimate of the revaluation of deferred tax assets and liabilities as a result of the Tax Act which reduced the U.S. federal corporate tax rate. There were no adjustments to the revaluation recorded in 2018; the accounting for this item is complete.

(4) The 2017 amount represented the provisional estimate of the one-time transition tax on the mandatory deemed repatriation of cumulative foreign earnings as of December 31, 2017 as a result of the Tax Act. In 2018, we recognized a $10 million favorable adjustment to the Tax Act transition tax provisional estimate; the accounting for this item is complete.

For further discussion of the Tax Act, see Note 15, "Income Taxes," included in Part II, Item 8 of this Annual Report on Form 10-K.

Equity in (Losses) Earnings of Unconsolidated Subsidiaries. Equity in (losses) earnings of unconsolidated subsidiaries for the years ended December 31, 2018 and 2017 primarily related to our investment in Mekonomen. During the year ended December 31, 2018, we recorded $71 million in other-than-temporary impairments related to our investment in Mekonomen. See Note 4, "Summary of Significant Accounting Policies" to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for further information on the impairment charges. The impairment charges are excluded from our calculation of Segment EBITDA. See Note 16, "Segment and Geographic Information" to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for our reconciliation of Net Income to Segment EBITDA. Excluding the impairment charges, we recorded equity in earnings of $7 million during each of the years ended December 31, 2018 and 2017 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 year ended December 31, 2017, the Czech koruna, euro, and pound sterling rates used to translate the 2018 statements of income increased by 7%, 5%, and 4%, respectively. The translation effect of the change in foreign currencies against the U.S. dollar and realized and unrealized currency losses for the year ended December 31, 2018 resulted in a $0.02 positive effect on diluted earnings per share from continuing operations relative to the prior year.

Net Income (Loss) from Discontinued Operations. We recorded net losses from discontinued operations of $4 million and $7 million during the years ended December 31, 2018 and 2017, respectively. Discontinued operations represents the automotive glass manufacturing business of PGW, which we sold on March 1, 2017. See Note 3, "Discontinued Operations" to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for further information.

Net (Loss) Income Attributable to Continuing and Discontinued Noncontrolling Interest. Net (loss) income attributable to continuing noncontrolling interest for the year ended December 31, 2018 increased $7 million from 2017 due to (i) a $5 million increase in our North America segment, as we allocated a loss of $4 million to the noncontrolling interest of an immaterial subsidiary during the year ended December 31, 2017, and (ii) a $2 million increase related to the noncontrolling interest of subsidiaries acquired in connection with the Stahlgruber acquisition.

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.

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):

	Year Ended December 31,					
	2019	% of Total Segment Revenue	2018	% of Total Segment Revenue	2017	% of Total Segment Revenue
Third Party Revenue						
North America	$ 5,208,589		$ 5,181,964		$ 4,798,901	
Europe	5,838,124		5,221,754		3,636,811	
Specialty	1,459,396		1,472,956		1,301,197	
Total third party revenue	$ 12,506,109		$ 11,876,674		$ 9,736,909	
Total Revenue						
North America	$ 5,209,294		$ 5,182,609		$ 4,799,651	
Europe	5,838,124		5,221,754		3,636,811	
Specialty	1,464,042		1,477,680		1,305,516	
Eliminations	(5,351)		(5,369)		(5,069)	
Total revenue	$ 12,506,109		$ 11,876,674		$ 9,736,909	
Segment EBITDA						
North America	$ 712,957	13.7%	$ 660,153	12.7%	$ 655,275	13.7%
Europe	454,220	7.8%	422,721	8.1%	319,156	8.8%
Specialty	161,184	11.0%	168,525	11.4%	142,159	10.9%

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 (which includes restructuring expenses recorded in Cost of goods sold), change in fair value of contingent consideration liabilities, other gains and losses related to acquisitions, equity method investments or divestitures, equity in losses and earnings of unconsolidated subsidiaries, and impairment charges. EBITDA, which is the basis for Segment EBITDA, is calculated as net income, less net income (loss) attributable to continuing and discontinued noncontrolling interest, excluding discontinued operations and discontinued noncontrolling interest, depreciation, amortization, interest (which includes gains and losses on debt extinguishment) and income tax expense. See Note 16, "Segment and Geographic Information" to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for a reconciliation of total Segment EBITDA to net income.

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

North America

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

	Year Ended December 31,		Percentage Change in Revenue			
North America	**2019**	**2018**	**Organic**	**Acquisition [3]**	**Foreign Exchange**	**Total Change**
Parts & services revenue	$ 4,600,903	$ 4,558,220	0.9 % (1)	0.2%	(0.2)%	0.9 %
Other revenue	607,686	623,744	(3.4)% (2)	0.8%	(0.0)%	(2.6)%
Total third party revenue	$ 5,208,589	$ 5,181,964	0.4 %	0.3%	(0.2)%	0.5 %

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

(1) Parts and services organic revenue increased 0.9% for the year ended December 31, 2019 compared to the prior year period. This relatively low growth rate was impacted by (i) lower revenue in our glass and aviation businesses, which had unfavorable effects on organic growth of 0.4% and 0.2%, respectively, and (ii) collision and liability related auto claims being 1.4% lower for the year ended December 31, 2019 compared to the prior year period, which adversely impacted volume in our wholesale operations. Additionally, our North America segment generated a 5.7% organic growth rate for parts and services revenue in the year ended December 31, 2018, due in part to severe winter weather conditions. Facing a strong comparable period and with less favorable weather conditions in 2019, organic parts and services revenue growth was below our historical average.

(2) The $21 million year over year organic decrease in other revenue primarily related to (i) a $67 million decrease in revenue from scrap steel and other metals primarily related to lower prices, partially offset by increased volumes, and (ii) a $12 million decrease in core revenue primarily related to decreased volumes, partially offset by (iii) a $62 million increase in revenue from precious metals (platinum, palladium and rhodium) primarily due to higher prices.

(3) Acquisition related growth in 2019 reflected revenue from our acquisitions of seven wholesale businesses and one self service business from the beginning of 2018 through the one-year anniversary of the acquisitions, partially offset by the disposal of our aviation business in the third quarter of 2019.

Segment EBITDA. Segment EBITDA increased $53 million, or 8.0%, for the year ended December 31, 2019 compared to the prior year period. Sequential decreases in scrap steel prices in our salvage and self service operations had an unfavorable impact of $23 million on North America Segment EBITDA for the year ended December 31, 2019, compared to a $5 million favorable impact for the year ended December 31, 2018. This unfavorable impact resulted from the decrease in scrap steel prices between the date we purchased a vehicle, which influences the price we pay for a vehicle, and the date we scrapped a vehicle, which influences the price we receive for scrapping a vehicle. 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 year ended December 31, 2018	12.7 %	
Increase (decrease) due to:		
Change in gross margin	1.3 %	(1)
Change in segment operating expenses	(0.6)%	(2)
Change in other expense, net and net income attributable to continuing noncontrolling interest	0.2 %	(3)
Segment EBITDA for the year ended December 31, 2019	13.7 %	

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

(1) The increase in gross margin primarily reflected favorable impacts of 1.3% from our wholesale operations and 0.3% from the disposal of our aviation business in the third quarter of 2019, partially offset by several individually immaterial factors that had an unfavorable impact of 0.3% in the aggregate. The increase in wholesale gross margin was primarily attributable to ongoing margin improvement initiatives and, to a lesser extent, the favorable impact from higher prices of precious metals (platinum, palladium and rhodium) compared to the prior year period.

(2) The increase in segment operating expenses as a percentage of revenue is primarily related to a 0.4% increase in facility expenses principally due to higher expenses in rent related to expansions and renewals.

(3) The decrease in other expense, net and net income attributable to continuing noncontrolling interest was due to several individually immaterial factors that had a favorable impact of 0.2% in the aggregate.

Europe

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

	Year Ended December 31,		Percentage Change in Revenue			
Europe	2019	2018	Organic (1)	Acquisition (2)	Foreign Exchange (3)	Total Change
Parts & services revenue	$ 5,817,547	$ 5,202,231	0.1 %	16.3%	(4.6)%	11.8%
Other revenue	20,577	19,523	(1.7)%	12.8%	(5.8)%	5.4%
Total third party revenue	$ 5,838,124	$ 5,221,754	0.1 %	16.3%	(4.6)%	11.8%

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

(1) Parts and services organic revenue increased for the year ended December 31, 2019, mainly driven by our Eastern European and U.K. operations, which had low single-digit growth rates. Softer economic conditions across the continent continued to have a negative impact on revenue growth, most notably in Germany and Italy.

(2) Acquisition related growth for the year ended December 31, 2019 was $850 million, or 16.3%, primarily from our acquisition of Stahlgruber.

(3) Compared to the prior year, exchange rates decreased our revenue growth by $240 million, or 4.6%, primarily due to the stronger U.S. dollar against the euro, pound sterling and Czech koruna for the year ended December 31, 2019 compared to the prior year period.

Segment EBITDA. Segment EBITDA increased $31 million, or 7.5%, for the year ended December 31, 2019 compared to the prior year period. Our Europe Segment EBITDA included a negative year over year impact of $21 million related to the translation of local currency results into U.S. dollars at lower exchange rates than those experienced during the year ended December 31, 2018. On a constant currency basis (i.e. excluding the translation impact), Segment EBITDA increased by $53 million, or 12.4%, 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 year ended December 31, 2019. 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 year ended December 31, 2018	8.1 %	
Increase (decrease) due to:		
Change in gross margin	0.2 %	(1)
Change in segment operating expenses	(0.5)%	(2)
Segment EBITDA for the year ended December 31, 2019	7.8 %	

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

(1) Gross margin increased primarily due to (i) a 0.4% favorable impact related to an increase in supplier rebates as a result of centralized procurement for our Europe segment and (ii) a 0.3% increase in our U.K. operations primarily as a result of decreased costs related to the national distribution facility, primarily due to expenses related to temporary service issues in 2018 that did not reoccur in 2019, as well as decreased inventory reserves, partially offset by (iii) a 0.3% unfavorable impact related to our Benelux and Italy operations, principally due to higher inventory write-offs and lower prices, and (iv) several individually immaterial factors that had an unfavorable impact of 0.2% in the aggregate.

(2) The increase in segment operating expenses was primarily due to (i) a 0.4% increase in personnel expenses principally as a result of the negative leverage effect and wage inflation due to low unemployment partially offset by a decrease from other personnel-related costs, including salaries and wages and non-incentive benefits, primarily due to reduced headcount, and (ii) a 0.2% increase in transformation expenses related to the 1 LKQ Europe program.

Specialty

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

	Year Ended December 31,		Percentage Change in Revenue			
Specialty	2019	2018	Organic [1]	Acquisition	Foreign Exchange	Total Change
Parts & services revenue	$ 1,459,396	$ 1,472,956	(0.7)%	—%	(0.3)%	(0.9)%
Other revenue	—	—	— %	—%	— %	— %
Total third party revenue	$ 1,459,396	$ 1,472,956	(0.7)%	—%	(0.3)%	(0.9)%

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

(1) The organic decline in parts and services revenue was driven by lower year over year wholesale drop ship sales largely due to supplier policy changes restricting our ability to sell to certain online retailers; as well as decreased sales volumes in our Canada operations compared to the prior year period, primarily due to softening economic conditions. This organic decline was partially offset by modest growth in both our automotive and RV businesses in the U.S., largely due to expansion of our product line coverage, strong exclusive line performance, and continued roll-out of new product applications for new model year vehicles.

Segment EBITDA. Segment EBITDA decreased $7 million, or 4.4%, for the year ended December 31, 2019 compared to the prior year period. The following table summarizes the changes in Segment EBITDA as a percentage of revenue in our Specialty segment:

Specialty	Percentage of Total Segment Revenue	
Segment EBITDA for the year ended December 31, 2018	11.4 %	
(Decrease) increase due to:		
Change in gross margin	(1.2)%	(1)
Change in segment operating expenses	0.6 %	(2)
Change in other expense, net	0.1 %	
Segment EBITDA for the year ended December 31, 2019	11.0 %	

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

(1) The decrease in gross margin reflects unfavorable impacts of (i) 0.4% of higher product costs, primarily due to non-recurring benefits from supplier discounts resulting from strategic purchasing efforts in the fourth quarter of 2017, which had a favorable impact on the year ended December 31, 2018 as they were recognized over a turn of inventory, (ii) 0.4% due to unfavorable product mix in 2019, and (iii) several individually immaterial factors that had an unfavorable impact of 0.4% in the aggregate.

(2) The decrease in segment operating expenses reflects favorable impacts of (i) 0.5% in personnel costs primarily due to reduced headcount and (ii) 0.3% in freight expenses due to a decreased use of third party freight, partially offset by (iii) several individually immaterial factors that had an unfavorable impact of 0.2% in the aggregate.

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

North America

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

	Year Ended December 31,		Percentage Change in Revenue			
North America	2018	2017	Organic	Acquisition [3]	Foreign Exchange	Total Change
Parts & services revenue	$ 4,558,220	$ 4,278,531	5.7% [1]	0.8%	0.0%	6.5%
Other revenue	623,744	520,370	19.6% [2]	0.3%	0.0%	19.9%
Total third party revenue	$ 5,181,964	$ 4,798,901	7.2%	0.8%	0.0%	8.0%

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 attributable to roughly equal impacts of favorable pricing and increased sales volumes in our wholesale operations. The volume increases were primarily driven by (i) incremental sales related to an agreement signed in December 2017 for the distribution of batteries, and (ii) to a lesser extent, severe winter weather conditions in the first quarter of 2018 compared to mild winter weather conditions in the prior year period. Organic growth in parts and services revenue for our North America segment on a per day basis was 5.3% as there was one additional selling day in 2018 compared to 2017.

(2) The $103 million increase in other revenue primarily related to (i) a $64 million increase in revenue from scrap steel and other metals primarily related to higher prices and, to a lesser extent, increased volumes, year over year, (ii) a $24 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, and (iii) a $7 million increase in core revenue primarily related to increased volumes year over year.

(3) Acquisition related growth in 2018 reflected revenue from our acquisition of ten wholesale businesses from the beginning of 2017 up to the one-year anniversary of the acquisition dates.

Segment EBITDA. Segment EBITDA increased $5 million, or 0.7%, in 2018 compared to the prior year. Sequential increases in scrap steel prices in our salvage and self service operations had a favorable impact of $5 million on North America Segment EBITDA during the year ended December 31, 2018, compared to a $12 million positive impact on the year ended December 31, 2017. This favorable impact resulted from the increase in scrap steel prices between the date we purchased a vehicle, which influences the price we pay for a vehicle, and the date we scrapped a vehicle, which influences the price we receive for scrapping a vehicle. 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 year ended December 31, 2017	13.7 %	
Decrease due to:		
Change in gross margin	(0.5)%	(1)
Change in segment operating expenses	(0.3)%	(2)
Change in other expense, net and net income (loss) attributable to noncontrolling interest	(0.2)%	(3)
Segment EBITDA for the year ended December 31, 2018	12.7 %	

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

(1) The decrease in gross margin reflected unfavorable impacts of 0.3% and 0.2% from our wholesale and self service operations, respectively. The decrease in wholesale gross margin is primarily attributable to (i) a shift in our sales toward lower margin products, including batteries, compared to the prior year period, and (ii) higher car costs in our salvage operations. The decrease in self service gross margin is primarily attributable to higher car costs as a result of increases in scrap prices in the first half of the year. While higher car costs can produce more gross margin dollars, these cars tend to have a dilutive effect on the gross margin percentage as parts revenue will typically increase at a lesser rate than the rise in average car cost. Self service gross margin was negatively impacted in the second half of 2018 due to declining scrap steel prices as the higher cost vehicles were scrapped.

(2) The increase in segment operating expenses as a percentage of revenue primarily reflected (i) a 0.3% increase in vehicle expenses primarily due to increased vehicle rental leases to handle incremental volumes as well as increases in fuel prices, and (ii) a 0.2% increase in freight expenses due to a higher use of, and increased prices of, third party freight, partially offset by (iii) several individually immaterial factors that had a favorable impact of 0.1% in the aggregate.

(3) The increase in other expense, net and net income (loss) attributable to noncontrolling interest was primarily due to several individually immaterial factors that had an unfavorable impact of 0.2% in the aggregate.

Europe

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

	Year Ended December 31,		Percentage Change in Revenue			
Europe	2018	2017	Organic (1)	Acquisition (2)	Foreign Exchange (3)	Total Change
Parts & services revenue	$ 5,202,231	$ 3,628,906	2.9%	36.7%	3.8 %	43.4%
Other revenue	19,523	7,905	74.2%	72.8%	(0.0)%	147.0%
Total third party revenue	$ 5,221,754	$ 3,636,811	3.1%	36.7%	3.8 %	43.6%

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

(1) Parts and services revenue growth for the year varied by geography. In our Eastern European operations, revenue grew in the high single digits due to both existing and new branches (we added 68 since the beginning of 2017). Our Western European operations experienced slight declines to mid-single digit growth for the year due primarily to higher volumes in the second quarter of 2018 (partly attributable to the timing of the Easter holiday) offsetting softness in the remainder of the year. While we expect to achieve lower organic growth rates in these more mature markets than in Eastern Europe, our revenue growth in 2018 was negatively impacted by competitor actions, economic conditions in certain countries, such as Italy, and warmer than normal weather conditions. Organic growth in parts and services revenue for our Europe segment on a per day basis was 2.6% as there was one additional selling day in 2018 compared to 2017.

(2) Acquisition related growth for the year ended December 31, 2018 included $1.1 billion, or 30.2%, $79 million, or 2.2%, and $72 million, or 2.0%, from our acquisitions of Stahlgruber and aftermarket parts distribution businesses in Poland and Belgium, respectively. The remainder of our acquired revenue growth included revenue from our

acquisitions of 20 wholesale businesses in our Europe segment since the beginning of 2017 through the one-year anniversary of the acquisitions.

(3) Compared to the prior year, exchange rates increased our revenue growth by $137 million, or 3.8%, primarily due to the weaker U.S. dollar against the pound sterling, euro and Czech koruna during 2018 relative to 2017.

Segment EBITDA. Segment EBITDA increased $104 million, or 32.4%, in 2018 compared to the prior year. Our Europe Segment EBITDA included a positive year over year impact of $15 million related to the translation of local currency results into U.S. dollars at higher exchange rates than those experienced during 2017. On a constant currency basis (i.e. excluding the translation impact), Segment EBITDA increased by $89 million, or 27.9%, 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 year ended December 31, 2018. 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 year ended December 31, 2017	8.8 %	
Decrease due to:		
Change in gross margin	(0.2)%	(1)
Change in segment operating expenses	(0.4)%	(2)
Change in other expense, net and net income (loss) attributable to noncontrolling interest	(0.1)%	
Segment EBITDA for the year ended December 31, 2018	8.1 %	

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 0.6% decrease related to our U.K. operations primarily as a result of incremental costs related to the national distribution facility, principally due to replenishment issues and related stock availability in the first quarter at our national distribution center and branches that led to some temporary service issues and increased labor costs to manually stock and receive product, and higher customer incentives, partially offset by increased supplier rebates, and (ii) a 0.3% net decrease due to mix related to our acquisition of an aftermarket parts distribution business in Poland during the third quarter of 2017. The unfavorable effects were partially offset by (i) a 0.4% increase in gross margin in our Benelux operations primarily due to increased supplier rebates and the ongoing move from a three-step to a two-step distribution model, and (ii) a 0.3% favorable impact related to an increase in supplier rebates as a result of centralized procurement for our Europe segment.

(2) The increase in segment operating expenses as a percentage of revenue was primarily due to a 0.4% increase in personnel expenses principally as a result of (i) negative leverage effect, as personnel costs grew at a greater rate than organic revenue, and (ii) increased headcount in our Eastern European operations as new branches were opened, as well as wage inflation due to low unemployment in the region. Additionally, a 0.2% increase in professional fees, primarily due to new information technology projects and other system enhancements, added to the unfavorable change in segment operating expenses. The unfavorable effects were partially offset by a 0.2% decrease in freight expenses due to a decreased use of third party freight in our U.K. operations.

Specialty

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

Specialty	Year Ended December 31, 2018	2017	Percentage Change in Revenue: Organic [1]	Acquisition [2]	Foreign Exchange	Total Change
Parts & services revenue	$ 1,472,956	$ 1,301,197	4.6%	8.6%	0.0%	13.2%
Other revenue	—	—	—%	—%	—%	—%
Total third party revenue	$ 1,472,956	$ 1,301,197	4.6%	8.6%	0.0%	13.2%

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 primarily due to higher volumes across both our automotive and RV businesses, largely due to expansion of our product line coverage, strong exclusive line performance, and year over year growth of new vehicle sales of pickups, sport utility vehicles and other highly accessorized vehicles. Organic growth in parts and services revenue for our Specialty segment on a per day basis was 4.2% as there was one additional selling day in 2018 compared to 2017.

(2) Acquisition related growth in 2018 included $110 million, or 8.4%, from our acquisition of Warn through the one-year anniversary of the acquisition date. The remainder of our acquired revenue growth reflected an immaterial amount of acquired revenue from our acquisitions of three wholesale businesses from the beginning of 2017 up to the one-year anniversary of the acquisition dates.

Segment EBITDA. Segment EBITDA increased $26 million, or 18.5%, in 2018 compared to the prior year. The following table summarizes the changes in Segment EBITDA as a percentage of revenue in our Specialty segment:

Specialty	Percentage of Total Segment Revenue	
Segment EBITDA for the year ended December 31, 2017	10.9 %	
Increase (decrease) due to:		
Change in gross margin	1.3 %	(1)
Change in segment operating expenses	(0.6)%	(2)
Change in other expense, net	(0.2)%	(3)
Segment EBITDA for the year ended December 31, 2018	11.4 %	

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

(1) The increase in gross margin reflected favorable impacts of (i) 0.8% from our acquisition of Warn, which has a higher gross margin than our other Specialty operations, and (ii) 0.6% from our initiatives to improve gross margin. The favorable effects were partially offset by 0.2% of increased inventory write-downs as damaged and defective product was identified during our warehouse expansion projects on the West Coast and in the Southeastern U.S.

(2) The increase in segment operating expenses reflected unfavorable impacts of (i) 0.3% in personnel costs primarily due to wage inflation, increased distribution expenses driven by a decreased use of third party freight and increased delivery routes to improve service levels, as well as higher employee benefit costs, (ii) 0.2% in vehicle and fuel expenses primarily due to increased fuel prices, and (iii) by several individually immaterial factors that had an unfavorable impact of 0.1% in the aggregate.

(3) The increase in other expense, net is due to several individually immaterial factors that had an unfavorable impact of 0.2% in the aggregate.

Liquidity and Capital Resources

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

	December 31, 2019	December 31, 2018
Cash and cash equivalents	$ 523,020	$ 331,761
Total debt [1]	4,072,026	4,347,697
Current maturities [2]	326,648	122,117
Capacity under credit facilities [3]	3,260,000	3,260,000
Availability under credit facilities [3]	1,922,671	1,697,698
Total liquidity (cash and cash equivalents plus availability under credit facilities)	2,445,691	2,029,459

(1) Debt amounts reflect the gross values to be repaid (excluding debt issuance costs of $30 million and $37 million as of December 31, 2019 and December 31, 2018, respectively).

(2) Debt amounts reflect the gross values to be repaid (excluding debt issuance costs of immaterial amounts as of both December 31, 2019 and December 31, 2018).

(3) Capacity under credit facilities includes our revolving credit facilities and our receivables securitization facility. Availability under credit facilities is reduced by our outstanding 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, paying down outstanding debt or repurchasing LKQ stock. 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 our receivables securitization facility.

As of December 31, 2019, we had debt outstanding and additional available sources of financing as follows:

- Senior secured credit facilities maturing in January 2024, composed of term loans totaling $350 million ($341 million outstanding at December 31, 2019) and $3.15 billion in revolving credit ($1.3 billion outstanding at December 31, 2019), bearing interest at variable rates (although a portion of the outstanding debt is hedged through interest rate swap contracts), with availability reduced by $69 million of amounts outstanding under letters of credit
- U.S. Notes (2023) totaling $600 million, maturing in May 2023 and bearing interest at a 4.75% fixed rate (redeemed in full on January 10, 2020)
- Euro Notes (2024) totaling $561 million (€500 million), maturing in April 2024 and bearing interest at a 3.875% fixed rate
- Euro Notes (2026/28) totaling $1.1 billion (€1.0 billion), consisting of (i) €750 million maturing in April 2026 and bearing interest at a 3.625% fixed rate, and (ii) €250 million maturing in April 2028 and bearing interest at a 4.125% fixed rate
- Receivables securitization facility with availability up to $110 million (no outstanding balance as of December 31, 2019), maturing in November 2021 and bearing interest at variable commercial paper rates

From time to time, we may undertake financing transactions to increase our available liquidity, such as (i) our November 2018 amendment to our senior secured credit facility and (ii) the issuance of the Euro Notes (2026/28) in April 2018 related to the Stahlgruber acquisition. Given the long-term nature of our investment in Stahlgruber, combined with favorable interest rates, we decided to fund the acquisition primarily through long-term, fixed rate notes. We believe this approach provides financial flexibility to execute our long-term growth strategy while maintaining availability under our revolver. 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. In December 2019, we announced our intention to redeem our U.S. Notes (2023) to eliminate higher cost debt with lower interest rate borrowings on our credit facilities and cash on hand. We completed the redemption in January 2020.

As of December 31, 2019, we had approximately $1.9 billion available under our credit facilities. Combined with approximately $523 million of cash and cash equivalents at December 31, 2019, we had approximately $2.4 billion in available liquidity, an increase of $416 million over our available liquidity as of December 31, 2018.

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.

Beginning in 2019, a number of our European suppliers began participating in supply chain financing programs in select countries under which they may sell their accounts receivable to the participating financial institutions, allowing us to extend payment terms. We expect more suppliers will begin participating in supply chain financing programs in 2020. Financial institutions participate in the supply chain financing program on an uncommitted basis and can cease purchasing receivables from our suppliers at any time. These programs are at the sole discretion of both the supplier and the financial institution on terms that are negotiated between them. If the financial institutions did not continue to purchase receivables from our suppliers under these programs, the participating vendors may have a need to renegotiate their payment terms with us, which in turn could cause our borrowings under our revolving credit facility to increase.

Borrowings under the credit agreement accrue interest at variable rates which are tied to the LIBOR or the Canadian Dollar Offered Rate ("CDOR"), depending on the currency and the duration of the borrowing, plus an applicable margin rate that 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, we hold 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 11, "Derivative Instruments and Hedging Activities" to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K. After giving effect to these contracts, the weighted average interest rate on borrowings outstanding under our credit agreement at December 31, 2019 was 1.6%. Including our senior notes, our overall weighted average interest rate on borrowings was 3.0% at December 31, 2019.

After 2021, it is unclear whether banks will continue to provide LIBOR submissions to the administrator of LIBOR, and no consensus currently exists as to what benchmark rate or rates may become accepted alternatives to LIBOR. We cannot currently predict the effect of the discontinuation of, or other changes to, LIBOR or any establishment of alternative reference rates in the United States, the European Union or elsewhere on the global capital markets. The uncertainty regarding the future of LIBOR, as well as the transition from LIBOR to any alternative reference rate or rates, could have adverse impacts on our variable rate obligations that currently use LIBOR as a benchmark rate. We are in the process of evaluating our financing obligations and other contracts that refer to LIBOR. Outstanding debt under our Credit Agreement, which constitutes the most significant of our LIBOR-based debt obligations, contains provisions that address the potential discontinuation of LIBOR and facilitate the adoption of an alternate rate of interest. We do not believe that the discontinuation of LIBOR, or its replacement with an alternative reference rate or rates, will have a material impact on our results of operations, financial position or liquidity.

Cash interest payments were $143 million for the year ended December 31, 2019, including $92 million in semi-annual interest payments on our U.S. Notes (2023), Euro Notes (2024) and Euro Notes (2026/2028). Interest payments on our Euro Notes (2024) and Euro Notes (2026/2028) are made in April and October.

We had outstanding credit agreement borrowings of $1.6 billion and $1.7 billion at December 31, 2019 and December 31, 2018, respectively. Of these amounts, $18 million and $9 million was classified as current maturities at December 31, 2019 and 2018, respectively.

The scheduled maturities of long-term obligations outstanding at December 31, 2019 are as follows (in thousands):

Years ending December 31:		
2020 [1]	$	326,648
2021 [1]		133,951
2022		25,912
2023		21,650
2024 [1]		2,427,714
Thereafter		1,136,151
Total debt [2]	$	4,072,026

(1) Of the $600 million U.S. Notes (2023) that were redeemed in January 2020, in the table above $185 million is included in 2020 (reflecting the amount repaid with cash on hand), $105 million is included in 2021 (reflecting the amount repaid using borrowings under the receivables securitization facility), and $310 million is included in 2024 (reflecting the amount repaid using borrowings under the revolving credit facility).

(2) The total debt amounts presented above reflect the gross values to be repaid (excluding debt issuance costs of $30 million as of December 31, 2019).

Our credit agreement contains customary covenants that impose 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 December 31, 2019.

The following summarizes our required debt covenants and our actual ratios with respect to those covenants as calculated per the credit agreement as of December 31, 2019:

	Covenant Level	Ratio Achieved as of December 31, 2019
Maximum net leverage ratio	4.25:1.00	2.6
Minimum interest coverage ratio	3.00:1.00	10.4

The terms net leverage ratio and minimum interest coverage ratio used in the credit agreement are specifically calculated per the credit agreement and differ in specified ways from comparable GAAP or common usage terms.

As of December 31, 2019, the Company had cash and cash equivalents of $523 million, of which $234 million was held by foreign subsidiaries. In general, it is our practice and intention to permanently reinvest the undistributed earnings of our foreign subsidiaries, and that position has not changed following the enactment of the Tax Act and the related imposition of the transition tax. Distributions of dividends from our foreign subsidiaries, if any, would be generally exempt from further U.S. taxation, either as a result of the new 100% participation exemption under the Tax Act, or due to the previous taxation of foreign earnings under the transition tax and the GILTI regime. We believe that we have sufficient cash flow and liquidity to meet our financial obligations in the U.S. without repatriating our foreign earnings. We may, from time to time, choose to selectively repatriate foreign earnings if doing so supports our financing or liquidity objectives.

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

The procurement of inventory is the largest operating use of our funds. We normally pay for aftermarket product purchases on standard payment terms or at the time of shipment, 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 and manufactured inventory procurement for the years ended December 31, 2019 and 2018 (in thousands):

	Year Ended December 31,		
	2019	2018	Change
North America	$ 1,372,600	$ 1,393,700	$ (21,100) (1)
Europe	3,966,000	3,635,400	330,600 (2)
Specialty	1,107,200	1,087,600	19,600 (3)
Total	$ 6,445,800	$ 6,116,700	$ 329,100

(1) In North America, aftermarket purchases during the year ended December 31, 2019 decreased compared to the prior year period primarily as a result of an increased focus on inventory reduction.

(2) In our Europe segment, the increase in purchases during the year ended December 31, 2019 was primarily driven by (i) a $588 million increase attributable to incremental inventory purchases as a result of our acquisition of Stahlgruber in the second quarter of 2018, partially offset by (ii) a $79 million decrease attributable to our U.K. operations primarily due to inventory reduction efforts. There was also a decrease of $168 million in inventory purchases attributable to the decrease in the value of the euro and pound sterling in the year ended December 31, 2019 compared to the prior year period.

(3) Specialty inventory purchases increased $20 million during the year ended December 31, 2019 compared to the prior year period primarily as a result of targeted purchases to increase annual supplier rebate achievement and build stock to support our 2020 initiatives.

The following table sets forth a summary of our global wholesale salvage and self service procurement of vehicles for the years ended December 31, 2019 and 2018 (in thousands):

	Year Ended December 31,		
	2019	2018	% Change
North America wholesale salvage cars and trucks	309	310	(0.3)%
Europe wholesale salvage cars and trucks	25	28	(10.7)%
Self service and "crush only" cars	591	562	5.2 % (1)

(1) Compared to the prior year, we have increased the number of self service and "crush only" vehicles purchased in 2019 to support growth in our operations.

The following table summarizes the components of the year-over-year increase in cash provided by operating activities (in millions):

Net cash provided by operating activities for the year ended December 31, 2018	$ 711	
Increase (decrease) due to:		
Operating income	14	(1)
Non-cash depreciation and amortization expense	20	(2)
Impairment of net assets held for sale and goodwill	14	(3)
Cash paid for taxes	19	
Cash paid for interest	(5)	
Working capital accounts: (4)		
Accounts receivable	26	
Inventory	143	
Accounts payable	81	
Other operating activities	41	(5)
Net cash provided by operating activities for the year ended December 31, 2019	$ 1,064	

(1) Refer to the Results of Operations – Consolidated section for further information on the increase in operating income.

(2) Non-cash depreciation and amortization expense increased compared to the prior year period as discussed in the Results of Operations – Consolidated section.

(3) In the years ended December 31, 2019 and 2018, we recorded impairment charges on net assets held for sale and goodwill, noting that the 2019 charges exceeded the prior year by $14 million. See "Net Assets Held for Sale" and "Intangible Assets" in Note 4, "Summary of Significant Accounting Policies" to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for further information on the impairment charges.

(4) 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.

Inventory represented an incremental $143 million in cash inflows in 2019 as a result of deliberate inventory reduction efforts in the Europe and North America segments to reflect organic revenue conditions, as disclosed in the procurement section above.

Accounts payable produced an incremental $81 million in cash inflows primarily due to timing effects related to our May 30, 2018 acquisition of Stahlgruber. Additionally, we increased accounts payable through extension of vendor terms in North America. The supply chain financing programs in Europe did not have a material impact on accounts payable in 2019.

Accounts receivable represented an incremental $26 million in cash inflows in 2019, primarily attributable to focus on collections in our Specialty segment and U.K. operations, which was partially offset by timing effects from the Stahlgruber acquisition, and to a lesser extent, the unwind of a receivables factoring program at Stahlgruber.

(5) Reflects a number of individually insignificant fluctuations in cash paid for other operating activities.

Net cash used in investing activities totaled $265 million for the year ended December 31, 2019, compared to $1.5 billion of cash used in investing activities during the year ended December 31, 2018. We invested $27 million of cash, net of cash acquired, in business acquisitions during the year ended December 31, 2019 compared to $1.2 billion during the year ended December 31, 2018. Property, plant and equipment purchases were $266 million in 2019 compared to $250 million in the prior year. The period over period increase in cash outflows for purchases of property, plant and equipment was primarily related to our Europe segment. We received $18 million of net proceeds from divestitures of assets held for sale during the year ended December 31, 2019; no such proceeds were received in 2018.

Net cash used in financing activities totaled $601 million for the year ended December 31, 2019, compared to net cash provided by financing activities of $883 million during the year ended December 31, 2018. We received proceeds of $1.2 billion from our issuance of the Euro Notes (2026/28) during the year ended December 31, 2018; no such proceeds were received in the current year. We repurchased $292 million of our common stock during the year ended December 31, 2019 compared to $60 million during the year ended December 31, 2018. We also paid $21 million of debt issuance costs during 2018, primarily related to the issuance of the Euro Notes (2026/28); no such costs were incurred in 2019. During the year ended December 31, 2019, net repayments of our borrowings totaled $301 million compared to $273 million during the year ended December 31, 2018.

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.

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

The following table sets forth a summary of our aftermarket and manufactured inventory procurement for the years ended December 31, 2018 and 2017 (in thousands):

	Year Ended December 31,			
	2018	2017	Change	
North America	$ 1,393,700	$ 1,367,600	$ 26,100	(1)
Europe	3,635,400	2,355,300	1,280,100	(2)
Specialty	1,087,600	1,006,600	81,000	(3)
Total	$ 6,116,700	$ 4,729,500	$ 1,387,200	

(1) In North America, aftermarket purchases during the year ended December 31, 2018 increased compared to the comparable prior year period to support growth across our operations.

(2) In our Europe segment, the increase in purchases during the year ended December 31, 2018 was primarily driven by (i) an $821 million increase attributable to inventory purchases at Stahlgruber from the date of acquisition through December 31, 2018, (ii) a $181 million increase primarily attributable to our Eastern Europe operations, of which $73 million was due to incremental inventory purchases in the first seven months of 2018 as a result of our acquisition of an aftermarket parts distribution business in Poland in the third quarter of 2017; the remaining increase was primarily due to branch expansion in Eastern Europe, and (iii) a $146 million increase in purchases at our Benelux operations, of which $41 million was attributable to incremental inventory purchases in the first six months of 2018 as a result of our acquisitions of aftermarket parts distribution businesses in Belgium in the third quarter of 2017. There was also an increase of $88 million in inventory purchases driven by the increase in the value of the euro and pound sterling in 2018 compared to 2017.

(3) In our Specialty segment, the acquisition of Warn in November 2017 added incremental purchases of $71 million during the year ended December 31, 2018, which includes purchases of aftermarket inventory and raw materials used in the manufacturing of specialty products. Specialty inventory purchases also increased during the year ended December 31, 2018 compared to the prior year to support growth in our operations.

The following table sets forth a summary of our global wholesale salvage and self service procurement of vehicles for the years ended December 31, 2018 and 2017 (in thousands):

	Year Ended December 31,		
	2018	**2017**	**% Change**
North America wholesale salvage cars and trucks	310	310	—%
Europe wholesale salvage cars and trucks	28	25	12.0%
Self service and "crush only" cars	562	542	3.7% (1)

(1) Compared to the prior year, we have increased the number of self service and "crush only" vehicles purchased in 2018 to support growth in our operations.

The following table summarizes the components of the year-over-year increase in cash provided by operating activities (in millions):

Net cash provided by operating activities for the year ended December 31, 2017	$ 519	
Increase (decrease) due to:		
Operating income	37	(1)
Non-cash depreciation and amortization expense	64	(2)
Impairment of net assets held for sale and goodwill	33	(3)
Cash paid for taxes	73	
Cash paid for interest	(42)	
Working capital accounts: (4)		
Accounts receivable	39	
Inventory	72	
Accounts payable	(103)	(5)
Pension funding	(9)	(6)
Other operating activities	28	(7)
Net cash provided by operating activities for the year ended December 31, 2018	$ 711	

(1) Refer to the Results of Operations - Consolidated section for further information on the increase in operating income.

(2) Non-cash depreciation and amortization expense increased compared to the prior year period as discussed in the Results of Operations - Consolidated section.

(3) In the fourth quarter of 2018, we recorded an impairment charge on the goodwill in our Aviation reporting unit. See "Intangible Assets" in Note 4, "Summary of Significant Accounting Policies" to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for further information on the impairment charge.

(4) 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.

(5) Includes an outflow of $116 million related to Stahlgruber, primarily resulting from the timing of the acquisition. Due to the timing of processing invoice payments after the closing date, we assumed a larger payable balance but acquired more cash at closing. However, the cash acquired at closing is reflected in the Investing section of the cash flow statement on the Acquisitions, net of cash and restricted cash acquired line.

(6) During the year ended December 31, 2018, we made a special contribution of $9 million to one of our North America pension plans. See Note 14, "Employee Benefit Plans" to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for further information on our pension plans.

(7) Reflects a number of individually insignificant fluctuations in cash paid for other operating activities.

Net cash used in investing activities totaled $1.5 billion for the year ended December 31, 2018, compared to $385 million of cash used in investing activities during the year ended December 31, 2017. We invested $1.2 billion of cash, net of cash acquired, in business acquisitions during the year ended December 31, 2018 compared to $513 million during the year ended December 31, 2017. We received net proceeds from the sale of our glass manufacturing business totaling $301 million during the year ended December 31, 2017; no such proceeds were received in 2018. Property, plant and equipment purchases were $250 million in 2018 compared to $179 million in the prior year. The period over period increase in cash outflows for purchases of property, plant and equipment was primarily related to our North America and Europe segments. We had $28 million of proceeds from the disposals of property, plant and equipment in 2018 compared to $9 million in the prior year; the increase was primarily related to our North America segment. We invested $60 million in unconsolidated subsidiaries in 2018 compared to $8 million in the prior year, primarily due to the $48 million Mekonomen rights issue in the fourth quarter of 2018; there was no rights offering in 2017. During the year ended December 31, 2018, we received $37 million of deferred purchase price proceeds on receivables under our factoring arrangement that was acquired in our Stahlgruber acquisition; no such proceeds were received in 2017. The arrangement was subsequently terminated in December 2018.

Net cash provided by financing activities totaled $883 million for the year ended December 31, 2018, compared to net cash used in financing activities of $113 million during the year ended December 31, 2017. We received proceeds of $1.2 billion from our issuance of the Euro Notes (2026/28) during the year ended December 31, 2018; no such proceeds were received in the prior year. We repurchased $60 million of our common stock during 2018 following the Board of Directors' authorization of a stock repurchase program in October 2018; we did not repurchase any common stock during 2017. We also paid $21 million of debt issuance costs during 2018, primarily related to the issuance of the Euro Notes (2026/28), compared to $4 million paid during 2017 in connection with our December 2017 amendment of our credit facilities. During the year ended December 31, 2018, net repayments of our borrowings totaled $273 million compared to $115 million during the year ended December 31, 2017.

During the year ended December 31, 2018, foreign exchange rates decreased cash, cash equivalents and restricted cash by $77 million, compared to an increase of $24 million in the prior year. The current year impact was primarily related to a $66 million decrease resulting from the decline in the euro exchange rate between April 9, 2018, the date we received the proceeds from the Euro Notes (2026/28), and May 30, 2018, the date we paid the cash proceeds for the Stahlgruber acquisition.

Off-Balance Sheet Arrangements and Future Commitments

Except as described below, we do not have any off-balance sheet arrangements or undisclosed borrowings or debt that would be required to be disclosed pursuant to Item 303 of Regulation S-K under the Securities Exchange Act of 1934. Additionally, we do not have any synthetic leases.

As of December 31, 2019, there were letters of credit outstanding in the aggregate amount of $69 million.

We guarantee the residual values for the majority of our vehicles. Had we terminated all of our operating leases subject to these guarantees at December 31, 2019, our portion of the guaranteed residual value would have totaled approximately $67 million. See Note 13, "Leases" to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for further information on leases.

In December 2019, we modified the shares of a noncontrolling interest of a subsidiary acquired in connection with the Stahlgruber acquisition and issued new redeemable shares to the minority shareholder. The new redeemable shares contain a put option for all noncontrolling interest shares at a fixed price of $24 million (€21 million) for the minority shareholder exercisable in the fourth quarter of 2023. The put option is outside the control of the Company to exercise. See "Stockholders'

Equity–Noncontrolling Interest" in Note 4, "Summary of Significant Accounting Policies" to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for further information.

The following table represents our future commitments under contractual obligations as of December 31, 2019 (in millions):

	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Contractual obligations					
Long-term debt [(1)] [(2)]	$ 4,625.9	$ 447.3	$ 369.7	$ 2,607.8	$ 1,201.1
Finance lease obligations [(3)]	52.1	10.1	15.9	6.7	19.4
Operating leases [(4)]	1,804.8	288.7	449.7	306.4	760.0
Purchase obligations [(5)]	553.8	499.2	54.6	—	—
Other long-term obligations [(6)]	249.0	112.2	94.7	26.9	15.2
Total	$ 7,285.6	$ 1,357.5	$ 984.6	$ 2,947.8	$ 1,995.7

(1) Our long-term debt under contractual obligations above includes interest of $581 million on the balances outstanding as of December 31, 2019. The long-term debt balance excludes debt issuance costs, as these expenses have already been paid. Interest on our senior notes, notes payable, and other long-term debt is calculated based on the respective stated rates. Interest on our variable rate credit facilities is calculated based on the weighted average rates, including the impact of interest rate swaps through their respective expiration dates, in effect for each tranche of borrowings as of December 31, 2019. Future estimated interest expense for the next year, one to three years, and three to five years is $116 million, $225 million and $164 million, respectively. Estimated interest expense beyond five years is $76 million.

(2) Includes $614 million of U.S. Notes (2023) redeemed on January 10, 2020, inclusive of principal, an early-redemption premium and interest. Of this $614 million, $199 million is included in less than 1 year (reflecting the amount repaid with cash on hand), $105 million is included in 1-3 years (reflecting the amount repaid using borrowings under the receivables securitization facility), and $310 million is included in 3-5 years (reflecting the amount repaid using borrowings under the revolving credit facility).

(3) Interest on finance lease obligations of $11 million is included based on incremental borrowing or implied rates. Future estimated interest expense for the next year, one to three years, and three to five years is $1 million, $1 million and $1 million, respectively. Estimated interest expense beyond five years is $9 million.

(4) The operating lease payments above do not include certain tax, insurance and maintenance costs, which are also required contractual obligations under our operating leases but are generally not fixed and can fluctuate from year to year. Also, we have excluded future minimum lease payments for leases that have been signed but have not commenced as of December 31, 2019.

(5) Our purchase obligations include open purchase orders for aftermarket inventory.

(6) Our other long-term obligations consist of (i) estimated payments for our self-insurance reserves of $97 million, (ii) outstanding estimated payments of $33 million on the repatriation of earnings as a result of the Tax Act, (iii) a total of $8 million of guaranteed dividend payments to be made in quarterly installments through January 2024 to the minority shareholder of a subsidiary acquired in connection with the Stahlgruber acquisition, and (iv) $110 million representing primarily other asset purchase commitments and payments for deferred compensation plans.

The table above excludes amounts related to our defined benefit pension plans. As of December 31, 2019, the projected benefit obligation for our defined benefit pension plans was $225 million, and the fair value of the related plan assets was $83 million. Total expected contributions to our pension plans, including amounts that we expect to pay in benefits directly to participants, are $13 million for the year ended December 31, 2020. Benefit payments for our funded plans will be made from plan assets, whereas benefit payments for our unfunded plans are made from cash flows from operating activities. See Note 14, "Employee Benefit Plans" to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for further information related to our pension plans, including information related to expected benefit payments for the next 10 years and the plan assets available to satisfy those benefit payments.

ITEM 7A. 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 Rates

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 50.3% and 47.9% of our revenue during 2019 and 2018, respectively. An increase or decrease in the strength of the U.S. dollar against these currencies by 10% would result in a 5.0% change in our consolidated revenue and a 2.9% change in our operating income for the year ended December 31, 2019. See our Results of Operations discussion in Part II, Item 7 of this Annual Report on Form 10-K 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 December 31, 2019 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 resulting 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 December 31, 2019, we had outstanding borrowings of €500 million under our Euro Notes (2024), €1.0 billion under our Euro Notes (2026/28), and £208 million, €229 million, CAD $130 million, and SEK 270 million under our revolving credit facilities. As of December 31, 2018, we had outstanding borrowings of €500 million under our Euro Notes (2024), €1.0 billion under our Euro Notes (2026/28), and £290 million, €163 million, CAD $130 million, and SEK 275 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.; HSBC Bank USA, N.A.; and Banco Bilbao Vizcaya Argentaria, S.A.).

As of December 31, 2019, we held eight interest rate swap contracts representing a total of $480 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 December 31, 2019, the fair value of the interest rate swap contracts was an asset of $3 million. The values of such contracts are subject to changes in interest rates.

In addition to these interest rate swaps, as of December 31, 2019 we held four cross currency swap agreements for a total notional amount of $467 million (€435 million) with maturity dates in October 2020 and 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 reduce 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 MUFG Bank, Ltd. ("MUFG") (formerly known as The Bank of Tokyo-Mitsubishi UFJ, Ltd.)). As of December 31, 2019, the fair values of the interest rate swap components of the cross currency swaps were an immaterial asset and a liability of $1 million, and the fair values of the foreign currency forward components were an asset of $3 million and a liability of $23 million. The values of these contracts are subject to changes in interest rates and foreign currency exchange rates.

In total, we had 59% of our variable rate debt under our credit facilities at fixed rates at December 31, 2019 compared to 57% at December 31, 2018. See Note 10, "Long-Term Obligations" and Note 11, "Derivative Instruments and Hedging Activities" to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for additional information.

At December 31, 2019, we had approximately $663 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 million over the next twelve months. Redeeming the U.S. Notes (2023) in January 2020 increased our unhedged variable rate debt by $415 million.

Commodity Prices

We are exposed to market risk related to price fluctuations in scrap metal and other metals (including precious metals such as platinum, palladium and rhodium). Market prices of these metals affect the amount that we pay for our inventory and 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 2019 has decreased 28% over the average for 2018.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of LKQ Corporation:

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of LKQ Corporation and subsidiaries (the "Company") as of December 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, cash flows, and stockholders' equity for each of the three years in the period ended December 31, 2019, and the related notes and the financial statement schedule listed in the Index at Item 15. In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 27, 2020, expressed an unqualified opinion on the Company's internal control over financial reporting.

Change in Accounting Principle

As discussed in Note 4 to the financial statements, the Company has changed its method of accounting for leases in 2019 due to adoption of ASC 842, *Leases*.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Goodwill Impairment Assessment – Refer to Note 4 to the financial statements.

Critical Audit Matter Description

The Company’s evaluation of goodwill for impairment involves the comparison of the fair value of each reporting unit to its carrying value. The Company determines the fair value of its reporting units using a discounted cash flow model and the market approach, which require management to make significant estimates and assumptions. The goodwill balance subject to the impairment assessments was $4.4 billion as of December 31, 2019, and is allocated to four reporting units.

Auditing the estimates and assumptions that impacted the valuation of certain reporting units involved especially subjective judgment; specifically, the forecasts of future revenue and profit margins (“forecasts”), the determination of market multiples, and the selection of discount rates.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the forecasts, determination of market multiples, and the selection of discount rates included the following, among others:

· We tested the effectiveness of controls over the annual goodwill impairment assessment, including those over the forecasts and the selection of the discount rates and market multiples.

· We evaluated management’s ability to accurately forecast by comparing actual results to management’s historical forecasts.

· We evaluated the reasonableness of management’s forecasts by comparing the forecasts to (1) historical results, (2) internal communications to management and the Board of Directors, and (3) analyst and industry reports of the Company and companies in its peer group.

· With the assistance of our fair value specialists, we evaluated the discount rates, including testing the underlying source information and the mathematical accuracy of the calculations, and developing a range of independent estimates and comparing those to the discount rates selected by management.

· With the assistance of our fair value specialists, we evaluated the market multiples, including testing the underlying source information and mathematical accuracy of the calculations, and comparing the multiples selected by management to its guideline public companies.

/s/ DELOITTE & TOUCHE LLP

Chicago, IL
February 27, 2020

We have served as the Company's auditor since 1998.

LKQ CORPORATION AND SUBSIDIARIES

Consolidated Statements of Income
(In thousands, except per share data)

	Year Ended December 31,		
	2019	**2018**	**2017**
Revenue	$ 12,506,109	$ 11,876,674	9,736,909
Cost of goods sold	7,654,315	7,301,817	5,937,286
Gross margin	4,851,794	4,574,857	3,799,623
Selling, general and administrative expenses	3,580,300	3,352,731	2,715,407
Restructuring and acquisition related expenses	36,979	32,428	19,672
Impairment of net assets held for sale and goodwill	47,102	33,244	—
Depreciation and amortization	290,770	274,213	219,546
Operating income	896,643	882,241	844,998
Other expense (income):			
Interest expense	138,504	146,377	101,640
(Gain) loss on debt extinguishment	(128)	1,350	456
Interest income and other income, net	(32,755)	(8,917)	(23,725)
Total other expense, net	105,621	138,810	78,371
Income from continuing operations before provision for income taxes	791,022	743,431	766,627
Provision for income taxes	215,330	191,395	235,560
Equity in (losses) earnings of unconsolidated subsidiaries	(32,277)	(64,471)	5,907
Income from continuing operations	543,415	487,565	536,974
Net income (loss) from discontinued operations	1,619	(4,397)	(6,746)
Net income	545,034	483,168	530,228
Less: net income (loss) attributable to continuing noncontrolling interest	2,800	3,050	(3,516)
Less: net income attributable to discontinued noncontrolling interest	974	—	—
Net income attributable to LKQ stockholders	$ 541,260	$ 480,118	$ 533,744
Basic earnings per share: (1)			
Income from continuing operations	$ 1.75	$ 1.55	$ 1.74
Net income (loss) from discontinued operations	0.01	(0.01)	(0.02)
Net income	1.76	1.54	1.72
Less: net income (loss) attributable to continuing noncontrolling interest	0.01	0.01	(0.01)
Less: net income attributable to discontinued noncontrolling interest	0.00	—	—
Net income attributable to LKQ stockholders	$ 1.75	$ 1.53	$ 1.73
Diluted earnings per share: (1)			
Income from continuing operations	$ 1.75	$ 1.54	$ 1.73
Net income (loss) from discontinued operations	0.01	(0.01)	(0.02)
Net income	1.75	1.53	1.71
Less: net income (loss) attributable to continuing noncontrolling interest	0.01	0.01	(0.01)
Less: net income attributable to discontinued noncontrolling interest	0.00	—	—
Net income attributable to LKQ stockholders	$ 1.74	$ 1.52	$ 1.72

(1) The sum of the individual earnings per share amounts may not equal the total due to rounding.

The accompanying notes are an integral part of the consolidated financial statements.

LKQ CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income
(In thousands)

	Year Ended December 31,		
	2019	2018	2017
Net income	$ 545,034	$ 483,168	$ 530,228
Less: net income (loss) attributable to continuing noncontrolling interest	2,800	3,050	(3,516)
Less: net income attributable to discontinued noncontrolling interest	974	—	—
Net income attributable to LKQ stockholders	541,260	480,118	533,744
Other comprehensive income (loss):			
Foreign currency translation, net of tax	6,704	(108,523)	200,596
Net change in unrealized gains/losses on cash flow hedges, net of tax	(9,016)	350	3,447
Net change in unrealized gains/losses on pension plans, net of tax	(23,859)	697	(6,035)
Net change in other comprehensive income (loss) from unconsolidated subsidiaries	236	(2,343)	(1,309)
Other comprehensive (loss) income	(25,935)	(109,819)	196,699
Comprehensive income	519,099	373,349	726,927
Less: comprehensive income (loss) attributable to continuing noncontrolling interest	2,800	3,050	(3,516)
Less: comprehensive income attributable to discontinued noncontrolling interest	974	—	—
Comprehensive income attributable to LKQ stockholders	$ 515,325	$ 370,299	$ 730,443

The accompanying notes are an integral part of the consolidated financial statements.

LKQ CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets
(In thousands, except share and per share data)

	December 31,	
	2019	**2018**
Assets		
Current assets:		
Cash and cash equivalents	$ 523,020	$ 331,761
Receivables, net	1,131,132	1,154,083
Inventories	2,772,777	2,836,075
Prepaid expenses and other current assets	260,890	199,030
Total current assets	4,687,819	4,520,949
Property, plant and equipment, net	1,234,400	1,220,162
Operating lease assets, net	1,308,511	—
Intangible assets:		
Goodwill	4,406,535	4,381,458
Other intangibles, net	850,338	928,752
Equity method investments	139,243	179,169
Other noncurrent assets	153,110	162,912
Total assets	$ 12,779,956	$ 11,393,402
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 942,795	$ 942,398
Accrued expenses:		
Accrued payroll-related liabilities	179,203	172,005
Refund liability	97,314	104,585
Other accrued expenses	289,683	288,425
Other current liabilities	121,623	61,109
Current portion of operating lease liabilities	221,527	—
Current portion of long-term obligations	326,367	121,826
Total current liabilities	2,178,512	1,690,348
Long-term operating lease liabilities, excluding current portion	1,137,597	—
Long-term obligations, excluding current portion	3,715,389	4,188,674
Deferred income taxes	310,129	311,434
Other noncurrent liabilities	365,672	364,194
Commitments and contingencies		
Redeemable noncontrolling interest	24,077	—
Stockholders' equity:		
Common stock, $0.01 par value, 1,000,000,000 shares authorized, 319,927,243 shares issued and 306,731,328 shares outstanding at December 31, 2019; 318,417,821 shares issued and 316,146,114 shares outstanding at December 31, 2018	3,199	3,184
Additional paid-in capital	1,418,239	1,415,188
Retained earnings	4,140,136	3,598,876
Accumulated other comprehensive loss	(200,885)	(174,950)
Treasury stock, at cost; 13,195,915 shares at December 31, 2019 and 2,271,707 shares at December 31, 2018	(351,813)	(60,000)
Total Company stockholders' equity	5,008,876	4,782,298
Noncontrolling interest	39,704	56,454
Total stockholders' equity	5,048,580	4,838,752
Total liabilities and stockholders' equity	$ 12,779,956	$ 11,393,402

The accompanying notes are an integral part of the consolidated financial statements.

LKQ CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows
(In thousands)

	Year Ended December 31,		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 545,034	$ 483,168	$ 530,228
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	314,406	294,077	230,203
Impairment of equity method investments	41,057	70,895	—
Impairment of net assets held for sale and goodwill	47,102	33,244	—
Stock-based compensation expense	27,695	22,760	22,832
Deferred income taxes	7,109	(2,180)	(46,537)
Other	(16,311)	8,466	8,683
Changes in operating assets and liabilities, net of effects from acquisitions and dispositions:			
Receivables, net	26,419	241	(55,979)
Inventories	15,460	(127,153)	(203,857)
Prepaid income taxes/income taxes payable	25,776	(2,125)	8,376
Accounts payable	3,712	(77,621)	45,136
Other operating assets and liabilities	26,574	6,967	(20,185)
Net cash provided by operating activities	1,064,033	710,739	518,900
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(265,730)	(250,027)	(179,090)
Proceeds from disposals of property, plant and equipment	16,045	27,659	8,707
Acquisitions, net of cash and restricted cash acquired	(27,296)	(1,214,995)	(513,088)
Proceeds from disposal of businesses	18,469	—	301,297
Investments in unconsolidated subsidiaries	(7,594)	(60,300)	(7,664)
Receipts of deferred purchase price on receivables under factoring arrangements	—	36,991	—
Other investing activities, net	1,253	1,733	5,243
Net cash used in investing activities	(264,853)	(1,458,939)	(384,595)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Debt issuance costs	—	(21,128)	(4,267)
Proceeds from issuance of Euro Notes (2026/28)	—	1,232,100	—
Purchase of treasury stock	(291,813)	(60,000)	—
Borrowings under revolving credit facilities	605,708	1,667,325	839,171
Repayments under revolving credit facilities	(734,471)	(1,528,970)	(946,477)
Repayments under term loans	(8,750)	(354,800)	(27,884)
Borrowings under receivables securitization facility	36,600	10,120	11,245
Repayments under receivables securitization facility	(146,600)	(120)	(11,245)
Payment of notes issued and assumed debt from acquisitions	(19,123)	(54,888)	—
(Repayments) borrowings of other debt, net	(33,922)	(11,730)	19,706
Other financing activities, net	(8,298)	5,086	7,184
Net cash (used in) provided by financing activities	(600,669)	882,995	(112,567)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(904)	(77,311)	23,512
Net increase in cash, cash equivalents and restricted cash	197,607	57,484	45,250
Cash, cash equivalents and restricted cash of continuing operations, beginning of period	337,250	279,766	227,400
Add: Cash, cash equivalents and restricted cash of discontinued operations, beginning of period	—	—	7,116
Cash, cash equivalents and restricted cash of continuing and discontinued operations, beginning of period	337,250	279,766	234,516
Cash, cash equivalents and restricted cash of continuing and discontinued operations, end of period	534,857	337,250	279,766
Less: Cash and cash equivalents of discontinued operations, end of period	6,470	—	—
Cash, cash equivalents and restricted cash, end of period	$ 528,387	$ 337,250	$ 279,766

The accompanying notes are an integral part of the consolidated financial statements.

LKQ CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows
(In thousands)

Reconciliation of cash, cash equivalents and restricted cash:			
Cash and cash equivalents	$ 523,020	$ 331,761	$ 279,766
Restricted cash included in Other noncurrent assets	5,367	5,489	—
Cash, cash equivalents and restricted cash, end of period	$ 528,387	$ 337,250	$ 279,766
Supplemental disclosure of cash paid for:			
Income taxes, net of refunds	$ 181,306	$ 200,098	$ 273,019
Interest	143,121	137,866	95,707
Supplemental disclosure of noncash investing and financing activities:			
Stock issued in acquisitions	$ —	$ 251,334	$ —
Noncash property, plant and equipment additions	10,154	16,518	18,122
Notes payable and other financing obligations, including notes issued, debt assumed and settlement of pre-existing balances in connection with business acquisitions	47,887	105,566	59,045
Notes and other financing receivables in connection with disposals of business/investment	—	—	4,000
Notes issued in connection with purchase of noncontrolling interest	14,196	—	—
Contingent consideration liabilities	6,627	3,107	6,234

The accompanying notes are an integral part of the consolidated financial statements.

LKQ CORPORATION AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity
(In thousands)

	LKQ Stockholders								
	Common Stock		Treasury Stock						
	Shares	Amount	Shares	Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Noncontrolling Interest	Total Stockholders' Equity
BALANCE, January 1, 2017	307,545	$ 3,075	—	$ —	$ 1,116,690	$ 2,590,359	$ (267,175)	$ —	$ 3,442,949
Net income	—	—	—	—	—	533,744	—	(3,516)	530,228
Other comprehensive income	—	—	—	—	—	—	196,699	—	196,699
Vesting of restricted stock units, net of shares withheld for employee tax	749	7			(4,332)				(4,325)
Stock-based compensation expense	—	—	—	—	22,832	—	—	—	22,832
Exercise of stock options	867	9	—	—	7,461	—	—	—	7,470
Tax withholdings related to net share settlements of stock-based compensation awards	(34)	—	—	—	(1,200)	—	—	—	(1,200)
Sale of subsidiary shares to noncontrolling interest	—	—	—	—	—	—	—	12,000	12,000
BALANCE, December 31, 2017	309,127	$ 3,091	—	$ —	$ 1,141,451	$ 3,124,103	$ (70,476)	$ 8,484	$ 4,206,653
Net income	—	—	—	—	—	480,118	—	3,050	483,168
Other comprehensive loss	—	—	—	—	—	—	(109,819)	—	(109,819)
Stock issued in acquisitions	8,056	81	—	—	251,253	—	—	—	251,334
Purchase of treasury stock	—	—	(2,272)	(60,000)	—	—	—	—	(60,000)
Vesting of restricted stock units, net of shares withheld for employee tax	603	6	—	—	(3,802)	—	—	—	(3,796)
Stock-based compensation expense	—	—	—	—	22,760	—	—	—	22,760
Exercise of stock options	686	7	—	—	5,296	—	—	—	5,303
Tax withholdings related to net share settlements of stock-based compensation awards	(54)	(1)	—	—	(1,770)	—	—	—	(1,771)
Adoption of ASU 2018-02 (see Note 4)	—	—	—	—	—	(5,345)	5,345	—	—
Capital contributions from, net of dividends declared to, noncontrolling interest shareholder	—	—	—	—	—	—	—	810	810
Noncontrolling interests of businesses acquired	—	—	—	—	—	—	—	44,110	44,110
BALANCE, December 31, 2018	318,418	$ 3,184	(2,272)	$ (60,000)	$ 1,415,188	$ 3,598,876	$ (174,950)	$ 56,454	$ 4,838,752
Net income	—	—	—	—	—	541,260	—	3,774	545,034
Other comprehensive loss	—	—	—	—	—	—	(25,935)	—	(25,935)
Purchase of treasury stock	—	—	(10,924)	(291,813)	—	—	—	—	(291,813)
Vesting of restricted stock units, net of shares withheld for employee tax	719	7	—	—	(2,091)	—	—	—	(2,084)
Stock-based compensation expense	—	—	—	—	27,695	—	—	—	27,695
Exercise of stock options	927	9	—	—	9,046	—	—	—	9,055
Tax withholdings related to net share settlements of stock-based compensation awards	(137)	(1)	—	—	(4,494)	—	—	—	(4,495)

The accompanying notes are an integral part of the consolidated financial statements.

LKQ CORPORATION AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity
(In thousands)

Capital contributions from, net of dividends declared to, noncontrolling interest shareholder	—	—	—	—	—	—	—	(8,474)	(8,474)
Acquired noncontrolling interest (1)	—	—	—	—	—	—	—	10,365	10,365
Purchase and modification of noncontrolling interests (2)	—	—	—	—	(27,105)	—	—	(22,415)	(49,520)
BALANCE, December 31, 2019	319,927	$ 3,199	(13,196)	$ (351,813)	$ 1,418,239	$ 4,140,136	$ (200,885)	$ 39,704	$ 5,048,580

[1] The amount acquired during 2019 relates to discontinued operations. See Note 3, "Discontinued Operations," for further details.

[2] The amount recorded in 2019 relates to (i) the purchase of noncontrolling interest unrelated to a business combination, and (ii) the modification of noncontrolling interest shares. Refer to "Stockholders' Equity–Noncontrolling Interest" in Note 4, "Summary of Significant Accounting Policies," for further information.

The accompanying notes are an integral part of the consolidated financial statements.

Note 1. Business

The financial statements represent the consolidation of LKQ Corporation, a Delaware corporation, and its subsidiaries. LKQ Corporation is a holding company and all operations are conducted by subsidiaries. When the terms "LKQ," "the Company," "we," "us," or "our" are used in this document, those terms refer to LKQ Corporation and its consolidated subsidiaries.

We are a leading provider of alternative vehicle collision replacement products and 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, Germany, the Benelux region (Belgium, Netherlands, and Luxembourg), Italy, Czech Republic, Poland, Slovakia, Austria, and various other 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. In total, we operate approximately 1,700 facilities.

Note 2. Business Combinations

During the year ended December 31, 2019, we completed seven acquisitions, including three wholesale businesses and one self service business in North America, and three wholesale businesses in Europe. These acquisitions were not material to our results of operations or financial position as of and for the year ended December 31, 2019. Total acquisition date fair value of the consideration for our acquisitions for the year ended December 31, 2019 was $63 million, composed of $29 million of cash paid (net of cash acquired), $7 million for the estimated value of contingent payments to former owners (with maximum payments totaling $8 million), $2 million of other purchase price obligations (non-interest bearing), $21 million of notes payable, and $5 million of pre-existing balances considered to be effectively settled as a result of the acquisitions. In addition, we assumed $8 million of existing debt as of the acquisition dates.

On May 30, 2018, we acquired Stahlgruber, a leading European wholesale distributor of aftermarket spare parts for passenger cars, tools, capital equipment and accessories with operations in Germany, Austria, Italy, Slovenia, and Croatia, with further sales to Switzerland. Total acquisition date fair value of the consideration for our Stahlgruber acquisition was €1.2 billion ($1.4 billion), composed of €1.0 billion ($1.1 billion) of cash paid (net of cash acquired), and €215 million ($251 million) of newly issued shares of LKQ common stock. We financed the acquisition with the proceeds from €1.0 billion ($1.2 billion) of senior notes, the direct issuance to Stahlgruber's owner of 8,055,569 newly issued shares of LKQ common stock, and borrowings under our existing revolving credit facility. We recorded $915 million ($908 million in 2018 and $7 million of adjustments in the six months ended June 30, 2019) of goodwill related to our acquisition of Stahlgruber, of which we expected $300 million to be deductible for income tax purposes. In the period between the acquisition date and December 31, 2018, Stahlgruber, which is reported in our Europe reportable segment, generated third party revenue of $1.1 billion and operating income of $52 million.

On May 3, 2018, the European Commission cleared the acquisition of Stahlgruber for the entire European Union, except with respect to the wholesale automotive parts business in the Czech Republic. The acquisition of Stahlgruber’s Czech Republic wholesale business was referred to the Czech Republic competition authority for review. On May 10, 2019, the Czech Republic competition authority approved our acquisition of Stahlgruber’s Czech Republic wholesale business subject to the requirement that we divest certain of the acquired locations. We acquired Stahlgruber’s Czech Republic wholesale business on May 29, 2019 and decided to divest all of the acquired locations. We immediately classified the business as discontinued operations because the business was never integrated into our Europe segment; see Note 3, "Discontinued Operations" for further information. The Czech Republic wholesale business represents an immaterial portion of Stahlgruber's revenue and profitability. There was no additional consideration beyond the previously remitted amounts for the Stahlgruber transaction required to complete the acquisition of the Czech Republic wholesale business.

In addition to our acquisition of Stahlgruber, during the year ended December 31, 2018, we completed acquisitions of four wholesale businesses in North America and nine wholesale businesses in Europe. Total acquisition date fair value of the consideration for these acquisitions was $99 million, composed of $85 million of cash paid (net of cash and restricted cash acquired), $11 million of notes payable, and $3 million for the estimated value of contingent payments to former owners (with maximum potential payments totaling $5 million). During the year ended December 31, 2018, we recorded $68 million of goodwill related to these acquisitions, of which we expected $4 million to be deductible for income tax purposes. In the period

between the acquisition dates and December 31 2018, these acquisitions generated third party revenue of $46 million and operating income of $3 million.

During the year ended December 31, 2017, we completed 26 acquisitions including 6 wholesale businesses in North America, 16 wholesale businesses in Europe and 4 Specialty businesses. Our acquisitions in Europe included the acquisition of four aftermarket parts distribution businesses in Belgium in July 2017. Our Specialty acquisitions included the acquisition of the aftermarket business of Warn, a leading designer, manufacturer and marketer of high performance vehicle equipment and accessories, in November 2017.

Total acquisition date fair value of the consideration for our 2017 acquisitions was $542 million, composed of $510 million of cash paid (net of cash acquired), $6 million for the estimated value of contingent payments to former owners (with maximum potential payments totaling $19 million), $5 million of other purchase price obligations (non-interest bearing) and $20 million of notes payable. During the year ended December 31, 2017, we recorded $307 million of goodwill related to these acquisitions, of which we expected $21 million to be deductible for income tax purposes. In the period between the acquisition dates and December 31, 2017, these acquisitions generated revenue of $227 million and an operating loss of $2 million.

On October 4, 2016, we acquired substantially all of the business assets of Andrew Page, a distributor of aftermarket automotive parts in the U.K., out of receivership. The acquisition was subject to regulatory approval by the CMA in the U.K. The CMA concluded its review on October 31, 2017 and required us to divest less than 10% of the acquired locations. Total acquisition date fair value of the consideration for this acquisition was £16 million ($20 million). In connection with the acquisition, we recorded a gain on bargain purchase of $10 million ($8 million recorded in 2016 and $2 million recorded in 2017), which is presented in Interest income and other income, net in our Consolidated Statements of Income. We believe that we were able to acquire the net assets of Andrew Page for less than fair value as a result of (i) Andrew Page's financial difficulties that put the company into receivership prior to our acquisition and (ii) a motivated seller that desired to complete the sale in an expedient manner to ensure continuity of the business.

Our acquisitions are accounted for under the purchase method of accounting and are included in our consolidated financial statements from the dates of acquisition. The purchase prices were allocated to the net assets acquired based upon estimated fair values at the dates of acquisition. The purchase price allocations for the acquisitions made during the year ended December 31, 2019 are preliminary as we are in the process of determining the following: 1) valuation amounts for certain receivables, inventories and fixed assets acquired; 2) valuation amounts for certain intangible assets acquired; 3) the acquisition date fair value of certain liabilities assumed; and 4) the tax basis of the entities acquired. We have recorded preliminary estimates for certain of the items noted above and will record adjustments, if any, to the preliminary amounts upon finalization of the valuations.

During the year ended December 31, 2019, the measurement period adjustments recorded for acquisitions completed in prior periods were not material. The income statement effect of these measurement period adjustments that would have been recorded in previous reporting periods if the adjustments had been recognized as of the acquisition dates was immaterial.

The purchase price allocations for the acquisitions completed during the year ended December 31, 2018 are as follows (in thousands):

	Year Ended December 31, 2018		
	Stahlgruber	Other Acquisitions (1)	Total
Receivables	$ 144,826	$ 19,171	$ 163,997
Receivable reserves	(2,818)	(918)	(3,736)
Inventories	380,238	14,021	394,259
Prepaid expenses and other current assets	10,970	1,851	12,821
Property, plant and equipment	271,292	5,711	277,003
Goodwill	908,253	64,637	972,890
Other intangibles	285,255	35,159	320,414
Other noncurrent assets	16,625	37	16,662
Deferred income taxes	(78,130)	(5,285)	(83,415)
Current liabilities assumed	(346,788)	(20,116)	(366,904)
Debt assumed	(79,925)	(4,875)	(84,800)
Other noncurrent liabilities assumed (2)	(80,824)	(10,306)	(91,130)
Noncontrolling interest	(44,110)	—	(44,110)
Contingent consideration liabilities	—	(3,107)	(3,107)
Other purchase price obligations	(6,084)	3,623	(2,461)
Stock issued	(251,334)	—	(251,334)
Notes issued	—	(11,347)	(11,347)
Gains on bargain purchases (3)	—	(2,418)	(2,418)
Settlement of other purchase price obligations (non-interest bearing)	—	1,711	1,711
Cash used in acquisitions, net of cash and restricted cash acquired	$ 1,127,446	$ 87,549	$ 1,214,995

(1) The amounts recorded during the year ended December 31, 2018 include a $5 million adjustment to increase other intangibles related to our Warn acquisition and $4 million of adjustments to reduce other purchase price obligations related to other 2017 acquisitions.

(2) The amount recorded for our acquisition of Stahlgruber includes a $79 million liability for certain pension obligations.

(3) The amounts recorded during the year ended December 31, 2018 are due to the gains on bargain purchases related to (i) an acquisition in Europe completed in the second quarter of 2017 as a result of changes in the acquisition date fair value of the consideration, and (ii) three acquisitions in Europe completed during 2018.

The fair value of our intangible assets is based on a number of inputs, including projections of future cash flows, discount rates, assumed royalty rates and customer attrition rates, all of which are Level 3 inputs. We used the relief-from-royalty method to value trade names, trademarks, software and other technology assets, and we used the multi-period excess earnings method to value customer relationships. The relief-from-royalty method assumes that the intangible asset has value to the extent that its owner is relieved of the obligation to pay royalties for the benefits received from the intangible asset. The multi-period excess earnings method is based on the present value of the incremental after-tax cash flows attributable only to the customer relationship after deducting contributory asset charges. The fair value of our property, plant and equipment is determined using inputs such as market comparables and current replacement or reproduction costs of the asset, adjusted for physical, functional and economic factors; these adjustments to arrive at fair value use unobservable inputs in which little or no market data exists, and therefore, these inputs are considered to be Level 3 inputs. See Note 12, "Fair Value Measurements" for further information regarding the tiers in the fair value hierarchy.

The acquisition of Stahlgruber expanded LKQ's geographic presence in continental Europe and serves as an additional strategic hub for our European operations. In addition, the acquisition of Stahlgruber should allow for continued improvement in procurement, logistics and infrastructure optimization. The primary objectives of our other acquisitions made during the years ended December 31, 2019 and 2018 were to create economic value for our stockholders by enhancing our position as a

leading source for alternative collision and mechanical repair products and to expand into other product lines and businesses that may benefit from our operating strengths.

When we identify potential acquisitions, we attempt to target companies with a leading market presence, an experienced management team and workforce that provides a fit with our existing operations, and strong cash flows. For certain of our acquisitions, we have identified cost savings and synergies as a result of integrating the company with our existing business that provide additional value to the combined entity. In many cases, acquiring companies with these characteristics will result in purchase prices that include a significant amount of goodwill.

The following pro forma summary presents the effect of the businesses acquired during the year ended December 31, 2019 as though the businesses had been acquired as of January 1, 2018, the businesses acquired during the year ended December 31, 2018 as though they had been acquired as of January 1, 2017, and the businesses acquired during the year ended December 31, 2017 as though they had been acquired as of January 1, 2016. We have excluded the May 29, 2019 acquisition of the Czech Republic wholesale business as the business was never integrated into our Europe segment. The pro forma adjustments are based upon unaudited financial information of the acquired entities (in thousands):

	Year Ended December 31,		
	2019	2018	2017
Revenue, as reported	$ 12,506,109	$ 11,876,674	$ 9,736,909
Revenue of purchased businesses for the period prior to acquisition:			
Stahlgruber	—	815,405	1,756,893
Other acquisitions	24,614	164,133	448,721
Pro forma revenue	$ 12,530,723	$ 12,856,212	$ 11,942,523
Income from continuing operations, as reported [(1)]	$ 543,415	$ 487,565	$ 536,974
Income from continuing operations of purchased businesses for the period prior to acquisition, and pro forma purchase accounting adjustments:			
Stahlgruber	14,481	17,309	4,796
Other acquisitions	3,664	6,591	16,667
Acquisition related expenses, net of tax [(2)]	1,499	14,524	8,787
Pro forma income from continuing operations	563,059	525,989	567,224
Less: Net income (loss) attributable to continuing noncontrolling interest, as reported	2,800	3,050	(3,516)
Less: Pro forma net income attributable to noncontrolling interest	—	2,799	1,095
Pro forma income from continuing operations attributable to LKQ stockholders [(3)]	$ 560,259	$ 520,140	$ 569,645

(1) 2018 amounts include interest expense for the period from April 9, 2018 through December 31, 2018 recorded on the senior notes issued in connection with our acquisition of Stahlgruber.

(2) Includes expenses related to acquisitions closed in the period and excludes expenses for acquisitions not yet completed.

(3) Excludes our acquisition of the Czech Republic wholesale business which is classified as discontinued operations.

Unaudited pro forma supplemental information is based upon accounting estimates and judgments that we believe are reasonable. The unaudited pro forma supplemental information includes the effect of purchase accounting adjustments, such as the adjustment of inventory acquired to fair value, adjustments to depreciation on acquired property, plant and equipment, adjustments to rent expense for above or below market leases, adjustments to amortization on acquired intangible assets, adjustments to interest expense, and the related tax effects. The pro forma impact of our acquisitions also reflects the elimination of acquisition related expenses, net of tax. Refer to Note 6, "Restructuring and Acquisition Related Expenses," for further information regarding our acquisition related expenses. These pro forma results are not necessarily indicative of what would have occurred if the acquisitions had been in effect for the periods presented or of future results.

Note 3. Discontinued Operations

Glass Manufacturing Business

On March 1, 2017, LKQ completed the sale of the glass manufacturing business of its PGW subsidiary to a subsidiary of Vitro S.A.B. de C.V. ("Vitro") for a sales price of $301 million, including cash received of $316 million, net of cash disposed of $15 million. Related to this transaction, the remaining portion of the Glass operating segment was combined with our Wholesale – North America operating segment, which is part of our North America reportable segment, in the first quarter of 2017. See Note 16, "Segment and Geographic Information" for further information regarding our segments.

Upon execution of the Stock and Asset Purchase Agreement (the "Vitro Agreement") in December 2016, LKQ concluded that the glass manufacturing business met the criteria to be classified as held for sale in LKQ's consolidated financial statements. In connection with the Vitro Agreement, the Company and Vitro entered into a twelve month Transition Services Agreement commencing on the transaction date with two six-month renewal periods, a three-year Purchase and Supply Agreement, and an Intellectual Property Agreement. The Purchase and Supply Agreement expires in the first quarter of 2020, while the Intellectual Property Agreement has a perpetual term; as of December 31, 2019, the Transition Services Agreement had expired.

The following table summarizes the operating results of the Company's discontinued operations related to the sale described above for the years ended December 31, 2019, 2018 and 2017, as presented in Net income (loss) from discontinued operations in the Consolidated Statements of Income (in thousands):

	Year Ended December 31,		
	2019 (3)	**2018**	**2017**
Revenue	$ —	$ —	$ 111,130
Cost of goods sold	—	—	100,084
Selling, general and administrative expenses	1,626	—	8,369
Operating (loss) income	(1,626)	—	2,677
Total other expense, net (1)	—	—	1,204
(Loss) income from discontinued operations before taxes	(1,626)	—	3,881
(Benefit) provision for income taxes	(1,572)	—	3,598
Equity in loss of unconsolidated subsidiaries	—	—	(534)
Loss from discontinued operations, net of tax	(54)	—	(251)
Loss on sale of discontinued operations, net of tax (2)	—	(4,397)	(6,495)
Net loss from discontinued operations	$ (54)	$ (4,397)	$ (6,746)

(1) The Company elected to allocate interest expense to discontinued operations based on the expected debt to be repaid. Under this approach, allocated interest from January 1, 2017 through the date of sale was $2 million. The other expenses, net were foreign currency gains and losses.

(2) In the first quarter of 2017, upon closing of the sale and write-off of the net assets of the glass manufacturing business, we recorded a pre-tax loss on sale of $9 million, and a $4 million current tax benefit. The incremental loss primarily reflects a $6 million payable for intercompany sales from the glass manufacturing business to the aftermarket automotive glass distribution business incurred prior to closing, which was paid by LKQ during the second quarter of 2017, and capital expenditures in 2017 that were not reimbursed by the buyer. During the fourth quarter of 2017, we recorded an additional loss on sale of $2 million as a result of post sale net working capital adjustments. During the fourth quarter of 2018, we recorded a final current tax expense adjustment of $4 million to the loss on sale as a result of the completion of the tax return reporting the 2017 transaction. The adjustment was primarily attributable to a valuation allowance recognized on the carryforward of a capital loss arising from the sale, the tax benefit of which is not certain to be realized during the carryforward period.

(3) During the fourth quarter of 2019, we recorded a reserve related to a pre-disposition matter and the related deferred tax benefit, and we settled certain tax matters with Vitro, which are reflected in the benefit for income taxes.

The glass manufacturing business had $4 million of operating cash outflows, $4 million of investing cash outflows mainly consisting of capital expenditures, and $15 million of financing cash inflows made up of parent financing for the period from January 1, 2017 through March 1, 2017.

Pursuant to the Purchase and Supply Agreement, our aftermarket automotive glass distribution business agreed to source various products from Vitro's glass manufacturing business annually for a three-year period beginning on March 1, 2017. Between January 1, 2017 and the sale date of March 1, 2017, intercompany sales between the glass manufacturing business and the continuing aftermarket automotive glass distribution business of PGW, which were eliminated in

consolidation, were $8 million. All purchases from Vitro, including those outside of the Purchase and Supply Agreement, for the years ended December 31, 2019, 2018 and 2017, were $30 million, $24 million and $42 million, respectively.

Czech Republic

As described in Note 2, "Business Combinations," we classified the acquired Stahlgruber Czech Republic wholesale business as discontinued operations. We expect to divest the business within the first half of 2020, and thus, the net assets are reflected on the Consolidated Balance Sheets at the lower of fair value less cost to sell or carrying value. As of December 31, 2019, the assets held for sale, liabilities held for sale, and noncontrolling interest are recorded within Prepaid expenses and other current assets, Other current liabilities, and Noncontrolling interest, respectively, on the Consolidated Balance Sheets. As of the acquisition date, we acquired $5 million of cash, assumed $6 million of existing debt and settled $6 million of pre-existing balances. During the year ended December 31, 2019, we recorded $2 million of net income from discontinued operations related to the business, of which $1 million was attributable to the noncontrolling interest.

Fair value was based on the estimated selling price, the inputs of which included projected market multiples and any reasonable offers. Due to the uncertainties in the estimation process, it is possible that actual results could differ from the estimates used in the Company's analysis. The inputs utilized in the fair value estimate are classified as Level 3 within the fair value hierarchy. The fair value of the net assets was measured on a non-recurring basis as of December 31, 2019.

Note 4. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of LKQ Corporation and its subsidiaries. All intercompany transactions and accounts have been eliminated.

Use of Estimates

In preparing our financial statements in conformity with accounting principles generally accepted in the United States of America, we are required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

See Note 5, "Revenue Recognition" for our accounting policies related to revenue.

Cost of Goods Sold

Our cost of goods sold includes: the price we pay for inventory, net of vendor discounts, rebates or other incentives; inbound freight and other transportation costs to bring inventory into our facilities; and overhead costs related to purchasing, warehousing and transporting our products from our distribution warehouses to our selling locations. For our salvage, remanufactured, and refurbished products, our cost of goods sold also includes direct and indirect labor, equipment costs, depreciation, and other overhead to transform inventory into finished products suitable for sale. Cost of goods sold also includes expenses for our service-type warranties and for our assurance-type warranty programs. See Note 5, "Revenue Recognition" for additional information related to our warranty programs.

Selling, General and Administrative Expenses

Selling, general and administrative expenses include: personnel costs for employees in selling, general and administrative functions; costs to operate our branch locations, corporate offices and back office support centers; costs to transport our products from our facilities to our customers; and other selling, general and administrative expenses, such as professional fees, supplies, and advertising expenses. The costs included in selling, general and administrative expenses do not relate to inventory processing or conversion activities, and, as such, are classified below the gross margin line in our Consolidated Statements of Income.

Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents include cash on hand, operating accounts, and deposits readily convertible to known amounts of cash. Restricted cash includes cash for which the Company's ability to withdraw funds at any time is contractually limited. As of both December 31, 2019 and 2018, we had $5 million of restricted cash that is recorded in Other noncurrent assets on the Consolidated Balance Sheets.

Receivables and Allowance for Doubtful Accounts

In the normal course of business, we extend credit to customers after a review of each customer's credit history. We recorded a reserve for uncollectible accounts of approximately $53 million and $57 million at December 31, 2019 and 2018, respectively. The reserve is based upon the aging of the accounts receivable, our assessment of the collectability of specific customer accounts and historical experience. Receivables are written off once collection efforts have been exhausted. Recoveries of receivables previously written off are recorded when received.

Concentrations of Credit Risk

Financial instruments that potentially subject us to significant concentration of credit risk consist primarily of cash and cash equivalents and accounts receivable. We control our exposure to credit risk associated with these instruments by (i) placing our cash and cash equivalents with several major financial institutions; (ii) holding high-quality financial instruments; and (iii) maintaining strict policies over credit extension that include credit evaluations, credit limits and monitoring procedures. In addition, our overall credit risk with respect to accounts receivable is limited to some extent because our customer base is composed of a large number of geographically diverse customers.

Inventories

We classify our inventory into the following categories: (i) aftermarket and refurbished products, (ii) salvage and remanufactured products, and (iii) manufactured products.

An aftermarket product is a new vehicle product manufactured by a company other than the original equipment manufacturer. For all of our aftermarket products, excluding our aftermarket automotive glass products, cost is established based on the average price we pay for parts; for our aftermarket automotive glass products inventory, cost is established using the first-in first-out method. Inventory cost for all of our aftermarket products includes expenses incurred for freight in and overhead costs; for items purchased from foreign companies, import fees and duties and transportation insurance are also included. Refurbished products are parts that require cosmetic repairs, such as wheels, bumper covers and lights; LKQ will apply new parts, products or materials to these parts in order to produce the finished product. Refurbished inventory cost is based upon the average price we pay for cores. The cost of our refurbished inventory also includes expenses incurred for freight in, labor and other overhead costs.

A salvage product is a recycled vehicle part suitable for sale as a replacement part. Cost is established based upon the price we pay for a vehicle, including auction, storage and towing fees, as well as expenditures for buying and dismantling the vehicle. Inventory carrying value is determined using the average cost to sales percentage at each of our facilities and applying that percentage to the facility's inventory at expected selling prices, the assessment of which incorporates the sales probability based on a part's number of days in stock and historical demand. The average cost to sales percentage is derived from each facility's historical profitability for salvage vehicles. Remanufactured products are used parts that have been inspected, rebuilt, or reconditioned to restore functionality and performance, such as remanufactured engines and transmissions. Remanufactured inventory cost is based upon the price paid for cores, which are recycled automotive parts that are not suitable for sale as a replacement part without further processing, and also includes expenses incurred for freight in, direct manufacturing costs and other overhead costs.

A manufactured product is a new vehicle product. Manufactured product inventory can be a raw material, work-in-process or finished good. Cost is established using the first-in first-out method.

For all inventory, carrying value is recorded at the lower of cost or net realizable value. Net realizable value can be influenced by current anticipated demand. If actual demand is lower than our estimates, additional reductions to inventory carrying value would be necessary in the period such determination is made.

Inventories consist of the following (in thousands):

	December 31,	
	2019	**2018**
Aftermarket and refurbished products	$ 2,297,895	$ 2,309,458
Salvage and remanufactured products	447,908	503,199
Manufactured products	26,974	23,418
Total inventories	$ 2,772,777	$ 2,836,075

Aftermarket and refurbished products and salvage and remanufactured products are primarily composed of finished goods. As of December 31, 2019, manufactured products inventory was composed of $17 million of raw materials, $3 million

of work in process, and $6 million of finished goods. As of December 31, 2018, manufactured products inventory was composed of $17 million of raw materials, $2 million of work in process, and $4 million of finished goods.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated depreciation. Expenditures for major additions and improvements that extend the useful life of the related asset are capitalized. As property, plant and equipment are sold or retired, the applicable cost and accumulated depreciation are removed from the accounts and any resulting gain or loss thereon is recognized. Construction in progress consists primarily of building and land improvements at our existing facilities. Depreciation is calculated using the straight-line method over the estimated useful lives or, in the case of leasehold improvements, the term of the related lease and reasonably assured renewal periods, if shorter.

Our estimated useful lives are as follows:

Land improvements	10-20 years
Buildings and improvements	20-40 years
Machinery and equipment	3-20 years
Computer equipment and software	3-10 years
Vehicles and trailers	3-10 years
Furniture and fixtures	5-7 years

Property, plant and equipment consists of the following (in thousands):

	December 31,	
	2019	2018
Land and improvements	$ 194,437	$ 177,998
Buildings and improvements	384,918	351,733
Machinery and equipment	679,292	617,424
Computer equipment and software	153,900	143,547
Vehicles and trailers	156,334	150,824
Furniture and fixtures	52,601	58,919
Leasehold improvements	295,534	278,687
Finance lease assets	71,724	61,310
	1,988,740	1,840,442
Less—Accumulated depreciation	(807,680)	(685,751)
Construction in progress	53,340	65,471
Total property, plant and equipment, net	$ 1,234,400	$ 1,220,162

We record depreciation expense associated with our refurbishing, remanufacturing, manufacturing and furnace operations as well as our distribution centers in Cost of goods sold in the Consolidated Statements of Income. We report depreciation expense resulting from restructuring programs in Restructuring and acquisition related expenses. All other depreciation expense is reported in Depreciation and amortization. Total depreciation expense for the years ended December 31, 2019, 2018, and 2017 was $174 million, $157 million, and $129 million, respectively.

Intangible Assets

Intangible assets consist primarily of goodwill (the cost of purchased businesses in excess of the fair value of the identifiable net assets acquired) and other specifically identifiable intangible assets, such as trade names, trademarks, customer and supplier relationships, software and other technology related assets, and covenants not to compete.

Goodwill is tested for impairment at least annually, and we performed annual impairment tests during the fourth quarters of 2019, 2018 and 2017. Goodwill impairment testing may also be performed on an interim basis when events or circumstances arise that may lead to impairment. The fair value estimates of our reporting units are established using weightings of the results of a discounted cash flow methodology and a comparative market multiples approach.

Based on the annual goodwill impairment test in 2019, we determined no impairment existed as all of our reporting units had a fair value estimate which exceeded the carrying value by at least 25%.

Based on our annual goodwill impairment test in 2018, we determined the carrying value of our Aviation reporting unit exceeded the fair value estimate by more than the carrying value, thus we recorded an impairment charge of $33 million, which represented the total carrying value of goodwill in our Aviation reporting unit (subsequently sold in the third quarter of 2019). The impairment charge was due to a decrease in the fair value estimate from the prior year fair value estimate, primarily driven by a significant deterioration in the outlook for the Aviation reporting unit due to competition, customer financial issues and changing market conditions for the airplane platforms that the business services, which lowered our projected gross margin and related future cash flows. We reported the impairment charge in Impairment of net assets held for sale and goodwill in the Consolidated Statements of Income for the year ended December 31, 2018.

The changes in the carrying amount of goodwill by reportable segment are as follows (in thousands):

	North America	Europe	Specialty	Total
Balance as of January 1, 2018	$ 1,709,354	$ 1,414,898	$ 412,259	$ 3,536,511
Business acquisitions and adjustments to previously recorded goodwill	6,805	970,923	(4,838)	972,890
Impairment of goodwill	(33,244)	—	—	(33,244)
Exchange rate effects	(9,383)	(85,532)	216	(94,699)
Balance as of December 31, 2018	$ 1,673,532	$ 2,300,289	$ 407,637	$ 4,381,458
Business acquisitions and adjustments to previously recorded goodwill	38,913	15,099	—	54,012
Reclassified to net assets held for sale and discontinued operations	—	(4,721)	—	(4,721)
Disposal of business	—	(1,919)	—	(1,919)
Exchange rate effects	5,599	(27,847)	(47)	(22,295)
Balance as of December 31, 2019	$ 1,718,044	$ 2,280,901	$ 407,590	$ 4,406,535
Accumulated impairment losses as of December 31, 2019	$ (33,244)	$ —	$ —	$ (33,244)

The components of other intangibles, net are as follows (in thousands):

	December 31, 2019	December 31, 2018
Intangible assets subject to amortization	$ 769,038	$ 847,452
Indefinite-lived intangible assets		
Trademarks	81,300	81,300
Total	$ 850,338	$ 928,752

The components of intangible assets subject to amortization are as follows (in thousands):

	December 31, 2019			December 31, 2018		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Trade names and trademarks	$ 488,945	$ (119,957)	$ 368,988	$ 496,166	$ (94,451)	$ 401,715
Customer and supplier relationships	580,052	(321,650)	258,402	593,517	(247,464)	346,053
Software and other technology related assets	248,941	(108,979)	139,962	176,118	(79,283)	96,835
Covenants not to compete	13,435	(11,749)	1,686	13,344	(10,495)	2,849
Total	$ 1,331,373	$ (562,335)	$ 769,038	$ 1,279,145	$ (431,693)	$ 847,452

The components of intangible assets acquired as part of our acquisitions in 2018 are as follows (in thousands):

	Year Ended December 31, 2018		
	Stahlgruber	Other Acquisitions (1)	Total
Trade names and trademarks	$ 173,946	$ 8,870	$ 182,816
Customer and supplier relationships	77,980	20,779	98,759
Software and other technology related assets	33,329	376	33,705
Covenants not to compete	—	—	—
Total	$ 285,255	$ 30,025	$ 315,280

(1) The amounts recorded during the year ended December 31, 2018 exclude amounts related to our 2017 acquisitions, including a $5 million adjustment to increase other intangibles related to our 2017 acquisition of Warn.

The weighted-average amortization periods for our intangible assets acquired during the years ended December 31, 2018 and 2017 are as follows (in years):

	Year Ended December 31, 2018			Year Ended December 31, 2017
	Stahlgruber	Other Acquisitions	Total	All Acquisitions
Trade names and trademarks	18.0	10.0	17.6	11.2
Customer and supplier relationships	3.0	7.9	4.0	18.6
Software and other technology related assets	5.2	6.5	5.2	11.1
Covenants not to compete	—	—	—	4.4
Total acquired finite-lived intangible assets	12.4	8.5	12.0	16.5

Our estimated useful lives for our finite-lived intangible assets are as follows:

	Method of Amortization	Useful Life
Trade names and trademarks	Straight-line	4-30 years
Customer and supplier relationships	Accelerated	3-20 years
Software and other technology related assets	Straight-line	3-15 years
Covenants not to compete	Straight-line	2-5 years

Amortization expense for intangibles was $140 million, $137 million, and $102 million during the years ended December 31, 2019, 2018, and 2017, respectively. Estimated amortization expense for each of the five years in the period ending December 31, 2024 is $120 million, $93 million, $80 million, $70 million and $64 million, respectively.

Net Assets Held for Sale

During the year ended December 31, 2019, we committed to plans to sell certain businesses in our North America and Europe segments. As a result, these businesses were classified as net assets held for sale and were required to be adjusted to the lower of fair value less cost to sell or carrying value, resulting in impairment charges totaling $47 million for the year ended December 31, 2019 (presented in Impairment of net assets held for sale and goodwill in the Consolidated Statements of Income).

In the third quarter of 2019, we completed the sales of two of these businesses, our aviation business in North America and a wholesale business in Bulgaria. The disposed businesses were immaterial, generating annualized revenue of approximately $55 million prior to the divestiture.

Excluding the Stahlgruber Czech Republic wholesale business discussed in Note 3, "Discontinued Operations," as of December 31, 2019, there were $19 million of assets held for sale, including $5 million of goodwill that was reclassified as held for sale related to our Europe segment, and $9 million of liabilities held for sale, which were recorded within Prepaid

expenses and other current assets and Other current liabilities, respectively, on the Consolidated Balance Sheets. We expect the remaining assets held for sale to be disposed of during the next twelve months. The assets held for sale generated annualized revenue of $87 million during the year ended December 31, 2019.

We are required to record net assets of our held for sale businesses at the lower of fair value less cost to sell or carrying value. Fair values were based on projected discounted cash flows and/or estimated selling prices. Management's assumptions for our discounted cash flow analysis of the businesses were based on projected revenues and profits, tax rates, capital expenditures, working capital requirements and discount rates. For businesses for which we utilized estimated selling prices to calculate the fair value, the inputs to our estimates included projected market multiples and any reasonable offers. Due to uncertainties in the estimation process, it is possible that actual results could differ from the estimates used in our analysis. The inputs utilized in the fair value estimates are classified as Level 3 within the fair value hierarchy. The fair values of the net assets were measured on a non-recurring basis as of December 31, 2019.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for possible impairment whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable. If such review indicates that the carrying amount of long-lived assets is not recoverable, the carrying amount of such assets is reduced to fair value. Other than the impairment charges recorded upon the classification of certain businesses in our North America and Europe segments as held for sale discussed in the "Net Assets Held for Sale" section above, there were no material adjustments to the carrying value of long-lived assets during the years ended December 31, 2019, 2018 or 2017.

Investments in Unconsolidated Subsidiaries

Our investment in unconsolidated subsidiaries was $139 million and $179 million as of December 31, 2019 and December 31, 2018, respectively.

Europe Segment

Our investment in unconsolidated subsidiaries in Europe was $122 million and $163 million as of December 31, 2019 and December 31, 2018, respectively. We recorded equity in losses of $33 million and $65 million during the years ended December 31, 2019 and December 31, 2018, respectively, and equity in earnings of $6 million during the year ended December 31, 2017 related to our investments in unconsolidated subsidiaries in our Europe segment, mainly related to our investment in Mekonomen.

On December 1, 2016, we acquired a 26.5% equity interest in Mekonomen for an aggregate purchase price of $181 million. In October 2018, we acquired an additional $48 million of equity in Mekonomen at a discounted share price as part of its rights issue, increasing our equity interest to 26.6%. 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. As of December 31, 2019, our share of the book value of Mekonomen's net assets exceeded the book value of our investment in Mekonomen by $5 million; this difference is primarily related to Mekonomen's Accumulated Other Comprehensive Income balance as of our acquisition date in 2016. We are recording our equity in the net earnings of Mekonomen on a one quarter lag.

During the years ended December 31, 2019 and 2018, we recognized other-than-temporary impairment charges of $40 million and $71 million, respectively, which represented the difference in the carrying value and the fair value of our investment in Mekonomen. The fair value of our investment in Mekonomen was determined using the Mekonomen share prices as of the dates of our impairment tests. The impairment charges are recorded in Equity in (losses) earnings of unconsolidated subsidiaries in our Consolidated Statements of Income.

In May 2018, we received a cash dividend of $8 million (SEK 67 million) related to our investment in Mekonomen. Mekonomen announced in February 2019 that the Mekonomen Board of Directors proposed no dividend payment in 2019. The Level 1 fair value of our equity investment in the publicly traded Mekonomen common stock at December 31, 2019 was $149 million (using the Mekonomen share price of SEK 93 as of December 31, 2019) compared to a carrying value of $111 million.

In 2018, we participated in a rights issue with preferential rights for Mekonomen's existing shareholders, who were given the right to subscribe for four new Mekonomen shares per seven existing owned shares at a discounted share price. The rights issue represented a derivative instrument related to our right to acquire Mekonomen shares at a discount. We measured the derivative instrument at fair value, and we recorded a derivative loss of $5 million in Interest income and other income, net in the Consolidated Statements of Income in October 2018 upon the settlement of the derivative instrument.

North America Segment

Our investment in unconsolidated subsidiaries in the North America segment was $18 million and $16 million as of December 31, 2019 and December 31, 2018, respectively. The equity in earnings for the North America equity investments was

$1 million for the year ended December 31, 2019 and an immaterial amount for the year ended December 31, 2018; we did not have any equity in earnings in the North America segment in 2017.

Warranty Reserve

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. These assurance-type warranties are not considered a separate performance obligation, and thus no transaction price is allocated to them. We record the warranty costs in Cost of goods sold in our Consolidated Statements of Income. Our warranty reserve is calculated using historical claim information to project future warranty claims activity and is recorded within Other accrued expenses and Other noncurrent liabilities on our Consolidated Balance Sheets based on the expected timing of the related payments.

The changes in the warranty reserve are as follows (in thousands):

Balance as of January 1, 2018	$	23,151
Warranty expense		43,682
Warranty claims		(43,571)
Balance as of December 31, 2018		23,262
Warranty expense		58,253
Warranty claims		(56,074)
Balance as of December 31, 2019	$	25,441

Self-Insurance Reserves

We self-insure a portion of employee medical benefits under the terms of our employee health insurance program. We purchase certain stop-loss insurance to limit our liability exposure. We also self-insure a portion of our property and casualty risk, which includes automobile liability, general liability, directors and officers liability, workers' compensation, and property coverage, under deductible insurance programs. The insurance premium costs are expensed over the contract periods. A reserve for liabilities associated with these losses is established for claims filed and claims incurred but not yet reported based upon our estimate of ultimate cost, which is calculated using analysis of historical data. We monitor new claims and claim development as well as trends related to the claims incurred but not reported in order to assess the adequacy of our insurance reserves. Total self-insurance reserves were $109 million and $105 million, of which $54 million and $52 million was classified as current, as of December 31, 2019 and 2018, respectively, and are classified as Other accrued expenses on the Consolidated Balance Sheets. The remaining balances of self-insurance reserves are classified as Other noncurrent liabilities, which reflects management's estimates of when claims will be paid. We had outstanding letters of credit of $69 million and $65 million at December 31, 2019 and 2018, respectively, to guarantee self-insurance claims payments. While we do not expect the amounts ultimately paid to differ significantly from our estimates, our insurance reserves and corresponding expenses could be affected if future claims experience differs significantly from historical trends and assumptions.

Litigation and Related Contingencies

We have certain contingencies resulting from litigation, claims and other commitments and are subject to a variety of environmental and pollution control laws and regulations incident to the ordinary course of business. We currently expect that the resolution of such contingencies will not materially affect our financial position, results of operations or cash flows.

Stockholders' Equity

Treasury Stock

On October 25, 2018, our Board of Directors authorized a stock repurchase program under which we were authorized to purchase up to $500 million of our common stock from time to time through October 25, 2021. Repurchases under the program may be made in the open market or in privately negotiated transactions, with the amount and timing of repurchases depending on market conditions and corporate needs. The repurchase program does not obligate us to acquire any specific number of shares and may be suspended or discontinued at any time. Delaware law imposes restrictions on stock repurchases.

On October 25, 2019, our Board of Directors authorized an increase to our existing stock repurchase program under which the Company may purchase up to an additional $500 million of our common stock from time to time through October 25, 2022; this extended date also applies to the original repurchase program. With the increase, the Board of Directors has authorized a total of $1.0 billion of common stock repurchases.

During the year ended December 31, 2019, we repurchased 10.9 million shares of common stock for an aggregate price of $292 million. During 2018, we repurchased 2.3 million shares of common stock for an aggregate price of $60 million. As of December 31, 2019, there was $648 million of remaining capacity under our repurchase program. Repurchased shares are accounted for as treasury stock using the cost method.

Noncontrolling Interest

In July 2019, we purchased substantially all of the noncontrolling interest of a subsidiary acquired in connection with the Stahlgruber acquisition for a purchase price of $19 million, which included the issuance of $14 million of notes payable. This purchase resulted in a net decrease to Noncontrolling interest of $10 million and a decrease to Additional paid-in capital of $9 million in our consolidated financial statements as of December 31, 2019.

In December 2019, we modified the shares of a noncontrolling interest of a subsidiary acquired in connection with the Stahlgruber acquisition and issued new redeemable shares to the minority shareholder. The new redeemable shares contain (i) a put option for all noncontrolling interest shares at a fixed price of $24 million (€21 million) for the minority shareholder exercisable in the fourth quarter of 2023, (ii) a call option for all noncontrolling interest shares at a fixed price of $26 million (€23 million) for the Company exercisable beginning in the first quarter of 2026 through the end of the fourth quarter of 2027, and (iii) a guaranteed dividend to be paid quarterly to the minority shareholder through the fourth quarter of 2023. The new redeemable shares do not provide the minority shareholder with rights to participate in the profits and losses of the subsidiary prior to the exercise date of the put option. As the put option is outside the control of the Company, we recorded a $24 million Redeemable noncontrolling interest at the put option's redemption value outside of permanent equity on our Consolidated Balance Sheets. This transaction also resulted in a decrease to Additional paid-in capital of $18 million, a decrease to Noncontrolling interest of $12 million, and a $7 million dividend payable ($2 million recorded in Other current liabilities and $5 million in Other noncurrent liabilities) in our consolidated financial statements as of December 31, 2019. The redeemable noncontrolling interest and dividend payable represent noncash financing activities in our Consolidated Statements of Cash Flows.

Income Taxes

Current income taxes are provided on income reported for financial reporting purposes, adjusted for transactions that do not enter into the computation of income taxes payable in the same year. Deferred income taxes have been provided to show the effect of temporary differences between the tax bases of assets and liabilities and their reported amounts in the financial statements. A valuation allowance is provided for deferred tax assets if it is more likely than not that these items will either expire before we are able to realize their benefit or that future deductibility is uncertain. Provision is made for taxes on undistributed earnings of foreign subsidiaries and related companies to the extent that such earnings are not deemed to be permanently invested.

We recognize the benefits of uncertain tax positions taken or expected to be taken in tax returns in the provision for income taxes only for those positions that are more likely than not to be realized. We follow a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement. We consider many factors when evaluating and estimating our tax positions and tax benefits, which may require periodic adjustments and which may not accurately forecast actual outcomes. Our policy is to include interest and penalties associated with income tax obligations in income tax expense.

During 2017, new tax legislation was signed into law making significant changes to the Internal Revenue Code. See Note 15, "Income Taxes" for further information regarding the new tax law.

Rental Expense

We recognize rental expense on a straight-line basis over the respective lease terms, including reasonably assured renewal periods, for all of our operating leases.

Foreign Currency Translation

For most of our foreign operations, the local currency is the functional currency. Assets and liabilities are translated into U.S. dollars at the period-ending exchange rate. Statements of Income amounts are translated to U.S. dollars using monthly average exchange rates during the period. Translation gains and losses are reported as a component of Accumulated other comprehensive income (loss) in stockholders' equity.

Recent Accounting Pronouncements

Adoption of New Lease Standard

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02, "Leases" ("ASU 2016-02"), which represents the FASB Accounting Standards Codification Topic 842 ("ASC 842"), to increase transparency and comparability by recognizing lease assets and lease liabilities on the Consolidated Balance Sheets and disclosing key information about leasing arrangements. The main difference between the prior standard and ASU 2016-02 is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under the prior standard.

We adopted the standard in the first quarter of 2019 using the modified retrospective approach and elected the transition package of practical expedients permitted within the new standard, which, among other things, allows us to carryforward the historical lease classification. For leases with a term of 12 months or less, we elected the short-term lease exemption, which allowed us to not recognize right-of-use assets or lease liabilities for qualifying leases existing at transition and new leases we may enter into in the future. Additionally, we adopted the practical expedient to combine lease and non-lease components.

As of January 1, 2019, we recorded both an operating lease asset and operating lease liability of $1.3 billion. The preexisting deferred rent liability balances from the historical straight-line treatment of operating leases was reclassified as a reduction of the lease asset upon adoption. The adoption of the standard did not materially affect our Consolidated Statements of Income or Statements of Cash Flows as operating lease payments will still be an operating cash outflow and capital lease payments will still be a financing cash outflow. The new standard did not have a material impact on our liquidity. The standard will have no impact on our debt covenant compliance under our current agreements as the covenant calculations are based on the prior lease accounting rules.

Other Recently Adopted Accounting Pronouncements

During the first quarter of 2019, we adopted ASU No. 2017-12, "Targeted Improvements to Accounting for Hedging Activities" ("ASU 2017-12"), which amends the hedge accounting recognition and presentation requirements in ASC 815 ("Derivatives and Hedging"). ASU 2017-12 significantly alters the hedge accounting model by making it easier for an entity to achieve and maintain hedge accounting and provides for accounting that better reflects an entity's risk management activities. We adopted the provisions of ASU 2017-12 by applying a modified retrospective approach to existing hedging relationships as of the adoption date. The adoption of ASU 2017-12 did not have a material impact on our consolidated financial statements.

Recently Issued Accounting Pronouncements

In August 2018, the FASB issued ASU No. 2018-13, "Disclosure Framework- Changes to the Disclosure Requirements for Fair Value Measurement" ("ASU 2018-13"), which removes, modifies, and adds certain disclosure requirements in ASC 820. ASU 2018-13 is effective for fiscal years and interim periods beginning after December 15, 2019; early adoption is permitted. We are in the process of evaluating the impact of this standard on our disclosures but do not currently believe that it will have a material impact.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"), and in November 2018 issued a subsequent amendment, ASU 2018-19, "Codification Improvements to Topic 326, Financial Instruments - Credit Losses" ("ASU 2018-19"). ASU 2016-13 significantly changes how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. ASU 2016-13 will replace today’s “incurred loss” approach with an “expected loss” model for instruments measured at amortized cost. ASU 2018-19 will affect loans, debt securities, trade receivables, net investments in leases, off balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope of this amendment that represent the contractual right to receive cash. ASU 2016-13 and ASU 2018-19 should be applied on either a prospective transition or modified-retrospective approach depending on the subtopic. ASU 2016-13 is effective for annual periods beginning after December 15, 2019, and interim periods therein. We do not anticipate the adoption of this accounting standard will have a material impact on our consolidated financial statements.

Note 5. Revenue Recognition

The majority of our revenue is derived from the sale of vehicle parts. We recognize revenue when the products are shipped to, delivered to or picked up by customers, which is the point when title has transferred and risk of ownership has passed.

Sources of Revenue

We report our revenue in two categories: (i) parts and services and (ii) other. The following table sets forth our revenue by category, with our parts and services revenue further disaggregated by reportable segment (in thousands):

	Year Ended December 31,		
	2019	2018	2017
North America	$ 4,600,903	$ 4,558,220	$ 4,278,531
Europe	5,817,547	5,202,231	3,628,906
Specialty	1,459,396	1,472,956	1,301,197
Parts and services	11,877,846	11,233,407	9,208,634
Other	628,263	643,267	528,275
Total revenue	$ 12,506,109	$ 11,876,674	$ 9,736,909

Parts and Services

Our parts revenue is generated from the sale of vehicle products including replacement parts, components and systems used in the repair and maintenance of vehicles and specialty products and accessories to improve the performance, functionality and appearance of vehicles. Services revenue includes (i) additional services that are generally billed concurrently with the related product sales, such as the sale of service-type warranties, (ii) fees for admission to our self service yards, and (iii) diagnostic and repair services.

In North America, our vehicle replacement products include sheet metal collision parts such as doors, hoods, and fenders; bumper covers; head and tail lamps; automotive glass products such as windshields; mirrors and grilles; wheels; and large mechanical items such as engines and transmissions. In Europe, our products include a wide variety of small mechanical products such as brake pads, discs and sensors; clutches; electrical products such as spark plugs and batteries; steering and suspension products; filters; and oil and automotive fluids. In our Specialty operations, we serve six product segments: truck and off-road; speed and performance; RV; towing; wheels, tires and performance handling; and miscellaneous accessories.

Our service-type warranties typically have service periods ranging from 6 months to 36 months. Under FASB Accounting Standards Codification Topic ASC 606 ("ASC 606"), proceeds from these service-type warranties are deferred at contract inception and amortized on a straight-line basis to revenue over the contract period. The changes in deferred service-type warranty revenue are as follows (in thousands):

Balance as of January 1, 2018	$ 19,465
Additional warranty revenue deferred	38,736
Warranty revenue recognized	(34,195)
Balance as of December 31, 2018	24,006
Additional warranty revenue deferred	43,381
Warranty revenue recognized	(40,320)
Balance as of December 31, 2019	$ 27,067

Other Revenue

Revenue from other sources includes sales of scrap and precious metals (platinum, palladium, and rhodium), bulk sales to mechanical manufacturers (including cores) and sales of aluminum ingots and sows from our furnace operations. We derive scrap metal and other precious metals 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. The sale of hulks in our wholesale and self service recycling operations represents one performance obligation, and revenue is recognized based on a price per weight when the customer (processor) collects the scrap. Some adjustments may occur when the customer weighs the scrap at their location, and revenue is adjusted accordingly.

Revenue by Geographic Area

See Note 16, "Segment and Geographic Information" for information related to our revenue by geographic region.

Variable Consideration

The amount of revenue ultimately received from the customer can vary due to variable consideration including returns, discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, or other similar items. Under ASC 606 we are required to select the “expected value method” or the “most likely amount” method in order to estimate

variable consideration. We utilize both methods in practice depending on the type of variable consideration, with contemplation of any expected reversals in revenue. We recorded a refund liability and return asset for expected returns of $97 million and $52 million, respectively, as of December 31, 2019, and $105 million and $56 million, respectively, as of December 31, 2018. The refund liability is presented separately on the balance sheet within current liabilities while the return asset is presented within Prepaid expenses and other current assets. Other types of variable consideration consist primarily of discounts, volume rebates, and other customer sales incentives which are recorded in Receivables, net on the Consolidated Balance Sheets. We recorded a reserve for our variable consideration of $108 million and $103 million as of December 31, 2019 and December 31, 2018, respectively. While other customer incentive programs exist, we characterize them as material rights in the context of our sales transactions. We consider these programs to be immaterial to our consolidated financial statements.

Contract Costs

Under ASC 340, "Other Assets and Deferred Costs," we have elected to recognize incremental costs of obtaining a contract (commissions earned by our sales representatives on product sales) as an expense when incurred, as we believe the amortization period of the asset would be one year or less due to the short-term nature of our contracts.

Sales Taxes

We present taxes assessed by governmental authorities collected from customers on a net basis. Therefore, the taxes are excluded from revenue in our Consolidated Statements of Income and are shown as a current liability on our Consolidated Balance Sheets until remitted.

Note 6. Restructuring and Acquisition Related Expenses

Acquisition Related Expenses

Acquisition related expenses, which include external costs such as legal, accounting and advisory fees, were $2 million for the year ended December 31, 2019.

Acquisition related expenses for the year ended December 31, 2018 were $18 million, which included external costs primarily related to our May 2018 acquisition of Stahlgruber.

Acquisition related expenses totaled $15 million for the year ended December 31, 2017. Acquisition related expenses for 2017 included $5 million of costs for our acquisition of Andrew Page, primarily related to legal and other professional fees associated with the CMA review. The remaining acquisition related costs for the year ended December 31, 2017 consisted of external costs for (i) completed acquisitions, (ii) pending acquisitions as of December 31, 2017, including $4 million related to Stahlgruber, and (iii) potential acquisitions that were terminated.

2019 Global Restructuring Program

In the second quarter of 2019, we began implementing a cost reduction initiative, covering all three of our reportable segments, designed to eliminate underperforming assets and cost inefficiencies. We have incurred and expect to incur costs for inventory write-downs, employee severance and other expenditures related to employee terminations; lease exit costs, such as lease termination fees, accelerated amortization of operating lease assets and impairment of operating lease assets; other costs related to facility exits, such as moving expenses to relocate inventory and equipment; and accelerated depreciation of fixed assets to be disposed earlier than the end of the previously estimated useful lives.

During the year ended December 31, 2019, we incurred $37 million of restructuring expenses primarily related to inventory write-downs, employee-related costs and facility exit costs. Of these expenses, $17 million, primarily related to branch consolidation and brand rationalization within our Andrew Page operations, was recorded within Cost of goods sold in the Consolidated Statement of Income during the year ended December 31, 2019, and $20 million was recorded within Restructuring and acquisition related expenses. We currently expect to incur additional expenses of between $5 million and $10 million through the end of 2020 to complete the program.

Acquisition Integration Plans

During the year ended December 31, 2019, we incurred $18 million of restructuring expenses primarily related to our acquisition integration efforts in our Europe segment. These expenses included $14 million related to the integration of our acquisition of Andrew Page, including $4 million within Cost of goods sold in the Consolidated Statement of Income.

During the year ended December 31, 2018, we incurred $14 million of restructuring expenses. Expenses incurred during the year ended December 31, 2018 primarily consisted of $10 million related to the integration of our acquisition of Andrew Page and $3 million related to our Specialty segment. These integration activities included the closure of duplicate facilities and termination of employees.

During the year ended December 31, 2017, we incurred $5 million of restructuring expenses. Expenses incurred during the year ended December 31, 2017 were primarily a result of our ongoing integration activities in our North America and Specialty segments. Expenses incurred were primarily related to facility closure and the merger of existing facilities into larger distribution centers.

We expect to incur additional expenses related to the integration of certain of our acquisitions into our existing operations in 2020. These integration activities are expected to include the closure of duplicate facilities, rationalization of personnel in connection with the consolidation of overlapping facilities with our existing business, and moving expenses. Future expenses to complete these integration plans are expected to be less than $5 million.

1 LKQ Europe Program

In September 2019, we announced a multi-year program called "1 LKQ Europe," which is intended to create structural centralization and standardization of key functions to facilitate the operation of the Europe segment as a single business. Under the 1 LKQ Europe program, we will reorganize our non-customer-facing teams and support systems through various projects including the implementation of a common ERP platform, rationalization of our product portfolio, and creation of a Europe headquarters office and central back office. We currently expect to incur between $45 million and $55 million in personnel and inventory related restructuring charges through 2024 as a result of executing the 1 LKQ Europe program. In future periods, we may identify additional initiatives and projects under the 1 LKQ Europe program that may result in additional restructuring expense, although we are currently unable to estimate the range of charges for such potential future initiatives and projects.

Note 7. Stock-Based Compensation

In order to attract and retain employees, non-employee directors, consultants, and other persons associated with us, we grant equity-based awards under the LKQ Corporation 1998 Equity Incentive Plan (the “Equity Incentive Plan”). The total number of shares approved by our stockholders for issuance under the Equity Incentive Plan is 70 million shares, subject to antidilution and other adjustment provisions. We have granted restricted stock units ("RSUs"), stock options, and restricted stock under the Equity Incentive Plan. Of the shares approved by our stockholders for issuance under the Equity Incentive Plan, 10 million shares remained available for issuance as of December 31, 2019. We expect to issue new or treasury shares of common stock to cover past and future equity grants.

RSUs

The RSUs we have issued vest over periods of up to five years, subject to a continued service condition. Currently outstanding RSUs (other than PSUs, which are described below) contain either a time-based vesting condition or a combination of a performance-based vesting condition and a time-based vesting condition, in which case both conditions must be met before any RSUs vest. For all of the RSUs containing a performance-based vesting condition, the Company must report positive diluted earnings per share, subject to certain adjustments, during any fiscal year period within five years following the grant date. Each RSU converts into one share of LKQ common stock on the applicable vesting date. The grant date fair value of RSUs is based on the market price of LKQ stock on the grant date.

Starting with our 2019 grants, participants who are eligible for retirement (defined as a voluntary separation of service from the Company after the participant has attained at least 60 years of age and completed at least five years of service) will continue to vest in their awards following retirement; if retirement occurs during the first year of the vesting period (for RSUs subject to a time-based vesting condition) or the first year of the performance period (for RSUs with a performance-based vesting condition), the participant vests in a prorated amount of the RSU grant based on the portion of the year employed. For our RSU grants prior to 2019, participants forfeit their unvested shares upon retirement.

The Compensation Committee of our Board of Directors (the "Compensation Committee") approved the grant of 270,388; 189,204; and 235,537 RSUs to our executive officers that included both a performance-based vesting condition and a time-based vesting condition in 2019, 2018, and 2017, respectively. The performance-based vesting conditions for the 2019, 2018, and 2017 grants to our executive officers have been satisfied.

The fair value of RSUs that vested during the years ended December 31, 2019, 2018, and 2017 was $22 million, $27 million, and $28 million, respectively; the fair value of RSUs vested is based on the market price of LKQ stock on the date vested.

The following table summarizes activity related to our RSUs under the Equity Incentive Plan for the year ended December 31, 2019:

	Number Outstanding	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands) (1)
Unvested as of January 1, 2019	1,475,682	$ 34.94		
Granted (2)	1,021,535	$ 27.82		
Vested	(796,936)	$ 32.50		
Forfeited / Canceled	(88,255)	$ 33.38		
Unvested as of December 31, 2019	1,612,026	$ 31.72		
Expected to vest after December 31, 2019	1,458,089	$ 31.75	2.5	$ 52,054

(1) The aggregate intrinsic value of expected to vest RSUs represents the total pretax intrinsic value (the fair value of the Company's stock on the last day of each period multiplied by the number of units) that would have been received by the holders had all RSUs vested. This amount changes based on the market price of the Company's common stock.

(2) The weighted average grant date fair value of RSUs granted during the years ended December 31, 2018 and 2017 was $42.58 and $32.15, respectively.

In 2019, we granted performance-based three-year RSUs ("PSUs") to certain employees, including our executive officers, under our Equity Incentive Plan. As these awards are performance-based, the exact number of shares to be paid out may be up to twice the grant amount, depending on the Company's performance and the achievement of certain performance metrics (adjusted earnings per share, average organic parts and services revenue growth, and average return on invested capital) over the three year period ending December 31, 2021. In 2019, we also granted an immaterial amount of performance-based RSUs to employees that have different performance metrics than those described above.

The following table summarizes activity related to our PSUs under the Equity Incentive Plan for the year ended December 31, 2019:

	Number Outstanding	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands) (1)
Unvested as of January 1, 2019	—	$ —		
Granted (2)	136,170	$ 27.69		
Unvested as of December 31, 2019	136,170	$ 27.69		
Expected to vest after December 31, 2019	136,170	$ 27.69	2.3	$ 4,861

(1) The aggregate intrinsic value of expected to vest PSUs represents the total pretax intrinsic value (the fair value of the Company's stock on the last day of each period multiplied by the number of units at target) that would have been received by the holders had all PSUs vested. This amount changes based on the market price of the Company's common stock and the achievement of the performance metrics relative to the established targets.

(2) Represents the number of PSUs at target payout.

Stock Options

Stock options vest over periods of up to five years, subject to a continued service condition. Stock options expire either six years or ten years from the date they are granted. No options were granted during 2019 and 2018. No options vested during the year ended December 31, 2019; all of our outstanding options are fully vested.

The following table summarizes activity related to our stock options under the Equity Incentive Plan for the year ended December 31, 2019:

	Number Outstanding		Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)		Aggregate Intrinsic Value (in thousands) (1)
Balance as of January 1, 2019	1,051,494	$	10.15			
Exercised	(926,809)	$	9.77		$	19,725
Canceled	(10,091)	$	21.25			
Balance as of December 31, 2019	114,594	$	12.26	0.1	$	2,686
Exercisable as of December 31, 2019	114,594	$	12.26	0.1	$	2,686

(1) The aggregate intrinsic value of outstanding and exercisable options represents the total pretax intrinsic value (the difference between the fair value of the Company's stock on the last day of each period and the exercise price, multiplied by the number of options where the fair value exceeds the exercise price) that would have been received by the option holders had all option holders exercised their options as of the last day of the period indicated. This amount changes based on the market price of the Company’s common stock. The aggregate intrinsic value of stock options exercised during the years ended December 31, 2018 and 2017 was $18 million and $21 million, respectively.

Stock-Based Compensation Expense

For the RSUs that contain both a performance-based vesting condition and a time-based vesting condition, we recognize compensation expense under the accelerated attribution method, pursuant to which expense is recognized over the requisite service period for each separate vesting tranche of the award. During the years ended December 31, 2019, 2018, and 2017, we recognized $11 million, $8 million, and $7 million, respectively, of stock based compensation expense related to the RSUs containing a performance-based vesting condition. For all other awards, which are subject to only a time-based vesting condition, we recognize compensation expense on a straight-line basis over the requisite service period of the entire award. Forfeitures are recorded as they occur.

The components of pre-tax stock-based compensation expense for our continuing operations are as follows (in thousands):

	Year Ended December 31,					
	2019		2018		2017	
RSUs	$	27,695	$	22,760	$	22,826
Stock options and other		—		—		6
Total stock-based compensation expense	$	27,695	$	22,760	$	22,832

The following table sets forth the classification of total stock-based compensation expense included in our Consolidated Statements of Income for our continuing operations (in thousands):

	Year Ended December 31,					
	2019		2018		2017	
Cost of goods sold	$	477	$	469	$	434
Selling, general and administrative expenses		27,218		22,291		22,398
Total stock-based compensation expense		27,695		22,760		22,832
Income tax benefit		(6,227)		(5,220)		(5,459)
Total stock-based compensation expense, net of tax	$	21,468	$	17,540	$	17,373

We have not capitalized any stock-based compensation costs during the years ended December 31, 2019, 2018, and 2017.

As of December 31, 2019, unrecognized compensation expense related to unvested RSUs and PSUs is expected to be recognized as follows (in thousands):

2020	$	16,776
2021		10,863
2022		6,054
2023		2,641
2024		182
Total unrecognized compensation expense	$	36,516

Stock-based compensation expense related to these awards will be different to the extent that forfeitures are realized and performance under the PSUs differs from target.

Note 8. Earnings Per Share

Basic earnings per share are computed using the weighted average number of common shares outstanding during the period. Diluted earnings per share incorporate the incremental shares issuable upon the assumed exercise of stock options and the assumed vesting of RSUs. Certain of our RSUs and stock options were excluded from the calculation of diluted earnings per share because they were antidilutive, but these equity instruments could be dilutive in the future.

The following chart sets forth the computation of earnings per share (in thousands, except per share amounts):

	Year Ended December 31,		
	2019	2018	2017
Income from continuing operations	$ 543,415	$ 487,565	$ 536,974
Denominator for basic earnings per share—Weighted-average shares outstanding	310,155	314,428	308,607
Effect of dilutive securities:			
RSUs	393	409	544
PSUs	—	—	—
Stock options	421	1,012	1,498
Denominator for diluted earnings per share—Adjusted weighted-average shares outstanding	310,969	315,849	310,649
Basic earnings per share from continuing operations	$ 1.75	$ 1.55	$ 1.74
Diluted earnings per share from continuing operations [1]	$ 1.75	$ 1.54	$ 1.73

(1) Diluted earnings per share from continuing operations was computed using the treasury stock method for dilutive securities.

The following table sets forth the number of employee stock-based compensation awards outstanding but not included in the computation of diluted earnings per share because their effect would have been antidilutive for the years ended December 31, 2019, 2018, and 2017 (in thousands):

	Year Ended December 31,		
	2019	2018	2017
Antidilutive securities:			
RSUs	586	410	37
Stock options	24	8	39

Note 9. Accumulated Other Comprehensive Income (Loss)

The components of Accumulated Other Comprehensive Income (Loss) are as follows (in thousands):

	Foreign Currency Translation	Unrealized Gain (Loss) on Cash Flow Hedges	Unrealized (Loss) Gain on Pension Plans	Other Comprehensive (Loss) Income from Unconsolidated Subsidiaries	Accumulated Other Comprehensive (Loss) Income
Balance at January 1, 2017	$ (272,529)	$ 8,091	$ (2,737)	$ —	$ (267,175)
Pretax income (loss)	206,451	(44,550)	361	—	162,262
Income tax effect	(7,366)	16,390	(100)	—	8,924
Reclassification of unrealized loss (gain)	—	50,090	(3,519)	—	46,571
Reclassification of deferred income taxes	—	(18,483)	659	—	(17,824)
Disposal of business, net	1,511	—	(3,436)	—	(1,925)
Other comprehensive loss from unconsolidated subsidiaries	—	—	—	(1,309)	(1,309)
Balance at December 31, 2017	$ (71,933)	$ 11,538	$ (8,772)	$ (1,309)	$ (70,476)
Pretax (loss) income	(113,030)	37,552	1,132	—	(74,346)
Income tax effect	4,507	(8,846)	(403)	—	(4,742)
Reclassification of unrealized gain	—	(37,009)	(54)	—	(37,063)
Reclassification of deferred income taxes	—	8,653	22	—	8,675
Other comprehensive loss from unconsolidated subsidiaries	—	—	—	(2,343)	(2,343)
Adoption of ASU 2018-02	2,859	2,486	—	—	5,345
Balance at December 31, 2018	$ (177,597)	$ 14,374	$ (8,075)	$ (3,652)	$ (174,950)
Pretax income (loss)	7,083	23,850	(31,801)	—	(868)
Income tax effect	—	(5,579)	8,579	—	3,000
Reclassification of unrealized gain	—	(35,686)	(782)	—	(36,468)
Reclassification of deferred income taxes	—	8,399	145	—	8,544
Disposal of business	(379)	—	—	—	(379)
Other comprehensive income from unconsolidated subsidiaries	—	—	—	236	236
Balance at December 31, 2019	$ (170,893)	$ 5,358	$ (31,934)	$ (3,416)	$ (200,885)

The amounts of unrealized gains and losses on our Cash Flow Hedges reclassified to our Consolidated Statements of Income are as follows (in thousands):

	Classification	Year Ended December 31		
		2019	2018	2017
Unrealized gains on interest rate swaps	Interest expense	$ 5,872	$ 5,482	$ 373
Unrealized gains on cross currency swaps	Interest expense	15,794	11,105	6,835
Unrealized gains (losses) on cross currency swaps (1)	Interest income and other income, net	14,020	20,422	(57,298)
Total		$ 35,686	$ 37,009	$ (50,090)

(1) The amounts reclassified to Interest income and other income, net in our Consolidated Statements of Income offset the impact of the remeasurement of the underlying transactions.

Net unrealized losses related to our pension plans were reclassified to Interest income and other income, net in our Consolidated Statements of Income during each of the years ended December 31, 2019 and 2018.

Our policy is to reclassify the income tax effect from Accumulated other comprehensive income (loss) to the Provision for income taxes when the related gains and losses are released to the Consolidated Statements of Income.

During the first quarter of 2018, we adopted ASU No. 2018-02, "Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income" ("ASU 2018-02"), which allowed a reclassification from Accumulated other comprehensive income (loss) to Retained earnings for stranded tax effects resulting from the reduction of the U.S. federal statutory income tax rate to 21% from 35% due to the enactment of the Tax Cuts and Jobs Act of 2017 (the "Tax Act"). As a result of the adoption of ASU 2018-02 in the first quarter of 2018, we recorded a $5 million reclassification to increase Accumulated other comprehensive income (loss) and decrease Retained earnings.

Note 10. Long-Term Obligations

Long-term obligations consist of the following (in thousands):

	December 31,	
	2019	2018
Senior secured credit agreement:		
Term loans payable	$ 341,250	$ 350,000
Revolving credit facilities	1,268,008	1,387,177
U.S. Notes (2023)	600,000	600,000
Euro Notes (2024)	560,650	573,350
Euro Notes (2026/28)	1,121,300	1,146,700
Receivables securitization facility	—	110,000
Notes payable through October 2030 at weighted average interest rates of 3.2% and 2.0%, respectively	26,971	23,056
Finance lease obligations at weighted average interest rates of 4.1% and 4.5%, respectively	40,837	39,966
Other debt at weighted average interest rates of 1.8% and 1.8%, respectively	113,010	117,448
Total debt	4,072,026	4,347,697
Less: long-term debt issuance costs	(29,990)	(36,906)
Less: current debt issuance costs	(280)	(291)
Total debt, net of debt issuance costs	4,041,756	4,310,500
Less: current maturities, net of debt issuance costs	(326,367)	(121,826)
Long term debt, net of debt issuance costs	$ 3,715,389	$ 4,188,674

The scheduled maturities of long-term obligations outstanding at December 31, 2019 are as follows (in thousands):

2020 [(1)]	$ 326,648
2021 [(1)]	133,951
2022	25,912
2023	21,650
2024 [(1)]	2,427,714
Thereafter	1,136,151
Total debt [(2)]	$ 4,072,026

(1) Of the $600 million U.S. Notes (2023) that were redeemed in January 2020, in the table above $185 million is included in 2020 (reflecting the amount repaid with cash on hand), $105 million is included in 2021 (reflecting the amount repaid using borrowings under the receivables securitization facility), and $310 million is included in 2024 (reflecting the amount repaid using borrowings under the revolving credit facility).

(2) The total debt amounts presented above exclude debt issuance costs totaling $30 million as of December 31, 2019.

Senior Secured Credit Agreement

On November 20, 2018, LKQ Corporation, LKQ Delaware LLP, and certain other subsidiaries (collectively, the "Borrowers") entered into Amendment No. 3 to the Fourth Amended and Restated Credit Agreement ("Credit Agreement"), which amended the Fourth Amended and Restated Credit Agreement dated January 29, 2016 by modifying certain terms to (1) increase the total availability under the revolving credit facility's multicurrency component from $2.75 billion to $3.15 billion; (2) reduce the margin on borrowings by 25 basis points at the September 30, 2018 leverage ratio, and reduce the number of leverage pricing tiers; (3) extend the maturity date by one year to January 29, 2024; (4) reduce the unused facility fee depending on leverage category; (5) increase the capacity for incurring additional indebtedness under our receivables securitization facility; (6) increase the maximum borrowing limit of swingline loans and add the ability to borrow in British Pounds and Euros; and (7) make other immaterial or clarifying modifications and amendments to the terms of the Credit Agreement. Borrowings will continue to bear interest at variable rates.

Amounts under the revolving credit facility are due and payable upon maturity of the Credit Agreement on January 29, 2024. Term loan borrowings, which totaled $341 million as of December 31, 2019, are due and payable in quarterly installments equal to approximately $4 million on the last day of each fiscal quarter, with the remaining balance due and payable on January 29, 2024. The increase in the revolving credit facility's multicurrency component of $400 million was used in part to pay down $240 million of the term loan (to the new $350 million amount that was outstanding as of the date of the amendment); the remainder was used for general corporate purposes.

We are required to prepay the term loan by amounts equal to proceeds from the sale or disposition of certain assets if the proceeds are not reinvested within twelve months. We also have the option to prepay outstanding amounts under the Credit Agreement without penalty.

The Credit Agreement contains customary representations and warranties and 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.

Borrowings under the Credit Agreement bear interest at variable rates, which depend on the currency and duration of the borrowing elected, plus an applicable margin. The applicable margin is subject to change in increments of 0.25% depending on our net leverage ratio. Interest payments are due on the last day of the selected interest period or quarterly in arrears depending on the type of borrowing. Including the effect of the interest rate swap agreements described in Note 11, "Derivative Instruments and Hedging Activities," the weighted average interest rates on borrowings outstanding under the Credit Agreement at December 31, 2019 and 2018 were 1.6% and 1.9%, respectively. We also pay a commitment fee based on the average daily unused amount of the revolving credit facilities. The commitment fee is subject to change in increments of 0.05% depending on our net leverage ratio. In addition, we pay a participation commission on outstanding letters of credit at an applicable rate based on our net leverage ratio, and a fronting fee of 0.125% to the issuing bank, which are due quarterly in arrears.

Of the total borrowings outstanding under the Credit Agreement, there were $18 million classified as current maturities at December 31, 2019 compared to $9 million at December 31, 2018. As of December 31, 2019, there were letters of credit outstanding in the aggregate amount of $69 million. The amounts available under the revolving credit facilities are reduced by the amounts outstanding under letters of credit, and thus availability under the revolving credit facilities at December 31, 2019 was $1.8 billion.

Related to the execution of Amendment No. 3 to the Fourth Amended and Restated Credit Agreement in November 2018, we incurred $4 million of fees, the majority of which were capitalized as an offset to Long-Term Obligations and are amortized over the term of the agreement. The amounts recorded as a loss on debt extinguishment in the Consolidated Statements of Income for the years ended December 31, 2018 and 2017 were primarily related to the write-off of capitalized debt issuance costs related to various amendments to our Fourth Amended and Restated Credit Agreement.

U.S. Notes (2023)

In 2013, we issued $600 million aggregate principal amount of 4.75% senior notes due 2023 (the "U.S. Notes (2023)"). The U.S. Notes (2023) were governed by the Indenture dated as of May 9, 2013 (the "U.S. Notes (2023) Indenture") among LKQ Corporation, certain of our subsidiaries (the "Guarantors"), the trustee, paying agent, transfer agent and registrar. The U.S. Notes (2023) were registered under the Securities Act of 1933.

The U.S. Notes (2023) bore interest at a rate of 4.75% per year from the most recent payment date on which interest had been paid or provided for. Interest on the U.S. Notes (2023) was payable in arrears on May 15 and November 15 of each year. The U.S. Notes (2023) were fully and unconditionally guaranteed, jointly and severally, by the Guarantors.

The U.S. Notes (2023) and the related guarantees were, respectively, LKQ Corporation's and each Guarantor's senior unsecured obligations and were subordinated to all of the Guarantors' existing and future secured debt to the extent of the assets

securing that secured debt. In addition, the U.S. Notes (2023) were effectively subordinated to all of the liabilities of our subsidiaries that were not guaranteeing the U.S. Notes (2023) to the extent of the assets of those subsidiaries.

On January 10, 2020, we redeemed the U.S Notes (2023) at a redemption price equal to 101.583% of the principal amount of the U.S. Notes (2023) plus accrued and unpaid interest thereon to, but not including, January 10, 2020. The total redemption payment was $614 million, including an early-redemption premium of $9 million and accrued and unpaid interest of $4 million. In the first quarter of 2020, we will record a loss on debt extinguishment of $13 million related to the redemption due to the early-redemption premium and the write-off of the unamortized debt issuance costs.

Euro Notes (2024)

On April 14, 2016, LKQ Italia Bondco S.p.A. ("LKQ Italia"), an indirect, wholly-owned subsidiary of LKQ Corporation, completed an offering of €500 million aggregate principal amount of senior notes due April 1, 2024 (the "Euro Notes (2024)") in a private placement conducted pursuant to Regulation S and Rule 144A under the Securities Act of 1933. The proceeds from the offering were used to repay a portion of the revolver borrowings under the Credit Agreement and to pay related fees and expenses. The Euro Notes (2024) are governed by the Indenture dated as of April 14, 2016 (the "Euro Notes (2024) Indenture") among LKQ Italia, LKQ Corporation and certain of our subsidiaries (the "Euro Notes (2024) Subsidiaries"), the trustee, and the paying agent, transfer agent, and registrar.

The Euro Notes (2024) bear interest at a rate of 3.875% per year from the date of original issuance or from the most recent payment date on which interest has been paid or provided for. Interest on the Euro Notes (2024) is payable in arrears on April 1 and October 1 of each year. The Euro Notes (2024) are fully and unconditionally guaranteed by LKQ Corporation and the Euro Notes (2024) Subsidiaries (the "Euro Notes (2024) Guarantors").

The Euro Notes (2024) and the related guarantees are, respectively, LKQ Italia's and each Euro Notes (2024) Guarantor's senior unsecured obligations and are subordinated to all of LKQ Italia's and the Euro Notes (2024) Guarantors' existing and future secured debt to the extent of the assets securing that secured debt. In addition, the Euro Notes (2024) are effectively subordinated to all of the liabilities of our subsidiaries that are not guaranteeing the Euro Notes (2024) to the extent of the assets of those subsidiaries. The Euro Notes (2024) have been listed on the ExtraMOT, Professional Segment of the Borsa Italia S.p.A. securities exchange and the Global Exchange Market of Euronext Dublin.

The Euro Notes (2024) are redeemable, in whole or in part, at any time at a redemption price of 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date plus a "make whole" premium. On or after January 1, 2024, we may redeem some or all of the Euro Notes (2024) at a redemption price of 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date. We may be required to make an offer to purchase the Euro Notes (2024) upon the sale of certain assets, subject to certain exceptions, and upon a change of control. In addition, in the event of certain developments affecting taxation or under certain other circumstances which, in any case, require the payment of certain additional amounts, we may redeem the Euro Notes (2024) in whole, but not in part, at any time at a redemption price of 100% of the principal amount thereof plus accrued but unpaid interest, if any, and such certain additional amounts, if any, to the redemption date.

Euro Notes (2026/28)

On April 9, 2018, LKQ European Holdings B.V. ("LKQ Euro Holdings"), a wholly-owned subsidiary of LKQ Corporation, completed an offering of €1.0 billion aggregate principal amount of senior notes. The offering consisted of €750 million senior notes due 2026 (the "2026 notes") and €250 million senior notes due 2028 (the "2028 notes" and, together with the 2026 notes, the "Euro Notes (2026/28)") in a private placement conducted pursuant to Regulation S and Rule 144A under the Securities Act of 1933. The proceeds from the offering, together with borrowings under our senior secured credit facility, were or will be used to (i) finance a portion of the consideration paid for the Stahlgruber acquisition, (ii) for general corporate purposes and (iii) to pay related fees and expenses, including the refinancing of net financial debt. The Euro Notes (2026/28) are governed by the Indenture dated as of April 9, 2018 (the "Euro Notes (2026/28) Indenture") among LKQ Euro Holdings, LKQ Corporation and certain of our subsidiaries (the "Euro Notes (2026/28) Subsidiaries"), the trustee, paying agent, transfer agent, and registrar.

The 2026 notes and 2028 notes bear interest at a rate of 3.625% and 4.125%, respectively, per year from the date of original issuance or from the most recent payment date on which interest has been paid or provided for. Interest on the Euro Notes (2026/28) is payable in arrears on April 1 and October 1 of each year. The Euro Notes (2026/28) are fully and unconditionally guaranteed by LKQ Corporation and the Euro Notes (2026/28) Subsidiaries (the "Euro Notes (2026/28) Guarantors").

The Euro Notes (2026/28) and the related guarantees are, respectively, LKQ Euro Holdings' and each Euro Notes (2026/28) Guarantor's senior unsecured obligations and will be subordinated to all of LKQ Euro Holdings' and the Euro Notes

(2026/28) Guarantors' existing and future secured debt to the extent of the assets securing that secured debt. In addition, the Euro Notes (2026/28) are effectively subordinated to all of the liabilities of our subsidiaries that are not guaranteeing the Euro Notes (2026/28) to the extent of the assets of those subsidiaries. The Euro Notes (2026/28) have been listed on the Global Exchange Market of Euronext Dublin.

The Euro Notes (2026/28) are redeemable, in whole or in part, at any time at a redemption price of 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date plus a "make whole" premium. On or after April 1, 2021, we may redeem some or all of the 2026 notes at the applicable redemption prices set forth in the Euro Notes (2026/28) Indenture. On or after April 1, 2023, we may redeem some or all of the 2028 notes at the applicable redemption prices set forth in the Euro Notes (2026/28) Indenture. We also may redeem up to 35% of the 2026 notes and up to 35% of the 2028 notes before April 1, 2021 with the net cash proceeds from certain equity offerings. We may be required to make an offer to purchase the Euro Notes (2026/28) upon the sale of certain assets, subject to certain exceptions, and upon a change of control. In addition, in the event of certain developments affecting taxation or under certain other circumstances which, in any case, require the payment of certain additional amounts, we may redeem the Euro Notes (2026/28) in whole, but not in part, at any time at a redemption price of 100% of the principal amount thereof, plus accrued but unpaid interest, if any, and such certain additional amounts, if any, to the redemption date.

Related to the execution of the Euro Notes (2026/28) in April 2018, we incurred $16 million of fees, which were capitalized as an offset to Long-Term Obligations and are amortized over the term of the Euro Notes (2026/28).

Restricted Payments

Our senior secured credit agreement and our senior notes indentures contain limitations on payment of cash dividends or other distributions of assets. Based on limitations in effect under our senior secured credit agreement and senior notes indentures, the maximum amount of dividends we could pay as of December 31, 2019 was approximately $1.9 billion. The limit on the payment of dividends is calculated using historical financial information and will change from period to period.

Receivables Securitization Facility

On December 20, 2018, we amended the terms of our receivables securitization facility with MUFG to: (i) extend the term of the facility to November 8, 2021; (ii) increase the maximum amount available to $110 million; and (iii) make other clarifying and updating changes. Under the facility, LKQ sells an ownership interest in certain receivables, related collections and security interests to MUFG for the benefit of conduit investors and/or financial institutions for cash proceeds. Upon payment of the receivables by customers, rather than remitting to MUFG the amounts collected, LKQ retains such collections as proceeds for the sale of new receivables generated by certain of the ongoing operations of the Company.

The sale of the ownership interest in the receivables is accounted for as a secured borrowing on our Consolidated Balance Sheets, under which the receivables included in the program collateralize the amounts invested by MUFG, the conduit investors and/or financial institutions (the "Purchasers"). The receivables are held by LKQ Receivables Finance Company, LLC ("LRFC"), a wholly owned bankruptcy-remote special purpose subsidiary of LKQ, and therefore, the receivables are available first to satisfy the creditors of LRFC, including the Purchasers. While there were no borrowings on our receivables securitization facility as of December 31, 2019, $132 million of net receivables were available as collateral for the investment under the receivables facility as of December 31, 2019; there were also $132 million of net receivables available as collateral as of December 31, 2018.

Under the receivables facility, we pay variable interest rates plus a margin on the outstanding amounts invested by the Purchasers. The variable rates are based on (i) commercial paper rates, (ii) LIBOR, or (iii) base rates, and are payable monthly in arrears. The commercial paper rate is the applicable variable rate unless conduit investors are not available to invest in the receivables at commercial paper rates. In such case, financial institutions will invest at the LIBOR rate or at base rates. We also pay a commitment fee on the excess of the investment maximum over the average daily outstanding investment, payable monthly in arrears. The outstanding balance was $110 million as of December 31, 2018, and there was no outstanding balance as of December 31, 2019. At December 31, 2018, we classified the outstanding balance as long-term on the Consolidated Balance Sheets because we have the ability and intent to refinance these borrowings on a long-term basis.

Note 11. Derivative Instruments and Hedging Activities

We are exposed to market risks, including the effect of changes in interest rates, foreign currency exchange rates and commodity prices. Under our current policies, we use derivatives to manage our exposure to variable interest rates on our senior secured debt and changing foreign exchange rates for certain foreign currency denominated transactions. We do not hold or issue derivatives for trading purposes.

Cash Flow Hedges

We hold interest rate swap agreements to hedge a portion of the variable interest rate risk on our variable rate borrowings under our Credit Agreement, with the objective of minimizing the impact of interest rate fluctuations and stabilizing cash flows. Under the terms of the interest rate swap agreements, we pay the fixed interest rate and receive payment at a variable rate of interest based on LIBOR for the respective currency of each interest rate swap agreement's notional amount. Changes in the fair value of the interest rate swap agreements are recorded in Accumulated Other Comprehensive Income (Loss) and are reclassified to Interest expense when the underlying interest payment has an impact on earnings. Our interest rate swap contracts have maturity dates ranging from January to June 2021. In December 2018, we sold two interest rate swap contracts with a notional amount of $110 million.

From time to time, we may hold foreign currency forward contracts related to certain foreign currency denominated intercompany transactions, with the objective of minimizing the impact of fluctuating exchange rates on these future cash flows. Under the terms of the foreign currency forward contracts, we will sell the foreign currency in exchange for U.S. dollars at a fixed rate on the maturity dates of the contracts. Changes in the fair value of the foreign currency forward contracts are recorded in Accumulated Other Comprehensive Income (Loss) and reclassified to Interest income and other income, net when the underlying transaction has an impact on earnings.

We hold cross currency swaps, which 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 minimize the impact of fluctuating exchange rates and interest rates on the cash flows resulting from the related intercompany financing arrangements. Changes in the fair value of the derivative instruments are recorded in Accumulated Other Comprehensive Income (Loss) and are reclassified to Interest expense and Interest income and other income, net when the underlying transactions have an impact on earnings. For certain of the swaps, the notional amount steps down by €4 million quarterly, with the balance maturing at the end of the contract. Our cross currency swaps have maturity dates in October 2020 and January 2021. In October 2019, one of our cross currency swaps matured with a notional amount of $92 million (€80 million).

The activity related to our cash flow hedges is presented in operating activities in our Consolidated Statements of Cash Flows.

The following tables summarize the notional amounts and fair values of our designated cash flow hedges as of December 31, 2019 and 2018 (in thousands):

	Notional Amount	Fair Value at December 31, 2019 (USD)			
	December 31, 2019	Other Current Assets	Other Noncurrent Assets	Other Accrued Expenses	Other Noncurrent Liabilities
Interest rate swap agreements					
USD denominated	$ 480,000	$ —	$ 3,262	$ —	$ —
Cross currency swap agreements					
USD/euro	$ 466,621	2,975	181	970	23,349
Total cash flow hedges		$ 2,975	$ 3,443	$ 970	$ 23,349

	Notional Amount	Fair Value at December 31, 2018 (USD)			
	December 31, 2018	Other Current Assets	Other Noncurrent Assets	Other Accrued Expenses	Other Noncurrent Liabilities
Interest rate swap agreements					
USD denominated	$ 480,000	$ —	$ 14,967	$ —	$ —
Cross currency swap agreements					
USD/euro	$ 574,315	211	7,669	127	40,870
Total cash flow hedges		$ 211	$ 22,636	$ 127	$ 40,870

While certain derivative instruments executed with the same counterparty are subject to master netting arrangements, we present our cash flow hedge derivative instruments on a gross basis on our Consolidated Balance Sheets. The impact of netting the fair values of these contracts would result in a decrease to Prepaid expenses and other current assets and Other

accrued expenses on our Consolidated Balance Sheets of $1 million at December 31, 2019. The impact of netting the fair values of these contracts would result in a decrease to Other noncurrent assets and Other noncurrent liabilities on our Consolidated Balance Sheets of $1 million and $14 million at December 31, 2019 and 2018, respectively.

The activity related to our cash flow hedges is included in Note 9, "Accumulated Other Comprehensive Income (Loss)." As of December 31, 2019, we estimate that we will reclassify $12 million of derivative gains (net of tax) from Accumulated Other Comprehensive Income (Loss) to Interest expense in our Consolidated Statements of Income within the next 12 months. We estimate that we will also reclassify $8 million of derivative losses (net of tax) from Accumulated Other Comprehensive Income (Loss) to Interest income and other income, net in our Consolidated Statements of Income within the next 12 months; the reclassification of derivative losses to Interest income and other income, net offsets the projected impact of the remeasurement of the underlying transactions.

Other Derivative Instruments

We hold other short-term derivative instruments, including foreign currency forward contracts, to manage our exposure to variability related to inventory purchases denominated in a non-functional currency. We have elected not to apply hedge accounting for these transactions, and therefore the contracts are adjusted to fair value through our results of operations as of each balance sheet date, which could result in volatility in our earnings. The notional amount and fair value of these contracts at December 31, 2019 and 2018, along with the effect on our results of operations in 2019, 2018 and 2017, were immaterial.

Note 12. Fair Value Measurements

Financial Assets and Liabilities Measured at Fair Value

We use the market and income approaches to estimate the fair value of our financial assets and liabilities, and during the year ended December 31, 2019, there were no significant changes in valuation techniques or inputs related to the financial assets or liabilities that we have historically recorded at fair value. The tiers in the fair value hierarchy include: Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as significant unobservable inputs for which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The following tables present information about our financial assets and liabilities measured at fair value on a recurring basis and indicate the fair value hierarchy of the valuation inputs we utilized to determine such fair value as of December 31, 2019 and December 31, 2018 (in thousands):

	Balance as of December 31, 2019	Fair Value Measurements as of December 31, 2019		
		Level 1	Level 2	Level 3
Assets:				
Cash surrender value of life insurance	$ 60,637	$ —	$ 60,637	$ —
Interest rate swaps	3,262	—	3,262	—
Cross currency swap agreements	3,156	—	3,156	—
Total Assets	$ 67,055	$ —	$ 67,055	$ —
Liabilities:				
Contingent consideration liabilities	$ 11,539	$ —	$ —	$ 11,539
Deferred compensation liabilities	63,981	—	63,981	—
Cross currency swap agreements	24,319	—	24,319	—
Total Liabilities	$ 99,839	$ —	$ 88,300	$ 11,539

	Balance as of December 31, 2018	Fair Value Measurements as of December 31, 2018		
		Level 1	Level 2	Level 3
Assets:				
Cash surrender value of life insurance	$ 47,649	$ —	$ 47,649	$ —
Interest rate swaps	14,967	—	14,967	—
Cross currency swap agreements	7,880	—	7,880	—
Total Assets	$ 70,496	$ —	$ 70,496	$ —
Liabilities:				
Contingent consideration liabilities	$ 5,209	$ —	$ —	$ 5,209
Deferred compensation liabilities	48,984	—	48,984	—
Cross currency swap agreements	40,997	—	40,997	—
Total Liabilities	$ 95,190	$ —	$ 89,981	$ 5,209

The cash surrender value of life insurance is included in Other noncurrent assets on our Consolidated Balance Sheets. The current portion of deferred compensation is included in Accrued payroll-related liabilities and the current portion of contingent consideration liabilities is included in Other current liabilities on our Consolidated Balance Sheets; the noncurrent portion of these amounts is included in Other noncurrent liabilities on our Consolidated Balance Sheets based on the expected timing of the related payments. The balance sheet classification of the interest rate swaps and cross currency swap agreements is presented in Note 11, "Derivative Instruments and Hedging Activities."

Our Level 2 assets and liabilities are valued using inputs from third parties and market observable data. We obtain valuation data for the cash surrender value of life insurance and deferred compensation liabilities from third party sources, which determine the net asset values for our accounts using quoted market prices, investment allocations and reportable trades. We value our other derivative instruments using a third party valuation model that performs a discounted cash flow analysis based on the terms of the contracts and market observable inputs such as current and forward interest rates and current and forward foreign exchange rates.

Our contingent consideration liabilities are related to our business acquisitions. Under the terms of the contingent consideration agreements, payments may be made at specified future dates depending on the performance of the acquired business subsequent to the acquisition. The liabilities for these payments are classified as Level 3 liabilities because the related fair value measurement, which is determined using an income approach, includes significant inputs not observable in the market.

Financial Assets and Liabilities Not Measured at Fair Value

Our debt is reflected on the Consolidated Balance Sheets at cost. Based on market conditions as of December 31, 2019 and 2018, the fair value of our credit agreement borrowings reasonably approximated the carrying values of $1.6 billion and $1.7 billion, respectively. In addition, based on market conditions, the fair value of the outstanding borrowings under the receivables facility reasonably approximated the carrying value of $110 million at December 31, 2018; as of December 31, 2019, there were no outstanding borrowings under the receivables facility. As of December 31, 2019 and December 31, 2018, the fair values of the U.S. Notes (2023) were approximately $609 million and $574 million, respectively, compared to a carrying value of $600 million at each date. As of December 31, 2019 and December 31, 2018, the fair values of the Euro Notes (2024) were approximately $632 million and $586 million compared to carrying values of $561 million and $573 million, respectively. As of December 31, 2019, the fair value of the Euro Notes (2026/28) was $1.2 billion compared to a carrying value of $1.1 billion; as of December 31, 2018, the fair value of the Euro Notes (2026/28) approximated the carrying value of $1.1 billion.

The fair value measurements of the borrowings under our credit agreement and receivables facility are classified as Level 2 within the fair value hierarchy since they are determined based upon significant inputs observable in the market, including interest rates on recent financing transactions with similar terms and maturities. We estimated the fair value by calculating the upfront cash payment a market participant would require at December 31, 2019 to assume these obligations. The fair value of our U.S. Notes (2023) is classified as Level 1 within the fair value hierarchy since it is determined based upon observable market inputs including quoted market prices in an active market. The fair values of our Euro Notes (2024) and Euro Notes (2026/28) are determined based upon observable market inputs including quoted market prices in markets that are not active, and therefore are classified as Level 2 within the fair value hierarchy.

Note 13. Leases

We lease certain warehouses, distribution centers, retail stores, office space, land, vehicles and equipment. We determine if an arrangement is a lease at inception. Operating lease right-of-use ("ROU") assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date. As the implicit rate for most of our leases is not readily determinable, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of future payments. Upon adoption of the new lease standard, we utilized our incremental borrowing rate as of the date of adoption. We determine our incremental borrowing rate by analyzing yield curves with consideration of lease term, and country and company specific factors. The operating lease ROU asset also includes any lease prepayments and excludes lease incentives.

Many of our leases include one or more options to renew, with renewal terms that can extend the lease term from 1 to 40 years or more. For each lease, we consider whether we are reasonably certain to exercise these options to extend. Other contracts may contain termination options that we assess to determine whether we are reasonably certain not to exercise those options. Certain leases also include options to purchase the leased property. The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise.

Some of our lease agreements include rental payments adjusted periodically for inflation. Most of these adjustments are considered variable lease costs. Other variable lease costs consist of certain non-lease components that are disclosed as lease costs due to our election of the practical expedient to combine lease and non-lease components and include items such as variable payments for utilities, property taxes, common area maintenance, sales taxes, and insurance.

For leases with an initial term of 12 months or less, we have not recognized an operating lease ROU asset or operating lease liability on the Consolidated Balance Sheets; we recognize lease expense for these leases on a straight-line basis over the lease terms.

We guarantee the residual values for the majority of our vehicles. The residual values decline over the lease terms to a defined percentage of original cost. In the event the lessor does not realize the residual value when a vehicle is sold, we would be responsible for a portion of the shortfall. Similarly, if the lessor realizes more than the residual value when a vehicle is sold, we would be paid the amount realized over the residual value. Had we terminated all of our operating leases subject to these guarantees at December 31, 2019, our portion of the guaranteed residual value would have totaled approximately $67 million. Other than the residual value guarantees associated with our vehicles discussed above, we do not have any other material residual value guarantees or restrictive covenants.

The amounts recorded on the Consolidated Balance Sheet as of December 31, 2019 related to our lease agreements are as follows (in thousands):

Leases	Classification	December 31, 2019
Assets		
Operating lease assets, net	Operating lease assets, net	$ 1,308,511
Finance lease assets, net	Property, plant and equipment, net	39,077
Total leased assets		$ 1,347,588
Liabilities		
Current		
Operating	Current portion of operating lease liabilities	$ 221,527
Finance	Current portion of long-term obligations	9,409
Noncurrent		
Operating	Long-term operating lease liabilities, excluding current portion	1,137,597
Finance	Long-term obligations, excluding current portion	31,428
Total lease liabilities		$ 1,399,961

The components of lease expense are as follows (in thousands):

Lease Cost	Classification	Year Ended December 31, 2019
Operating lease cost	Cost of goods sold	$ 13,416
Operating lease cost	Selling, general and administrative expenses	303,619
Short-term lease cost	Selling, general and administrative expenses	9,392
Variable lease cost	Selling, general and administrative expenses	95,899
Finance lease cost		
Amortization of leased assets	Depreciation and amortization	10,277
Interest on lease liabilities	Interest expense	1,546
Sublease income	Selling, general and administrative expenses	(1,640)
Net lease cost		$ 432,509

The future minimum lease commitments under our noncancelable operating leases at December 31, 2018 were as follows (in thousands):

Years ending December 31:	
2019	$ 294,269
2020	256,172
2021	210,632
2022	158,763
2023	131,518
Thereafter	777,165
Future Minimum Lease Payments	$ 1,828,519

The future minimum lease commitments under our leases at December 31, 2019 are as follows (in thousands):

	Operating leases	Finance leases [1]	Total
Years ending December 31:			
2020	$ 288,726	$ 10,121	$ 298,847
2021	249,168	8,743	257,911
2022	200,546	7,166	207,712
2023	167,858	3,591	171,449
2024	138,502	3,138	141,640
Thereafter	760,030	19,381	779,411
Future minimum lease payments	1,804,830	52,140	1,856,970
Less: Interest	445,706	11,303	457,009
Present value of lease liabilities	$ 1,359,124	$ 40,837	$ 1,399,961

(1) Amounts are included in the scheduled maturities of long-term obligations in "Note 10, "Long-Term Obligations" and in the “Liquidity and Capital Resources” section of Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7 of this Annual Report on Form 10-K.

As of December 31, 2019, we have additional minimum operating lease payments for leases that have not yet commenced of $144 million. These operating leases will commence in the next 18 months with lease terms of 1 to 25 years. Most of these leases have not commenced as the assets are in the process of being constructed. The amount includes payments expected to be made under the Benelux region central distribution center lease commencing in early 2021 after construction is completed. The lease has a term of 15 years with two renewal options of 5 years each.

Other information related to leases was as follows:

Lease Term and Discount Rate	December 31, 2019
Weighted-average remaining lease term (years)	
Operating leases	9.5
Finance leases	9.2
Weighted-average discount rate	
Operating leases	5.2%
Finance leases	4.1%

Supplemental cash flows information (in thousands)	Year Ended December 31, 2019
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash outflows from operating leases	$ 297,712
Financing cash outflows from finance leases	11,744
Leased assets obtained in exchange for new finance lease liabilities	13,326
Leased assets obtained in exchange for new operating lease liabilities	144,142

Note 14. Employee Benefit Plans

Defined Benefit Plans

We have funded and unfunded defined benefit plans covering certain employee groups in the U.S. and various European countries. Local statutory requirements govern many of our European plans. The defined benefit plans are mostly closed to new participants and, in some cases, existing participants no longer accrue benefits.

On June 28, 2019, we approved an amendment to terminate our primary defined benefit plan in the U.S. (the "U.S. Plan") and freeze all related benefit accruals, effective June 30, 2019. The distribution of the U.S. Plan assets pursuant to the termination will not be made until the plan termination satisfies all regulatory requirements, which is expected to be completed in 2020. U.S. Plan participants will receive their full accrued benefits from plan assets by electing either lump sum distributions or annuity contracts with a qualifying third party annuity provider. The resulting settlement effect of the U.S. Plan termination will be determined based on prevailing market conditions, the lump sum offer participation rate of eligible participants, the actual lump sum distributions, and annuity purchase rates at the date of distribution. As a result, we are currently unable to reasonably estimate either the timing or the final amount of such settlement charges. Based on the valuation performed as of December 31, 2019, the U.S. Plan has an underfunded status of $8 million.

Funded Status

The table below summarizes the funded status of our defined benefit plans (in thousands):

	December 31,	
	2019	2018
Change in projected benefit obligation:		
Projected benefit obligation - beginning of year	$ 201,492	$ 126,031
Acquisitions [1]	2,071	79,211
Service cost	3,592	3,215
Interest cost	4,077	3,476
Participant contributions	408	415
Actuarial (gain) / loss	32,018	(989)
Benefits paid [2]	(6,849)	(4,447)
Curtailment	(6)	—
Settlement [3]	(8,493)	(756)
Currency impact	(2,922)	(4,664)
Projected benefit obligation - end of year	$ 225,388	$ 201,492
Change in fair value of plan assets:		
Fair value - beginning of year	$ 91,672	$ 82,852
Acquisitions [1]	—	251
Actual return on plan assets	2,558	3,018
Employer contributions	4,740	9,975
Participant contributions	408	415
Benefits paid	(6,770)	(2,788)
Settlement [3]	(8,493)	—
Currency impact	(810)	(2,051)
Fair value - end of year	$ 83,305	$ 91,672
Funded status at end of year (liability)	$ (142,083)	$ (109,820)
Accumulated benefit obligation	$ 222,607	$ 199,337

(1) 2018 amounts relate primarily to the addition of plans in connection with our acquisition of Stahlgruber.

(2) Includes amounts paid from plan assets as well as amounts paid from Company assets.

(3) During 2019, settlement accounting was triggered for three of our European pension plans resulting in a net gain of less than $1 million recognized in Interest income and other income, net in our Consolidated Statements of Income.

The net amounts recognized for defined benefit plans in the Consolidated Balance Sheets were as follows (in thousands):

	December 31,	
	2019	2018
Non-current assets	$ —	$ 377
Current liabilities	(11,754)	(3,280)
Non-current liabilities	(130,329)	(106,917)
	$ (142,083)	$ (109,820)

The following table summarizes the accumulated benefit obligation and aggregate fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets (in thousands):

	December 31,	
	2019	2018
Accumulated benefit obligation	$ 222,607	$ 169,097
Aggregate fair value of plan assets	83,305	60,988

The following table summarizes the projected benefit obligation and aggregate fair value of plan assets for pension plans with projected benefit obligations in excess of plan assets (in thousands):

	December 31,	
	2019	2018
Projected benefit obligation	$ 225,388	$ 171,185
Aggregate fair value of plan assets	83,305	60,988

The table below summarizes the weighted-average assumptions used to calculate the year-end benefit obligations:

	2019	2018
Discount rate used to determine benefit obligation	1.4%	2.1%
Rate of future compensation increase	1.7%	0.9%

Net Periodic Benefit Cost

The table below summarizes the components of net periodic benefit cost for our defined benefit plans (in thousands):

	Year Ended December 31,		
	2019	2018	2017
Service cost	$ 3,592	$ 3,215	$ 4,525
Interest cost	4,077	3,476	3,670
Expected return on plan assets [(1)]	(2,337)	(2,949)	(2,467)
Amortization of prior service credit	—	—	(181)
Amortization of actuarial (gain) loss [(2)]	(404)	(54)	473
Curtailment gain	—	—	(3,811)
Settlement (gain) / loss	(378)	74	(4)
Net periodic benefit cost	$ 4,550	$ 3,762	$ 2,205

(1) We use the fair value of our plan assets to calculate the expected return on plan assets.

(2) Actuarial gains and losses are amortized using a corridor approach. Gains and losses are amortized if, as of the beginning of the year, the cumulative net gain or loss exceeds 10 percent of the greater of the projected benefit obligation or the fair value of the plan assets. Gains and losses in excess of the corridor are amortized over the average remaining service period of active members expected to receive benefits under the plan or, in the case of closed plans, the expected future lifetime of the employees participating in the plan.

For the years ended December 31, 2019, 2018 and 2017, the service cost component of net periodic benefit cost was classified in Selling, general and administrative expenses, while the other components of net periodic benefit cost were classified in Interest income and other income, net in our Consolidated Statements of Income.

The table below summarizes the weighted-average assumptions used to calculate the net periodic benefit cost in the table above:

	2019	2018	2017
Discount rate used to determine service cost	1.3%	1.3%	1.5%
Discount rate used to determine interest cost	2.5%	2.5%	3.0%
Rate of future compensation increase	1.8%	1.9%	1.3%
Expected long-term return on plan assets [(1)]	3.1%	4.8%	5.0%

(1) Our expected long-term return on plan assets is determined based on our asset allocation and estimate of future long-term returns by asset class.

Assumed mortality is also a key assumption in determining benefit obligations and net periodic benefit cost. In some of our European plans, a price inflation index is also an assumption in determining benefit obligations and net periodic benefit cost.

As of December 31, 2019, the pre-tax amounts recognized in Accumulated other comprehensive income consisted of $42 million of net actuarial losses for our defined benefit plans that have not yet been recognized in net periodic benefit cost. Of this amount, we expect $1 million to be recognized as a component of net periodic benefit cost during the year ending December 31, 2020.

Fair Value of Plan Assets

Fair value is defined as the amount that would be received for selling an asset or paid to transfer a liability in an orderly transaction between market participants. The tiers in the fair value hierarchy include: Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as significant unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. Investments that are valued using net asset value ("NAV") (or its equivalent) as a practical expedient are excluded from the fair value hierarchy disclosure.

The following is a description of the valuation methodologies used for assets reported at fair value. The methodologies used at December 31, 2019 and December 31, 2018 are the same.

Level 1 investments: Cash and cash equivalents are valued based on cost, which approximates fair value. Short-term investments are valued initially at cost and adjusted for amortization of any discount or premium. U.S. Bond funds are priced by industry vendors such as Intercontinental Exchange (ICE) Data Services using benchmark yields, reported trades, issuer spreads, and broker/dealer quotes.

Level 3 investments: Investments in insurance contracts represent the cash surrender value of the insurance policy. These are actuarially determined amounts based on projections of future benefit payments, discount rates, and expected long-term rate of return on assets.

The remaining pension assets are valued at net asset value based on the underlying assets owned by the fund administrator, minus liabilities, divided by the number of units outstanding and are included in the table below to reconcile the total investment fair value of our plan assets.

For our unfunded pension plans, the Company pays the defined benefit plan obligations when they become due. The table below summarizes the fair value of our defined benefit plan assets by asset category within the fair value hierarchy for our funded defined benefit pension plans (in thousands):

	December 31,								
	2019					2018			
	Level 1	Level 2	Level 3	NAV	Total	Level 1	Level 2	Level 3	Total
Cash and cash-equivalents [1]	$ —	$ —	$ —	$ —	$ —	$ 30,684	$ —	$ —	$ 30,684
Short-term investments	433	—	—	—	433	—	—	—	—
U.S. Bonds [2]	29,035	—	—	—	29,035	—	—	—	—
Insurance contracts	—	—	40,676	—	40,676	—	—	60,988	60,988
Mutual fund [3]	—	—	—	13,161	13,161	$ —	$ —	$ —	—
Total investments at fair value	$ 29,468	$ —	$ 40,676	$ 13,161	$ 83,305	$ 30,684	$ —	$ 60,988	$ 91,672

(1) Consists of institutional short-term investment funds.

(2) Consists primarily of U.S. Treasury notes with readily available pricing data.

(3) The underlying assets of the mutual fund valued at NAV consist of international bonds, equity, real estate and other investments.

The following table summarizes the changes in fair value measurements of Level 3 investments for our defined benefit plans (in thousands):

	December 31,	
	2019	2018
Balance at beginning of year	$ 60,988	$ 60,774
Actual return on plan assets:		
Relating to assets held at the reporting date	1,424	2,556
Purchases, sales and settlements	(1,181)	(541)
Transfers in and/or out of Level 3	(19,640)	255
Currency impact	(915)	(2,056)
Balance at end of year	$ 40,676	$ 60,988

Assets for our defined benefit pension plans in Europe are invested primarily in insurance policies. Under these contracts, we pay premiums to the insurance company, which are based on an internal actuarial analysis performed by the insurance company; the insurance company then funds the pension payments to the plan participants upon retirement. In 2019, we changed our funding for one of our European plans from insurance contracts to a direct investment in a mutual fund which is invested in various international bond, equity, real estate and other investments. The assets for our U.S. plan are managed by a master trust, with oversight responsibility by our Benefits Committee. During 2019, we engaged an investment advisor to help minimize the volatility in our funded status as we began the process of terminating our U.S. Plan. As a result, we updated our investment strategy such that as of December 31, 2019 our U.S. Plan assets reside primarily in U.S. Bonds, with a smaller allocation of assets in short-term investments. The new investment policy and allocation of the assets was approved by our Benefits Committee.

Employer Contributions and Estimated Future Benefit Payments

During the year ended December 31, 2019, we contributed $5 million to our pension plans. We estimate that contributions to our pension plans during 2020 will be $13 million.

The following table summarizes estimated future benefit payments as of December 31, 2019 (in thousands):

Year Ended December 31,	Amount
2020 [1]	$ 43,446
2021	4,357
2022	4,890
2023	5,003
2024	5,474
2025 - 2029	29,946

(1) This amount includes the gross benefit payments expected to be paid to settle the U.S. Plan, exclusive of plan assets.

Note 15. Income Taxes

The provision for income taxes consists of the following components (in thousands):

	Year Ended December 31,		
	2019	2018	2017
Current:			
Federal	$ 101,839	$ 90,216	$ 196,825
State	24,925	25,851	27,149
Foreign	81,081	77,508	58,123
Total current provision for income taxes	$ 207,845	$ 193,575	$ 282,097
Deferred:			
Federal	$ 22,173	$ 14,977	$ (37,486)
State	6,376	4,386	4,044
Foreign	(21,064)	(21,543)	(13,095)
Total deferred provision (benefit) for income taxes	$ 7,485	$ (2,180)	$ (46,537)
Provision for income taxes	$ 215,330	$ 191,395	$ 235,560

Income taxes have been based on the following components of income from continuing operations before provision for income taxes (in thousands):

	Year Ended December 31,		
	2019	2018	2017
Domestic	$ 616,842	$ 562,758	$ 575,148
Foreign	174,180	180,673	191,479
Income from continuing operations before provision for income taxes	$ 791,022	$ 743,431	$ 766,627

The U.S. federal statutory rate is reconciled to the effective tax rate as follows:

	Year Ended December 31,		
	2019	2018	2017
U.S. federal statutory rate	21.0 %	21.0 %	35.0 %
U.S. federal tax reform - federal deferred tax rate change	— %	— %	(9.5)%
U.S. federal tax reform - transition tax on foreign earnings	0.1 %	(1.3)%	6.6 %
State income taxes, net of state credits and federal tax impact	3.2 %	3.5 %	2.8 %
Impact of rates on international operations	1.4 %	0.9 %	(3.2)%
Excess tax benefits from stock-based compensation	(0.3)%	(0.6)%	(1.0)%
Non-deductible expenses	0.9 %	1.6 %	1.1 %
Other, net	0.9 %	0.6 %	(1.1)%
Effective tax rate	27.2 %	25.7 %	30.7 %

On December 22, 2017, the U.S. government enacted the Tax Act. The Tax Act introduced broad and complex changes to U.S. income tax laws that impact us, most notably a reduction of the U.S. statutory corporate tax rate from 35% to 21% for tax years beginning after December 31, 2017. Additionally, beginning in 2018 the Tax Act imposed a regime of taxation on foreign subsidiary earnings, GILTI, and on certain related party payments, BEAT. As part of the transition of U.S. international taxation from a worldwide tax system to a modified territorial tax system, the Tax Act imposed a one-time transition tax on the deemed repatriation of historical earnings of foreign subsidiaries as of December 31, 2017.

On December 22, 2017, the U.S. Securities and Exchange Commission Staff issued SAB 118, which provided guidance on accounting for the tax effects of the Tax Act. SAB 118 provided a measurement period that should not extend beyond one year from the Tax Act enactment date for companies to complete the accounting required under ASC 740, *Income Taxes*. In accordance with SAB 118, a company was required to reflect the income tax effects of those aspects of the Tax Act for which the accounting under ASC 740 was complete. To the extent that a company's accounting for certain income tax effects of the Tax Act was incomplete but the company was able to determine a reasonable estimate, it was required to record a provisional estimate in the financial statements.

Transition Tax on Foreign Earnings: In the fourth quarter of 2017, we recognized a provisional income tax expense of $51 million related to the one-time transition tax on foreign earnings. During the third quarter of 2018, we recorded a $10 million favorable adjustment to the provisional amount. As of December 31, 2018, we substantially completed our analysis of the transition tax, and the liability was no longer considered provisional. In the third quarter of 2019, we amended our 2017 transition tax calculation and recorded an additional expense of $1 million. As permitted by the Tax Act, we elected to pay the final $42 million liability in installments over 8 years. This liability has been reduced by the first two installments and other payment credits to $33 million and is recorded in Other noncurrent liabilities on our Consolidated Balance Sheets.

Revaluation of Deferred Tax Assets and Liabilities: As a result of the Tax Act reduction in the U.S. federal statutory rate from 35% to 21%, at December 31, 2017, we recorded a provisional decrease to net deferred tax liabilities and a corresponding provisional U.S. federal deferred tax benefit of $73 million. There were no subsequent adjustments recognized with regard to the revaluation of deferred taxes, and the accounting for this impact of the Tax Act is complete.

GILTI: While the Tax Act provides for a modified territorial tax system, under a highly complex provision commonly known as GILTI, the Tax Act subjects a U.S. shareholder to current tax on certain earnings of foreign subsidiaries, subject to relief for available foreign tax credits. The FASB Staff Q&A, Topic 740, No. 5, "Accounting for GILTI," provides that an accounting policy election can be made either to recognize deferred taxes for temporary basis differences expected to reverse as GILTI in future years, or to provide for the tax expense related to GILTI in the year the tax is incurred as a period expense only. We have elected to account for GILTI in the year the tax is incurred. For the years ended December 31, 2019 and 2018, the impact of GILTI increased our effective tax rate by approximately 0.6% and 0.3%, respectively.

Indefinite Reinvestment Assertion: Undistributed earnings of our foreign subsidiaries amounted to approximately $743 million at December 31, 2019. Through December 31, 2017, it was our practice and intention to permanently reinvest the undistributed earnings of our foreign subsidiaries, and no U.S. deferred income taxes or foreign withholding taxes were recorded. Beginning in 2018, the Tax Act generally provided a 100% participation exemption from further U.S. taxation of dividends received from 10-percent or more owned foreign corporations held by U.S. corporate shareholders. Although future dividend income is exempt from U.S. federal tax in the hands of the U.S. corporate shareholders, either as a result of the participation exemption, or due to the previous taxation of such earnings under the transition tax and GILTI regime, companies must still apply the guidance of ASC 740 to account for the tax consequences of outside basis differences and other tax impacts of their investments in non-U.S. subsidiaries. Further, the 2017 transition tax reduced a majority of the previous outside basis differences in our foreign subsidiaries, and most of any new differences arising have extensive interaction with the GILTI regime discussed above.

Based on a review of our global financing and capital expenditure requirements as of December 31, 2019, we have made no changes to our assertion that we plan to permanently reinvest the undistributed earnings of our international subsidiaries. Thus, no deferred U.S. income taxes or potential foreign withholding taxes have been recorded. Due to the complexity of the new U.S. tax regime, it remains impractical to estimate the amount of deferred taxes potentially payable were such earnings to be repatriated.

Although the SAB 118 measurement period has closed, further technical guidance related to the Tax Act, including final regulations on a broad range of topics, is expected to be issued. In accordance with ASC 740, the Company will recognize any effects of the guidance in the period that such guidance is issued.

The significant components of our deferred tax assets and liabilities are as follows (in thousands):

	December 31,	
	2019	2018
Deferred Tax Assets:		
Accrued expenses and reserves	$ 51,869	$ 60,337
Qualified and nonqualified retirement plans	31,053	20,525
Inventory	12,679	15,474
Accounts receivable	14,025	16,208
Interest deduction carryforwards	25,448	20,392
Stock-based compensation	4,755	4,859
Operating lease assets, net	303,705	—
Net operating loss carryforwards	16,287	13,222
Other	11,777	12,370
Total deferred tax assets, gross	471,598	163,387
Less: valuation allowance	(41,815)	(34,779)
Total deferred tax assets	$ 429,783	$ 128,608
Deferred Tax Liabilities:		
Goodwill and other intangible assets	$ 219,879	$ 216,699
Property, plant and equipment	100,461	87,839
Trade name	108,039	116,615
Operating lease liabilities	292,498	—
Other	8,916	15,511
Total deferred tax liabilities	$ 729,793	$ 436,664
Net deferred tax liability	$ (300,010)	$ (308,056)

Deferred tax assets and liabilities are reflected on our Consolidated Balance Sheets as follows (in thousands):

	December 31,	
	2019	2018
Noncurrent deferred tax assets	$ 10,119	$ 3,378
Noncurrent deferred tax liabilities	310,129	311,434

Noncurrent deferred tax assets and noncurrent deferred tax liabilities are included in Other noncurrent assets and Deferred income taxes, respectively, on our Consolidated Balance Sheets.

We had net operating loss carryforwards, primarily for certain international tax jurisdictions, the tax benefits of which were $16 million and $13 million at December 31, 2019 and 2018, respectively. At December 31, 2019 and 2018, we had tax credit carryforwards for certain U.S. state jurisdictions, the tax benefits of which total less than $1 million and $1 million, respectively. As of December 31, 2019 and 2018, we had interest deduction carryforwards, primarily in Italy and Germany, the tax benefits of which were $25 million and $20 million, respectively. As of December 31, 2019 and 2018, we had a U.S. capital loss carryforward, the tax benefit of which was $5 million. As of December 31, 2019 and 2018, valuation allowances of $42 million and $35 million, respectively, were recorded for deferred tax assets related to the Italy and Germany interest deduction carryforwards, the U.S. capital loss carryforward, and for certain foreign and U.S. net operating loss carryforwards. The $7 million net increase in valuation allowances was primarily attributable to a $5 million valuation allowance provided on the interest deduction carryforwards generated in 2019 due to thin capitalization constraints in Italy and Germany.

The net operating losses generally carry forward for an indefinite period. The interest deduction carryforwards in Italy and Germany do not expire. U.S. capital losses carry forward for five years. Realization of these deferred tax assets is dependent on the generation of sufficient taxable income prior to the expiration dates, where applicable, or in the case of interest carryforwards subject to legislative thin capitalization constraints, typically growth in EBITDA. Based on historical and projected operating results, we believe that it is more likely than not that earnings will be sufficient to realize the deferred tax assets for which valuation allowances have not been provided. While we expect to realize the deferred tax assets, net of valuation allowances, changes in tax laws or in estimates of future taxable income may alter this expectation.

A reconciliation of the beginning and ending amount of gross unrecognized tax benefits is as follows (in thousands):

	2019	2018	2017
Balance at January 1	$ 1,237	$ 1,690	$ 2,146
Additions for acquired tax positions	1,376	—	73
Additions based on tax positions related to the current year	50	5	5
Lapse of statutes of limitations	(297)	(458)	(534)
Cumulative translation adjustment	(49)	—	—
Balance at December 31	$ 2,317	$ 1,237	$ 1,690

Included in the balance of unrecognized tax benefits above as of December 31, 2019 are approximately $2 million, and as of December 31, 2018 and 2017, approximately $1 million, of tax benefits that, if recognized, would affect the effective tax rate. The balance of unrecognized tax benefits at December 31, 2019, 2018 and 2017 includes approximately $1 million of tax benefits that, if recognized, would result in adjustments to deferred taxes.

The Company recognizes interest and penalties accrued related to unrecognized tax benefits as income tax expense. Attributable to the unrecognized tax benefits noted above, the Company had accumulated interest and penalties of less than $1 million at December 31, 2019, 2018 and 2017. During each of the years ended December 31, 2019, 2018 and 2017, an immaterial amount of interest and penalties were recorded through the income tax provision, prior to any reversals for lapses in the statutes of limitations.

During the twelve months beginning January 1, 2020, it is reasonably possible that we will reduce unrecognized tax benefits by less than $1 million, an immaterial amount of which would impact our effective tax rate, primarily as a result of the expiration of certain statutes of limitations.

The company and/or its subsidiaries file income tax returns in the U.S. federal jurisdiction, and various U.S. state and international jurisdictions. With few exceptions, the company is no longer subject to U.S. federal, state and local, or international income tax examinations by tax authorities for years before 2015. Adjustments from examinations, if any, are not expected to have a material effect on our consolidated financial statements.

Note 16. Segment and Geographic Information

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. Our reportable segments are organized based on a combination of geographic areas served and type of product lines offered. The reportable segments are managed separately as each business serves different customers (i.e. geographic in the case of North America and Europe and product type in the case of Specialty) and is affected by different economic conditions. Therefore, we present three reportable segments: North America, Europe and Specialty.

The following tables present our financial performance by reportable segment for the periods indicated (in thousands):

	North America	Europe	Specialty	Eliminations	Consolidated
Year Ended December 31, 2019					
Revenue:					
Third Party	$ 5,208,589	$ 5,838,124	$ 1,459,396	$ —	$ 12,506,109
Intersegment	705	—	4,646	(5,351)	—
Total segment revenue	$ 5,209,294	$ 5,838,124	$ 1,464,042	$ (5,351)	$ 12,506,109
Segment EBITDA	$ 712,957	$ 454,220	$ 161,184	$ —	$ 1,328,361
Depreciation and amortization (1)	93,747	191,195	29,464	—	314,406
Year Ended December 31, 2018					
Revenue:					
Third Party	$ 5,181,964	$ 5,221,754	$ 1,472,956	$ —	$ 11,876,674
Intersegment	645	—	4,724	(5,369)	—
Total segment revenue	$ 5,182,609	$ 5,221,754	$ 1,477,680	$ (5,369)	$ 11,876,674
Segment EBITDA	$ 660,153	$ 422,721	$ 168,525	$ —	$ 1,251,399
Depreciation and amortization (1)	87,348	178,473	28,256	—	294,077
Year Ended December 31, 2017					
Revenue:					
Third Party	$ 4,798,901	$ 3,636,811	$ 1,301,197	$ —	$ 9,736,909
Intersegment	750	—	4,319	(5,069)	—
Total segment revenue	$ 4,799,651	$ 3,636,811	$ 1,305,516	$ (5,069)	$ 9,736,909
Segment EBITDA	$ 655,275	$ 319,156	$ 142,159	$ —	$ 1,116,590
Depreciation and amortization (1)	86,303	120,805	23,095	—	230,203

(1) Amounts presented include depreciation and amortization expense recorded within cost of goods sold.

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 (which includes restructuring expenses recorded in Cost of goods sold), change in fair value of contingent consideration liabilities, other gains and losses related to acquisitions, equity method investments or divestitures, equity in losses and earnings of unconsolidated subsidiaries, and impairment charges. EBITDA, which is the basis for Segment EBITDA, is calculated as net income, less net income (loss) attributable to continuing and discontinued noncontrolling interest, excluding discontinued operations and discontinued noncontrolling interest, depreciation, amortization, interest (which includes gains and losses on debt extinguishment) and income tax expense.

The table below provides a reconciliation of Net Income to Segment EBITDA (in thousands):

	Year Ended December 31,		
	2019	2018	2017
Net income	$ 545,034	$ 483,168	$ 530,228
Less: net income attributable to continuing noncontrolling interest	2,800	3,050	(3,516)
Less: net income attributable to discontinued noncontrolling interest	974	—	—
Net income attributable to LKQ stockholders	541,260	480,118	533,744
Subtract:			
Net income (loss) from discontinued operations	1,619	(4,397)	(6,746)
Net income attributable to discontinued noncontrolling interest	(974)	—	—
Net income from continuing operations attributable to LKQ stockholders	540,615	484,515	540,490
Add:			
Depreciation and amortization	290,770	274,213	219,546
Depreciation and amortization - cost of goods sold	21,007	19,864	10,657
Depreciation and amortization - restructuring expenses - cost of goods sold	305	—	—
Depreciation and amortization - restructuring expenses	2,324	—	—
Interest expense, net of interest income	136,274	144,536	100,620
(Gain) loss on debt extinguishment	(128)	1,350	456
Provision for income taxes	215,330	191,395	235,560
EBITDA	1,206,497	1,115,873	1,107,329
Subtract:			
Equity in (losses) earnings of unconsolidated subsidiaries (1)	(32,277)	(64,471)	5,907
Fair value loss on Mekonomen derivative instrument (1)	—	(5,168)	—
Gain due to resolution of acquisition related matter	12,063	—	—
Gains on bargain purchases and previously held equity interests (2)	1,157	2,418	3,870
Add:			
Restructuring and acquisition related expenses (3)	34,658	32,428	19,672
Restructuring expenses - cost of goods sold (4)	20,654	—	—
Inventory step-up adjustment - acquisition related	—	403	3,584
Impairment of net assets held for sale and goodwill (5) (6)	47,102	35,682	—
Change in fair value of contingent consideration liabilities	393	(208)	(4,218)
Segment EBITDA	$ 1,328,361	$ 1,251,399	$ 1,116,590

(1) Refer to "Investments in Unconsolidated Subsidiaries" in Note 4, "Summary of Significant Accounting Policies," for further information.

(2) Reflects the gains on bargain purchases and previously held equity interests related to our acquisitions of wholesale businesses in Europe and Andrew Page. See Note 2, "Business Combinations," for further information on bargain purchases.

(3) Excludes $2 million of depreciation expense that is reported in Restructuring and acquisition related expenses in our Consolidated Statements of Income. Refer to Note 6, "Restructuring and Acquisition Related Expenses," for further information.

(4) Refer to Note 6, "Restructuring and Acquisition Related Expenses," for further information.

(5) Refer to "Intangible Assets" in Note 4, "Summary of Significant Accounting Policies," for further information on the impairment of goodwill recorded in 2018.

(6) Refer to "Net Assets Held for Sale" in Note 4, "Summary of Significant Accounting Policies," for further information on the impairment charges recorded during 2019. In 2018, amounts were recorded in Interest income and other income, net in our Consolidated Statements of Income.

The following table presents capital expenditures by reportable segment (in thousands):

	Year Ended December 31,		
	2019	2018	2017
Capital Expenditures			
North America	$ 131,643	$ 129,391	$ 95,823
Europe	121,596	99,885	71,494
Specialty	12,491	20,751	8,175
Discontinued operations	—	—	3,598
Total capital expenditures	$ 265,730	$ 250,027	$ 179,090

The following table presents assets by reportable segment (in thousands):

	December 31,		
	2019	2018	2017
Receivables, net			
North America	$ 419,452	$ 411,818	$ 379,666
Europe	636,216	649,174	555,372
Specialty	75,464	93,091	92,068
Total receivables, net	1,131,132	1,154,083	1,027,106
Inventories			
North America	991,062	1,076,306	1,076,393
Europe	1,401,801	1,410,264	964,068
Specialty	379,914	349,505	340,322
Total inventories	2,772,777	2,836,075	2,380,783
Property, plant and equipment, net			
North America	610,573	570,508	537,286
Europe	538,951	562,600	293,539
Specialty	84,876	87,054	82,264
Total property, plant and equipment, net	1,234,400	1,220,162	913,089
Operating lease assets, net (1)			
North America	768,164	—	—
Europe	457,035	—	—
Specialty	83,312	—	—
Total operating lease assets, net	1,308,511	—	—
Equity method investments			
North America	17,624	16,404	336
Europe (2)	121,619	162,765	208,068
Total equity method investments	139,243	179,169	208,404
Other unallocated assets	6,193,893	6,003,913	4,837,490
Total assets	$ 12,779,956	$ 11,393,402	$ 9,366,872

(1) Refer to Note 13, "Leases," for further information.

(2) Refer to "Investments in Unconsolidated Subsidiaries" in Note 4, "Summary of Significant Accounting Policies," for further information on the decrease in the balance from December 31, 2018 to December 31, 2019.

We report net receivables; inventories; net property, plant and equipment; net operating lease assets; and equity method investments by segment as that information is used by the chief operating decision maker in assessing segment performance. These assets provide a measure for the operating capital employed in each segment. Unallocated assets include cash and cash equivalents, prepaid and other current and noncurrent assets, goodwill and other intangibles.

Our largest countries of operation are the U.S., followed by the U.K. and Germany. Additional European operations are located in the Netherlands, Italy, Czech Republic, Belgium, Poland, Slovakia, Austria, and other European countries. Our

operations in other countries include operations in Canada, engine remanufacturing operations in Mexico, an aftermarket parts freight consolidation warehouse in Taiwan, and administrative support functions in India. Our net sales are attributed to geographic area based on the location of the selling operation.

The following table sets forth our revenue by geographic area (in thousands):

	Year Ended December 31,		
	2019	2018	2017
Revenue			
United States	$ 6,220,267	$ 6,192,636	$ 5,662,016
United Kingdom	1,599,074	1,665,317	1,548,212
Germany	1,578,543	974,514	1,744
Other countries	3,108,225	3,044,207	2,524,937
Total revenue	$ 12,506,109	$ 11,876,674	$ 9,736,909

The following table sets forth our tangible long-lived assets by geographic area (in thousands):

	December 31,		
	2019	2018	2017
Long-lived assets (1)			
United States	$ 1,467,701	$ 620,125	$ 583,236
Germany	340,995	217,476	41
United Kingdom	330,113	165,145	178,021
Other countries	404,102	217,416	151,791
Total long-lived assets	$ 2,542,911	$ 1,220,162	$ 913,089

(1) The increase in long-lived assets is primarily related to the net operating lease assets added as a result of the adoption of the new lease accounting standard. Refer to Note 13, "Leases," for further information.

Note 17. Selected Quarterly Data (unaudited)

The following table presents unaudited selected quarterly financial data for the two years ended December 31, 2019. The operating results for any quarter are not necessarily indicative of the results for any future period.

	Quarter Ended (1)			
(In thousands, except per share data)	Dec. 31	Sep. 30	Jun. 30	Mar. 31 (2)
2019				
Revenue	$ 3,009,860	$ 3,147,773	$ 3,248,173	$ 3,100,303
Gross margin	1,196,014	1,200,329	1,247,187	1,208,264
Operating income (1)	206,768	231,364	236,111	222,400
Income from continuing operations (2)	140,833	151,812	151,707	99,063
Net income from discontinued operations (5) (6)	440	781	398	—
Net income	141,273	152,593	152,105	99,063
Net income (loss) attributable to continuing noncontrolling interest	479	(46)	1,352	1,015
Net income attributable to discontinued noncontrolling interest	406	376	192	—
Net income attributable to LKQ stockholders	140,388	152,263	150,561	98,048
Basic earnings per share from continuing operations (7)	$ 0.46	$ 0.49	$ 0.49	$ 0.31
Diluted earnings per share from continuing operations (7)	$ 0.46	$ 0.49	$ 0.49	$ 0.31

(In thousands, except per share data)	Quarter Ended [3]			
	Dec. 31 [2] [4] [5]	Sep. 30 [2]	Jun. 30	Mar. 31
2018				
Revenue	$ 3,002,781	$ 3,122,378	$ 3,030,751	$ 2,720,764
Gross margin	1,161,809	1,197,198	1,161,879	1,053,971
Operating income [4]	164,146	234,733	256,794	226,568
Income from continuing operations [2]	42,456	134,480	157,866	152,763
Net loss from discontinued operations [5]	(4,397)	—	—	—
Net income	38,059	134,480	157,866	152,763
Net income (loss) attributable to continuing noncontrolling interest	2,010	378	859	(197)
Net income attributable to LKQ stockholders	36,049	134,102	157,007	152,960
Basic earnings per share from continuing operations [7]	$ 0.13	$ 0.42	$ 0.51	$ 0.49
Diluted earnings per share from continuing operations [7]	$ 0.13	$ 0.42	$ 0.50	$ 0.49

(1) Reflects impairment charges of $15 million, $33 million, and $2 million to net assets held for sale recorded in the first, second, and fourth quarters of 2019, respectively, and a $4 million net reversal of impairment in the third quarter of 2019. See "Net Assets Held for Sale" in Note 4, "Summary of Significant Accounting Policies," for further information.

(2) Reflects impairment charges of $40 million in the first quarter of 2019, and charges of $48 million and $23 million in the fourth and third quarters of 2018, respectively, related to the Mekonomen equity investment. See "Investments in Unconsolidated Subsidiaries" in Note 4, "Summary of Significant Accounting Policies," for further information.

(3) The 2018 amounts presented above include the results of operations of Stahlgruber, from its acquisition effective May 30, 2018.

(4) Reflects a $33 million goodwill impairment charge on the Aviation reporting unit recorded in the fourth quarter of 2018. See "Intangible Assets" in Note 4, "Summary of Significant Accounting Policies," for further information.

(5) In the first quarter of 2017, LKQ completed the sale of the glass manufacturing business of its PGW subsidiary. During the fourth quarter of 2019, we incurred costs related to the disposal of the glass manufacturing business of PGW and settled certain tax matters. During the fourth quarter of 2018, we recorded a final tax expense adjustment of $4 million to the loss on sale of the glass manufacturing business of PGW. See "Glass Manufacturing Business" in Note 3, "Discontinued Operations" for further information regarding the disposal of the glass manufacturing business.

(6) In the second quarter of 2019, we classified the acquired Stahlgruber Czech Republic wholesale business as discontinued operations. See "Czech Republic" in Note 3, "Discontinued Operations" for further information regarding the planned disposal of the Czech Republic business.

(7) The sum of the quarters may not equal the total of the respective year's earnings per share on either a basic or diluted basis due to changes in weighted average shares outstanding throughout the year.

Note 18. Condensed Consolidating Financial Information

LKQ Corporation (the "Parent") issued, and the Guarantors have fully and unconditionally guaranteed, jointly and severally, the U.S. Notes (2023) due on May 15, 2023. A Guarantor's guarantee will be unconditionally and automatically released and discharged upon the occurrence of any of the following events: (i) a transfer (including as a result of consolidation or merger) by the Guarantor to any person that is not a Guarantor of all or substantially all assets and properties of such Guarantor, provided the Guarantor is also released from its obligations with respect to indebtedness under the Credit Agreement or other indebtedness of ours, which obligation gave rise to the guarantee of the U.S. Notes (2023); (ii) a transfer (including as a result of consolidation or merger) to any person that is not a Guarantor of the equity interests of a Guarantor or issuance by a Guarantor of its equity interests such that the Guarantor ceases to be a subsidiary, as defined in the U.S. Notes (2023) Indenture, provided the Guarantor is also released from its obligations with respect to indebtedness under the Credit Agreement or other indebtedness of ours, which obligation gave rise to the guarantee of the U.S. Notes (2023); (iii) the release of the Guarantor from its obligations with respect to indebtedness under the Credit Agreement or other indebtedness of ours, which obligation gave rise to the guarantee of the U.S. Notes (2023); and (iv) upon legal defeasance, covenant defeasance or satisfaction and discharge of the U.S. Notes (2023) Indenture, as defined in the U.S. Notes (2023) Indenture.

Presented below are the condensed consolidating financial statements of the Parent, the Guarantors, the non-guarantor subsidiaries (the "Non-Guarantors"), and the elimination entries necessary to present our financial statements on a consolidated basis as required by Rule 3-10 of Regulation S-X of the Securities Exchange Act of 1934 resulting from the guarantees of the U.S. Notes (2023). Investments in consolidated subsidiaries have been presented under the equity method of accounting. The principal elimination entries eliminate investments in subsidiaries, intercompany balances, and intercompany revenue and expenses. The condensed consolidating financial statements below have been prepared from our financial information on the same basis of accounting as the consolidated financial statements, and may not necessarily be indicative of the financial position, results of operations or cash flows had the Parent, Guarantors and Non-Guarantors operated as independent entities.

On January 10, 2020, we redeemed the U.S Notes (2023) at which point the guarantees were released. Refer to "U.S. Notes (2023)" in Note 10 "Long-Term Obligations," for further information on the redemption.

LKQ CORPORATION AND SUBSIDIARIES

Condensed Consolidating Statements of Income
(In thousands)

	Year Ended December 31, 2019				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenue	$ —	$ 6,269,185	$ 6,384,822	$ (147,898)	$ 12,506,109
Cost of goods sold	—	3,711,074	4,091,139	(147,898)	7,654,315
Gross margin	—	2,558,111	2,293,683	—	4,851,794
Selling, general and administrative expenses	45,914	1,732,282	1,802,104	—	3,580,300
Restructuring and acquisition related expenses	—	8,644	28,335	—	36,979
Impairment of net assets held for sale and goodwill	—	39,355	7,747	—	47,102
Depreciation and amortization	479	105,288	185,003	—	290,770
Operating (loss) income	(46,393)	672,542	270,494	—	896,643
Other expense (income):					
Interest expense	52,376	299	85,829	—	138,504
Intercompany interest (income) expense, net	(58,762)	32,899	25,863	—	—
Gain on debt extinguishment	—	(128)	—	—	(128)
Interest income and other (income) expense, net	(13,269)	(20,376)	890	—	(32,755)
Total other (income) expense, net	(19,655)	12,694	112,582	—	105,621
(Loss) income from continuing operations before (benefit) provision for income taxes	(26,738)	659,848	157,912	—	791,022
(Benefit) provision for income taxes	(7,062)	169,173	53,219	—	215,330
Equity in earnings (losses) of unconsolidated subsidiaries	—	1,220	(33,497)	—	(32,277)
Equity in earnings of subsidiaries	559,317	10,824	—	(570,141)	—
Income from continuing operations	539,641	502,719	71,196	(570,141)	543,415
Net income (loss) from discontinued operations	1,619	(1,253)	1,673	(420)	1,619
Net income	541,260	501,466	72,869	(570,561)	545,034
Less: net income attributable to continuing noncontrolling interest	—	—	2,800	—	2,800
Less: net income attributable to discontinued noncontrolling interest	—	—	974	—	974
Net income attributable to LKQ stockholders	$ 541,260	$ 501,466	$ 69,095	$ (570,561)	$ 541,260

LKQ CORPORATION AND SUBSIDIARIES

Condensed Consolidating Statements of Income
(In thousands)

	Year Ended December 31, 2018				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenue	$ —	$ 6,276,951	$ 5,766,958	$ (167,235)	$ 11,876,674
Cost of goods sold	—	3,783,376	3,685,676	(167,235)	7,301,817
Gross margin	—	2,493,575	2,081,282	—	4,574,857
Selling, general and administrative expenses	27,394	1,713,118	1,612,219	—	3,352,731
Restructuring and acquisition related expenses	—	3,140	29,288	—	32,428
Impairment of net assets held for sale and goodwill	—	33,244	—	—	33,244
Depreciation and amortization	137	99,665	174,411	—	274,213
Operating (loss) income	(27,531)	644,408	265,364	—	882,241
Other expense (income):					
Interest expense	66,794	640	78,943	—	146,377
Intercompany interest (income) expense, net	(65,072)	40,756	24,316	—	—
Loss on debt extinguishment	1,350	—	—	—	1,350
Interest income and other (income) expense, net	(1,082)	(15,586)	7,751	—	(8,917)
Total other expense, net	1,990	25,810	111,010	—	138,810
(Loss) income from continuing operations before (benefit) provision for income taxes	(29,521)	618,598	154,354	—	743,431
(Benefit) provision for income taxes	(18,600)	163,937	46,058	—	191,395
Equity in earnings (losses) of unconsolidated subsidiaries	—	173	(64,644)	—	(64,471)
Equity in earnings of subsidiaries	495,436	16,598	—	(512,034)	—
Income from continuing operations	484,515	471,432	43,652	(512,034)	487,565
Net loss from discontinued operations	(4,397)	(4,397)	—	4,397	(4,397)
Net income	480,118	467,035	43,652	(507,637)	483,168
Less: net income attributable to noncontrolling interest	—	—	3,050	—	3,050
Net income attributable to LKQ stockholders	$ 480,118	$ 467,035	$ 40,602	$ (507,637)	$ 480,118

LKQ CORPORATION AND SUBSIDIARIES

Condensed Consolidating Statements of Income
(In thousands)

	Year Ended December 31, 2017				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenue	$ —	$ 5,780,904	$ 4,116,161	$ (160,156)	$ 9,736,909
Cost of goods sold	—	3,458,304	2,639,138	(160,156)	5,937,286
Gross margin	—	2,322,600	1,477,023	—	3,799,623
Selling, general and administrative expenses	29,884	1,557,883	1,127,640	—	2,715,407
Restructuring and acquisition related expenses	—	7,352	12,320	—	19,672
Depreciation and amortization	118	96,717	122,711	—	219,546
Operating (loss) income	(30,002)	660,648	214,352	—	844,998
Other expense (income):					
Interest expense	66,030	546	35,064	—	101,640
Intercompany interest (income) expense, net	(17,873)	(2,383)	20,256	—	—
Loss on debt extinguishment	456	—	—	—	456
Interest income and other expense (income), net	242	(14,323)	(9,644)	—	(23,725)
Total other expense (income), net	48,855	(16,160)	45,676	—	78,371
(Loss) income from continuing operations before provision for income taxes	(78,857)	676,808	168,676	—	766,627
Provision for income taxes	28,684	168,288	38,588	—	235,560
Equity in earnings of unconsolidated subsidiaries	—	—	5,907	—	5,907
Equity in earnings of subsidiaries	648,031	21,836	—	(669,867)	—
Income from continuing operations	540,490	530,356	135,995	(669,867)	536,974
Net (loss) income from discontinued operations	(6,746)	(6,746)	2,050	4,696	(6,746)
Net income	533,744	523,610	138,045	(665,171)	530,228
Less: net loss attributable to noncontrolling interest	—	—	(3,516)	—	(3,516)
Net income attributable to LKQ stockholders	$ 533,744	$ 523,610	$ 141,561	$ (665,171)	$ 533,744

LKQ CORPORATION AND SUBSIDIARIES

Condensed Consolidating Statements of Comprehensive Income
(In thousands)

	Year Ended December 31, 2019				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net income	$ 541,260	$ 501,466	$ 72,869	$ (570,561)	$ 545,034
Less: net income attributable to continuing noncontrolling interest	—	—	2,800	—	2,800
Less: net income attributable to discontinued noncontrolling interest	—	—	974	—	974
Net income attributable to LKQ stockholders	541,260	501,466	69,095	(570,561)	541,260
Other comprehensive (loss) income:					
Foreign currency translation, net of tax	6,704	5,477	5,360	(10,837)	6,704
Net change in unrealized gains/losses on cash flow hedges, net of tax	(9,016)	—	—	—	(9,016)
Net change in unrealized gains/losses on pension plans, net of tax	(23,859)	(6,088)	(17,771)	23,859	(23,859)
Net change in other comprehensive income from unconsolidated subsidiaries	236	—	236	(236)	236
Other comprehensive loss	(25,935)	(611)	(12,175)	12,786	(25,935)
Comprehensive income	515,325	500,855	60,694	(557,775)	519,099
Less: comprehensive income attributable to continuing noncontrolling interest	—	—	2,800	—	2,800
Less: comprehensive income attributable to discontinued noncontrolling interest	—	—	974	—	974
Comprehensive income attributable to LKQ stockholders	$ 515,325	$ 500,855	$ 56,920	$ (557,775)	$ 515,325

LKQ CORPORATION AND SUBSIDIARIES

Condensed Consolidating Statements of Comprehensive Income
(In thousands)

	Year Ended December 31, 2018				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net income	$ 480,118	$ 467,035	$ 43,652	$ (507,637)	$ 483,168
Less: net income attributable to noncontrolling interest	—	—	3,050	—	3,050
Net income attributable to LKQ stockholders	480,118	467,035	40,602	(507,637)	480,118
Other comprehensive (loss) income:					
Foreign currency translation, net of tax	(108,523)	(8,628)	(75,462)	84,090	(108,523)
Net change in unrealized gains/losses on cash flow hedges, net of tax	350	—	—	—	350
Net change in unrealized gains/losses on pension plans, net of tax	697	1,266	(569)	(697)	697
Net change in other comprehensive loss from unconsolidated subsidiaries	(2,343)	—	(2,343)	2,343	(2,343)
Other comprehensive loss	(109,819)	(7,362)	(78,374)	85,736	(109,819)
Comprehensive income (loss)	370,299	459,673	(34,722)	(421,901)	373,349
Less: comprehensive income attributable to noncontrolling interest	—	—	3,050	—	3,050
Comprehensive income (loss) attributable to LKQ stockholders	$ 370,299	$ 459,673	$ (37,772)	$ (421,901)	$ 370,299

LKQ CORPORATION AND SUBSIDIARIES

Condensed Consolidating Statements of Comprehensive Income
(In thousands)

	Year Ended December 31, 2017				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net income	$ 533,744	$ 523,610	$ 138,045	$ (665,171)	$ 530,228
Less: net loss attributable to noncontrolling interest	—	—	(3,516)	—	(3,516)
Net income attributable to LKQ stockholders	533,744	523,610	141,561	(665,171)	533,744
Other comprehensive income (loss):					
Foreign currency translation, net of tax	200,596	16,743	206,049	(222,792)	200,596
Net change in unrealized gains/losses on cash flow hedges, net of tax	3,447	(133)	—	133	3,447
Net change in unrealized gains/losses on pension plans, net of tax	(6,035)	(3,254)	(2,781)	6,035	(6,035)
Net change in other comprehensive loss from unconsolidated subsidiaries	(1,309)	—	(1,309)	1,309	(1,309)
Other comprehensive income	196,699	13,356	201,959	(215,315)	196,699
Comprehensive income	730,443	536,966	340,004	(880,486)	726,927
Less: comprehensive loss attributable to noncontrolling interest	—	—	(3,516)	—	(3,516)
Comprehensive income attributable to LKQ stockholders	$ 730,443	$ 536,966	$ 343,520	$ (880,486)	$ 730,443

LKQ CORPORATION AND SUBSIDIARIES

Condensed Consolidating Balance Sheets
(In thousands)

	December 31, 2019				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	$ 240,476	$ 44,326	$ 238,218	$ —	$ 523,020
Receivables, net	—	304,416	826,716	—	1,131,132
Intercompany receivables, net	9,822	—	18,261	(28,083)	—
Inventories	—	1,289,389	1,483,388	—	2,772,777
Prepaid expenses and other current assets	11,606	94,146	155,138	—	260,890
Total current assets	261,904	1,732,277	2,721,721	(28,083)	4,687,819
Property, plant and equipment, net	423	640,648	593,329	—	1,234,400
Operating lease assets, net	3,701	808,726	496,084	—	1,308,511
Intangible assets:					
Goodwill	—	2,012,282	2,394,253	—	4,406,535
Other intangibles, net	564	249,497	600,277	—	850,338
Investment in subsidiaries	5,345,724	127,551	—	(5,473,275)	—
Intercompany notes receivable	1,021,380	120,099	—	(1,141,479)	—
Equity method investments	—	17,624	121,619	—	139,243
Other noncurrent assets	64,080	39,204	49,826	—	153,110
Total assets	$ 6,697,776	$ 5,747,908	$ 6,977,109	$ (6,642,837)	$ 12,779,956
Liabilities and Stockholders' Equity					
Current liabilities:					
Accounts payable	$ 2,883	$ 397,647	$ 542,265	$ —	$ 942,795
Intercompany payables, net	—	18,261	9,822	(28,083)	—
Accrued expenses:					
Accrued payroll-related liabilities	8,837	66,877	103,489	—	179,203
Refund liability	—	46,789	50,525	—	97,314
Other accrued expenses	8,895	119,352	161,436	—	289,683
Other current liabilities	282	23,641	97,700		121,623
Current portion of operating lease liabilities	224	119,538	101,765	—	221,527
Current portion of long-term obligations	202,220	3,124	121,023	—	326,367
Total current liabilities	223,341	795,229	1,188,025	(28,083)	2,178,512
Long-term operating lease liabilities, excluding current portion	3,883	721,584	412,130	—	1,137,597
Long-term obligations, excluding current portion	1,331,015	14,268	2,370,106	—	3,715,389
Intercompany notes payable	—	517,361	624,118	(1,141,479)	—
Deferred income taxes	5,229	161,574	143,326	—	310,129
Other noncurrent liabilities	125,432	80,611	159,629	—	365,672
Redeemable noncontrolling interest	—	—	24,077	—	24,077
Stockholders' equity:					
Total Company stockholders' equity	5,008,876	3,457,281	2,015,994	(5,473,275)	5,008,876
Noncontrolling interest	—	—	39,704	—	39,704
Total stockholders' equity	5,008,876	3,457,281	2,055,698	(5,473,275)	5,048,580
Total liabilities and stockholders' equity	$ 6,697,776	$ 5,747,908	$ 6,977,109	$ (6,642,837)	$ 12,779,956

LKQ CORPORATION AND SUBSIDIARIES

Condensed Consolidating Balance Sheets
(In thousands)

	December 31, 2018				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	$ 25,633	$ 29,285	$ 276,843	$ —	$ 331,761
Receivables, net	310	316,726	837,047	—	1,154,083
Intercompany receivables, net	6,978	—	12,880	(19,858)	—
Inventories	—	1,343,612	1,492,463	—	2,836,075
Prepaid expenses and other current assets	18,611	99,356	81,063	—	199,030
Total current assets	51,532	1,788,979	2,700,296	(19,858)	4,520,949
Property, plant and equipment, net	1,547	600,054	618,561	—	1,220,162
Intangible assets:					
Goodwill	—	1,973,364	2,408,094	—	4,381,458
Other intangibles, net	260	272,451	656,041	—	928,752
Investment in subsidiaries	5,224,006	111,826	—	(5,335,832)	—
Intercompany notes receivable	1,220,582	10,515	—	(1,231,097)	—
Equity method investments	—	16,404	162,765	—	179,169
Other noncurrent assets	70,283	40,548	52,081	—	162,912
Total assets	$ 6,568,210	$ 4,814,141	$ 6,597,838	$ (6,586,787)	$ 11,393,402
Liabilities and Stockholders' Equity					
Current liabilities:					
Accounts payable	$ 2,454	$ 343,116	$ 596,828	$ —	$ 942,398
Intercompany payables, net	—	12,880	6,978	(19,858)	—
Accrued expenses:					
Accrued payroll-related liabilities	6,652	70,267	95,086	—	172,005
Refund liability	—	50,899	53,686	—	104,585
Other accrued expenses	5,454	105,672	177,299	—	288,425
Other current liabilities	283	17,860	42,966	—	61,109
Current portion of long-term obligations	8,459	2,932	110,435	—	121,826
Total current liabilities	23,302	603,626	1,083,278	(19,858)	1,690,348
Long-term obligations, excluding current portion	1,628,677	13,532	2,546,465	—	4,188,674
Intercompany notes payable	—	597,283	633,814	(1,231,097)	—
Deferred income taxes	8,045	135,355	168,034	—	311,434
Other noncurrent liabilities	125,888	99,147	139,159	—	364,194
Total Company stockholders' equity	4,782,298	3,365,198	1,970,634	(5,335,832)	4,782,298
Noncontrolling interest	—	—	56,454	—	56,454
Total stockholders' equity	4,782,298	3,365,198	2,027,088	(5,335,832)	4,838,752
Total liabilities and stockholders' equity	$ 6,568,210	$ 4,814,141	$ 6,597,838	$ (6,586,787)	$ 11,393,402

LKQ CORPORATION AND SUBSIDIARIES

Condensed Consolidating Statements of Cash Flows
(In thousands)

	Year Ended December 31, 2019				
	Parent	Guarantors	Non-Guarantors [1]	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net cash provided by operating activities	$ 500,658	$ 275,443	$ 378,100	$ (90,168)	$ 1,064,033
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchases of property, plant and equipment	(564)	(134,992)	(130,174)	—	(265,730)
Proceeds from disposals of property, plant and equipment	—	6,821	9,224	—	16,045
Investment and intercompany note activity with subsidiaries	130,600	—	—	(130,600)	—
Acquisitions, net of cash and restricted cash acquired	—	(23,643)	(3,653)	—	(27,296)
Proceeds from disposal of businesses	—	19,682	(1,213)	—	18,469
Investments in unconsolidated subsidiaries	—	(3,250)	(4,344)	—	(7,594)
Receipts of deferred purchase price on receivables under factoring arrangements	—	358,995	—	(358,995)	—
Other investing activities, net	967	286	—	—	1,253
Net cash provided by (used in) investing activities	131,003	223,899	(130,160)	(489,595)	(264,853)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Purchase of treasury stock	(291,813)	—	—	—	(291,813)
Borrowings under revolving credit facilities	218,000	—	387,708	—	605,708
Repayments under revolving credit facilities	(316,692)	—	(417,779)	—	(734,471)
Repayments under term loans	(8,750)	—	—	—	(8,750)
Borrowings under receivables securitization facility	—	—	36,600	—	36,600
Repayments under receivables securitization facility	—	—	(146,600)	—	(146,600)
Payment of notes issued and assumed debt from acquisitions	(19,123)	—	—	—	(19,123)
Repayments of other debt, net	(749)	(2,185)	(30,988)	—	(33,922)
Other financing activities, net	2,309	—	(10,607)	—	(8,298)
Investment and intercompany note activity with parent	—	(34,026)	(96,574)	130,600	—
Dividends	—	(449,163)	—	449,163	—
Net cash used in financing activities	(416,818)	(485,374)	(278,240)	579,763	(600,669)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	—	1,073	(1,977)	—	(904)
Net increase (decrease) in cash, cash equivalents and restricted cash	214,843	15,041	(32,277)	—	197,607
Cash, cash equivalents and restricted cash of continuing operations, beginning of period	25,633	29,285	282,332	—	337,250
Cash, cash equivalents and restricted cash of continuing and discontinued operations, end of period	240,476	44,326	250,055	—	534,857
Less: Cash and cash equivalents of discontinued operations, end of period	—	—	6,470	—	6,470
Cash, cash equivalents and restricted cash, end of period	$ 240,476	$ 44,326	$ 243,585	$ —	$ 528,387

[1] Restricted cash is only included in the condensed consolidating financial information of the Non-Guarantors

LKQ CORPORATION AND SUBSIDIARIES

Condensed Consolidating Statements of Cash Flows
(In thousands)

	Year Ended December 31, 2018				
	Parent	Guarantors	Non-Guarantors [1]	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net cash provided by operating activities	$ 481,138	$ 277,595	$ 111,213	$ (159,207)	$ 710,739
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchases of property, plant and equipment	(848)	(136,033)	(113,146)	—	(250,027)
Proceeds from disposals of property, plant and equipment	—	22,393	5,266	—	27,659
Investment and intercompany note activity with subsidiaries	(97,261)	—	—	97,261	—
Return of investment in subsidiaries	143,524	—	—	(143,524)	—
Acquisitions, net of cash and restricted cash acquired	—	(8,217)	(1,206,778)	—	(1,214,995)
Investments in unconsolidated subsidiaries	—	(12,216)	(48,084)	—	(60,300)
Receipts of deferred purchase price on receivables under factoring arrangements	—	317,091	36,991	(317,091)	36,991
Other investing activities, net	887	180	666	—	1,733
Net cash provided by (used in) investing activities	46,302	183,198	(1,325,085)	(363,354)	(1,458,939)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Debt issuance costs	(5,434)	—	(15,694)	—	(21,128)
Proceeds from issuance of Euro Notes (2026/28)	—	—	1,232,100	—	1,232,100
Purchase of treasury stock	(60,000)	—	—	—	(60,000)
Borrowings under revolving credit facilities	765,632	—	901,693	—	1,667,325
Repayments under revolving credit facilities	(884,863)	—	(644,107)	—	(1,528,970)
Repayments under term loans	(354,800)	—	—	—	(354,800)
Borrowings under receivables securitization facility	—	—	10,120	—	10,120
Repayments under receivables securitization facility	—	—	(120)	—	(120)
Payment of notes issued and assumed debt from acquisitions	—	—	(54,888)	—	(54,888)
Repayments of other debt, net	(385)	(3,636)	(7,709)	—	(11,730)
Other financing activities, net	3,683	—	1,403	—	5,086
Investment and intercompany note activity with parent	—	(68,435)	165,696	(97,261)	—
Dividends	—	(392,883)	(226,939)	619,822	—
Net cash (used in) provided by financing activities	(536,167)	(464,954)	1,361,555	522,561	882,995
Effect of exchange rate changes on cash, cash equivalents and restricted cash	—	(1,685)	(75,626)	—	(77,311)
Net (decrease) increase in cash, cash equivalents and restricted cash	(8,727)	(5,846)	72,057	—	57,484
Cash, cash equivalents and restricted cash, beginning of period	34,360	35,131	210,275	—	279,766
Cash, cash equivalents and restricted cash, end of period	$ 25,633	$ 29,285	$ 282,332	$ —	$ 337,250

[1] Restricted cash is only included in the condensed consolidating financial information of the Non-Guarantors

LKQ CORPORATION AND SUBSIDIARIES

Condensed Consolidating Statements of Cash Flows
(In thousands)

	Year Ended December 31, 2017				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net cash provided by operating activities	$ 243,011	$ 186,459	$ 95,617	$ (6,187)	$ 518,900
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchases of property, plant and equipment	(648)	(87,102)	(91,340)	—	(179,090)
Proceeds from disposals of property, plant and equipment	—	6,490	2,217	—	8,707
Investment and intercompany note activity with subsidiaries	57,735	—	—	(57,735)	—
Acquisitions, net of cash and restricted cash acquired	—	(335,582)	(177,506)	—	(513,088)
Proceeds from disposals of businesses	—	305,740	(4,443)	—	301,297
Investments in unconsolidated subsidiaries	—	(2,750)	(4,914)	—	(7,664)
Receipts of deferred purchase price on receivables under factoring arrangements [1]	—	294,925	—	(294,925)	—
Other investing activities, net	—	—	5,243	—	5,243
Net cash provided by (used in) investing activities	57,087	181,721	(270,743)	(352,660)	(384,595)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Debt issuance costs	(4,267)	—	—	—	(4,267)
Borrowings under revolving credit facilities	558,000	—	281,171	—	839,171
Repayments under revolving credit facilities	(824,862)	—	(121,615)	—	(946,477)
Repayments under term loans	(27,884)	—	—	—	(27,884)
Borrowings under receivables securitization facility	—	—	11,245	—	11,245
Repayments under receivables securitization facility	—	—	(11,245)	—	(11,245)
(Repayments) borrowings of other debt, net	(1,700)	(1,318)	22,724	—	19,706
Other financing activities, net	1,945	(1,336)	6,575	—	7,184
Investment and intercompany note activity with parent	—	(65,498)	7,763	57,735	—
Dividends	—	(301,112)	—	301,112	—
Net cash (used in) provided by financing activities	(298,768)	(369,264)	196,618	358,847	(112,567)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	—	706	22,806	—	23,512
Net increase (decrease) in cash, cash equivalents and restricted cash	1,330	(378)	44,298	—	45,250
Cash, cash equivalents and restricted cash of continuing operations, beginning of period	33,030	35,360	159,010	—	227,400
Add: Cash, cash equivalents and restricted cash of discontinued operations, beginning of period	—	149	6,967	—	7,116
Cash, cash equivalents and restricted cash of continuing and discontinued operations, beginning of period	33,030	35,509	165,977	—	234,516
Cash, cash equivalents and restricted cash, end of period	$ 34,360	$ 35,131	$ 210,275	$ —	$ 279,766

[1] Reflects the impact of adopting ASU 2016-15

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of December 31, 2019, the end of the period covered by this report, an evaluation was carried out under the supervision and with the participation of LKQ Corporation's management, including our Chief Executive Officer and our 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 to ensure that information required to be disclosed in the reports we file with the Securities and Exchange Commission ("SEC") is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that information required to be disclosed is accumulated and communicated to the Company's management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Report of Management on Internal Control over Financial Reporting dated February 27, 2020

Management of LKQ Corporation and subsidiaries (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States. Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the Company's financial statements.

Internal control over financial reporting includes the controls themselves, monitoring and internal auditing practices, and actions taken to correct deficiencies as identified. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2019. Management based this assessment on criteria for effective internal control over financial reporting described in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management's assessment included an evaluation of the design of the Company's internal control over financial reporting and testing of the operational effectiveness of its internal control over financial reporting. Management reviewed the results of its assessment with the Audit Committee of the Company's Board of Directors.

Based on this assessment, management determined that, as of December 31, 2019, the Company maintained effective internal control over financial reporting. Deloitte & Touche LLP, independent registered public accounting firm, who audited and reported on the consolidated financial statements of the Company included in this report, has issued an attestation report on the effectiveness of our internal control over financial reporting as of December 31, 2019.

Changes in Internal Control over Financial Reporting

There was no change in the Company's internal control over financial reporting that occurred during the Company's most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of LKQ Corporation:

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of LKQ Corporation and subsidiaries (the “Company”) as of December 31, 2019, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control – Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2019, of the Company and our report dated February 27, 2020, expressed an unqualified opinion on those consolidated financial statements and included an explanatory paragraph regarding the Company's adoption of ASC Topic 842, Leases.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"). A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP

Chicago, Illinois
February 27, 2020

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors

The information appearing under the caption "Election of our Board of Directors" in our Proxy Statement for the Annual Meeting of Stockholders to be held May 12, 2020 (the "Proxy Statement") is incorporated herein by reference.

Executive Officers

Our executive officers, their ages at December 31, 2019, and their positions with us are set forth below. Our executive officers are elected by and serve at the discretion of our Board of Directors.

Name	Age	Position
Dominick Zarcone	61	President, Chief Executive Officer and Director
Varun Laroyia	48	Executive Vice President and Chief Financial Officer
Arnd Franz	54	Chief Executive Officer, LKQ Europe
Victor M. Casini	57	Senior Vice President, General Counsel and Corporate Secretary
Walter P. Hanley	53	Senior Vice President - Development
Justin L. Jude	43	Senior Vice President of Operations - Wholesale Parts Division
Michael T. Brooks	50	Senior Vice President and Chief Information Officer
Matthew J. McKay	42	Senior Vice President - Human Resources
Michael S. Clark	45	Vice President - Finance and Controller

Dominick Zarcone became our President and Chief Executive Officer in May 2017. Mr. Zarcone was our Executive Vice President and Chief Financial Officer from March 2015 to May 2017. Prior to joining our Company, he was the Managing Director and Chief Financial Officer of Baird Financial Group, a capital markets and wealth management company, and certain of its affiliates from April 2011 to March 2015. He also served from April 2011 to March 2015 as Treasurer of Baird Funds, Inc., a family of fixed income and equity mutual funds managed by Robert W. Baird & Co. Incorporated, a registered broker/dealer. From February 1995 to April 2011, Mr. Zarcone was a Managing Director of the Investment Banking department of Robert W. Baird & Co. Incorporated. From February 1986 to February 1995, he was with the investment banking company Kidder, Peabody & Co., Incorporated, most recently as Senior Vice President of Investment Banking. Mr. Zarcone is a member of the Board of Directors of Generac Power Systems, Inc., a designer and manufacturer of power generation equipment and engine-powered products.

Varun Laroyia became our Executive Vice President and Chief Financial Officer in October 2017. Prior to joining our Company, he was the Chief Financial Officer of CBRE’s Global Workplace Solutions ("GWS") business since 2015, following CBRE’s acquisition of the GWS business from Johnson Controls Inc. (“JCI”), where he was the Chief Financial Officer and Vice President of Information Technology since 2013. From 2006 to 2013, Mr. Laroyia held various positions at JCI including Group Vice President of Global Audit and Vice President of Finance and Administration for its Building Efficiency business across Europe and Africa. From 2000 to 2006, Mr. Laroyia held various positions at Gateway, Inc., including Vice President and Controller based in the U.S. and Finance Director for the United Kingdom and Ireland. Prior to Gateway, he was with General Electric in the U.S. and then GE Capital in London where he served as a Manager of European Corporate Development. Mr. Laroyia started his career at KPMG in London.

Arnd Franz became our Chief Executive Officer, LKQ Europe in October 2019. Prior to joining us in April 2019 as Chief Operating Officer of LKQ Europe, Mr. Franz was Corporate Executive Vice President of Automotive Sales, Application Engineering and Aftermarket of the MAHLE Group, an automotive parts manufacturer headquartered in Stuttgart, Germany, from 2013. From 2006 until 2013, he was Executive Vice President and General Manager for MAHLE Aftermarket. Mr. Franz also served as a member of the Board of Management of the MAHLE group from 2013 to March 2019.

Victor M. Casini has been our Vice President, General Counsel and Corporate Secretary from our inception in February 1998. In March 2008, he was elected Senior Vice President. Mr. Casini was a member of our Board of Directors from May 2010 until May 2012. From July 1992 to December 2011, Mr. Casini was the Executive Vice President and General Counsel of Flynn Enterprises, Inc., a venture capital, hedging and consulting firm. Mr. Casini served as Senior Vice President, General Counsel and Corporate Secretary of Discovery Zone, Inc., an operator and franchiser of family entertainment centers, from July 1992 until May 1995. Prior to July 1992, Mr. Casini practiced corporate and securities law with the law firm of Bell, Boyd & Lloyd LLP (now known as K&L Gates LLP) in Chicago, Illinois for more than five years.

Walter P. Hanley joined us in December 2002 as our Vice President of Development, Associate General Counsel and Assistant Secretary. In December 2005, he became our Senior Vice President of Development. Mr. Hanley served as Senior Vice President, General Counsel and Secretary of Emerald Casino, Inc., an owner of a license to operate a riverboat casino in the State of Illinois, from June 1999 until August 2002. Mr. Hanley served as Senior Vice President, General Counsel and Secretary of Blue Chip Casino, Inc., an owner and operator of a riverboat gaming vessel in Michigan City, Indiana, from July 1996 until November 1999. Mr. Hanley served as Vice President and Associate General Counsel of Flynn Enterprises, Inc. from May 1995 until February 1998 and as Associate General Counsel of Discovery Zone, Inc. from March 1993 until May 1995. Prior to March 1993, Mr. Hanley practiced corporate and securities law with the law firm of Bell, Boyd & Lloyd LLP (now known as K&L Gates LLP) in Chicago, Illinois.

Justin L. Jude became our Senior Vice President of Operations – Wholesale Parts Division in July 2015. Mr. Jude has been with us since February 2004 in various roles, including from March 2008 to February 2011 as Vice President - Supply Chain, from February 2011 to May 2014 as Vice President – Information Systems (North America), and from June 2014 to July 2015 as President of Keystone Automotive Operations, Inc., our specialty automotive business. Mr. Jude has been in the Company’s industry for over 19 years.

Michael T. Brooks joined LKQ as Senior Vice President – Chief Information Officer in February 2020. Prior to joining us, Mr. Brooks held various Senior Vice President positions, including Chief Information Officer, for GATX Corporation, a global railcar leasing company, from 2008 to 2020. Prior to GATX, he served as Chief Information Officer for Constellation Energy, a retail energy company, from 2003 to 2008. Mr. Brooks also spent over ten years in consulting roles with a focus on process improvement and systems implementations with firms such as Accenture and Oracle.

Matthew J. McKay became our Senior Vice President of Human Resources in June 2016. Prior thereto, he served as our Associate General Counsel from December 2007 to May 2016, focusing on employment-related matters. Prior to joining us, Mr. McKay served as a law clerk for Judge William Bauer at the United States Court of Appeals for the Seventh Circuit.

Michael S. Clark has been our Vice President – Finance and Controller since February 2011. Prior thereto, he served as our Assistant Controller since May 2008. Prior to joining our Company, he was the SEC Reporting Manager of FMC Technologies, Inc., a global provider of technology solutions for the energy industry, from December 2004 to May 2008. Before joining FMC Technologies, Mr. Clark, a certified public accountant (inactive), worked in public accounting for more than eight years, leaving as a Senior Manager in the audit practice of Deloitte & Touche.

Code of Ethics

A copy of our Code of Ethics, which is applicable to our principal executive officer, principal financial officer, and principal accounting officer, is available free of charge through our website at www.lkqcorp.com. Any amendments to the elements of our Code of Ethics enumerated in paragraph (b) of Item 406 of Regulation S-K, or waivers granted to the above listed officers relating to such elements, will be posted on our website.

Section 16 Compliance

Information appearing under the caption "Delinquent Section 16(a) Reports" in the Proxy Statement is incorporated herein by reference.

Audit Committee

Information appearing under the caption "Corporate Governance—Committees of the Board—Audit Committee" in the Proxy Statement is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

Information appearing under the captions "Director Compensation—Director Compensation Table," "Executive Compensation—Compensation Discussion and Analysis," "Corporate Governance—Compensation Committee Interlocks and Insider Participation" and "Executive Compensation—Compensation Tables" in the Proxy Statement is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information appearing under the caption "Other Information—Principal Stockholders" in the Proxy Statement is incorporated herein by reference.

The following table provides information about our common stock that may be issued under our equity compensation plans as of December 31, 2019:

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights (a)	Weighted-average exercise price of outstanding options, warrants, and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by stockholders			
Stock options	114,594	$ 12.26	
Restricted stock units	1,612,026	$ —	
Performance-based restricted stock units	136,170	$ —	
Total equity compensation plans approved by stockholders	1,862,790		10,426,797
Equity compensation plans not approved by stockholders	—	$ —	—
Total	1,862,790		10,426,797

See Note 7, "Stock-Based Compensation," to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for further information related to the equity incentive plans listed above.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information appearing under the captions "Other Information—Certain Transactions," "Election of our Board of Directors" and "Corporate Governance—Director Independence" in the Proxy Statement is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information appearing under the captions "Ratification of Appointment of Our Independent Registered Public Accounting Firm—Audit Fees and Non-Audit Fees" and "Ratification of Appointment of Our Independent Registered Public Accounting Firm—Policy on Audit Committee Approval of Audit and Non-Audit Services" in the Proxy Statement is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a)(1) Financial Statements

Reference is made to the information set forth in Part II, Item 8 of this Annual Report on Form 10-K, which information is incorporated herein by reference.

(a)(2) Financial Statement Schedules

Other than as set forth below, all schedules for which provision is made in the applicable accounting regulations of the SEC have been omitted because they are not required under the related instructions, are not applicable, or the information has been provided in the consolidated financial statements or the notes thereto.

Schedule II—Valuation and Qualifying Accounts and Reserves
(in thousands)

Description	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Deductions	Acquisitions and Other	Balance at End of Period
ALLOWANCE FOR DOUBTFUL ACCOUNTS:					
Year ended December 31, 2019	$ 57,207	$ 12,088	$ (18,308)	$ 1,698	$ 52,685
Year ended December 31, 2018	57,609	13,970	(15,945)	1,573	57,207
Year ended December 31, 2017	45,608	15,387	(13,012)	9,626	57,609
ALLOWANCE FOR ESTIMATED RETURNS, DISCOUNTS & ALLOWANCES: (1)					
Year ended December 31, 2017	$ 38,345	$ 1,885,517	$ (1,884,250)	$ 2,713	$ 42,325

(1) Subsequent to our adoption of ASC 606 in 2018, we present a refund liability and a returns asset within the Consolidated Balance Sheet, whereas in periods prior to adoption, we presented the estimated margin impact of expected returns as a contra-asset within accounts receivable. See Note 5, "Revenue Recognition," to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for additional information.

(a)(3) Exhibits

The exhibits to this Annual Report on Form 10-K are listed in Item 15(b) of this Annual Report on Form 10-K. Included in the exhibits listed therein are the following exhibits which constitute management contracts or compensatory plans or arrangements:

10.1	LKQ Corporation 401(k) Plus Plan dated August 1, 1999.
10.2	Amendment to LKQ Corporation 401(k) Plus Plan.
10.3	Trust for LKQ Corporation 401(k) Plus Plan.
10.4	LKQ Corporation 401(k) Plus Plan II, as amended and restated effective as of January 1, 2019.
10.5	LKQ Corporation 1998 Equity Incentive Plan, as amended.
10.6	Form of LKQ Corporation Restricted Stock Unit Agreement for Non-Employee Directors.
10.7	Form of LKQ Corporation Performance-Based Restricted Stock Unit Agreement (PSU 1 Award).
10.8	Form of LKQ Corporation Performance-Based Restricted Stock Unit Agreement (PSU 2 Award).
10.9	LKQ Corporation Cash Incentive Plan
10.10	Form of LKQ Corporation Annual Cash Bonus Award Memorandum
10.11	Form of LKQ Corporation Long-Term Cash Incentive Award Memorandum
10.12	Form of LKQ Corporation Performance-Based Restricted Stock Unit Agreement.
10.13	Form of Indemnification Agreement between directors and officers of LKQ Corporation and LKQ Corporation.
10.14	Amended and Restated LKQ Corporation Long Term Incentive Plan.
10.15	Form of LKQ Corporation Executive Officer Long Term Incentive Plan Award Memorandum.
10.16	Change of Control Agreement between LKQ Corporation and John S. Quinn dated as of July 24, 2014.
10.17	Change of Control Agreement between LKQ Corporation and Walter P. Hanley dated as of July 24, 2014.
10.18	Change of Control Agreement between LKQ Corporation and Victor M. Casini dated as of July 24, 2014.
10.19	Change of Control Agreement between LKQ Corporation and Michael S. Clark dated as of July 24, 2014.
10.20	Change of Control Agreement between LKQ Corporation and Dominick P. Zarcone dated as of March 30, 2015.
10.21	Change of Control Agreement between LKQ Corporation and Justin L. Jude dated as of May 13, 2015.
10.22	Change of Control Agreement between LKQ Corporation and Ashley T. Brooks dated as of May 2, 2016.
10.23	Change of Control Agreement between LKQ Corporation and Matthew J. McKay dated as of June 1, 2016.
10.24	Change of Control Agreement between LKQ Corporation and Varun Laroyia dated as of October 1, 2017.
10.25	Change of Control Agreement between LKQ Corporation and Arnd Franz dated as of October 1, 2019.
10.26	Change of Control Agreement between LKQ Corporation and Michael T. Brooks dated as of January 31, 2020.
10.27	LKQ Severance Policy for Key Executives.
10.34	Offer Letter to John S. Quinn dated February 12, 2015, as amended.
10.35	Services Agreement dated as of February 26, 2015 between LKQ Corporation and John S. Quinn.
10.36	Offer Letter to Dominick P. Zarcone dated February 12, 2015.
10.37	Memorandum dated as of May 25, 2017 from Joseph M. Holsten to Dominick P. Zarcone.
10.38	Offer letter to Varun Laroyia dated September 5, 2017.
10.39	Service Agreement between Euro Car Parts Limited and Sukhpal Singh Ahluwalia dated as of September 7, 2017.
10.40	Settlement Agreement among Euro Car Parts Limited, LKQ Corporation and Sukhpal Singh Ahluwalia dated as of January 2, 2019.

(b) Exhibits

3.1	Restated Certificate of Incorporation of LKQ Corporation (incorporated herein by reference to Exhibit 3.1 to the Company’s report on Form 10-Q filed with the SEC on October 31, 2014).
3.2	Amended and Restated Bylaws of LKQ Corporation, as amended as of May 7, 2019 (incorporated herein by reference to Exhibit 3.1 to the Company's report on Form 8-K filed with the SEC on May 8, 2019).
4.1	Specimen of common stock certificate (incorporated herein by reference to Exhibit 4.1 to the Company’s Registration Statement on Form S-1/A, Registration No. 333-107417 filed with the SEC on September 12, 2003).
4.2	Amendment and Restatement Agreement dated as of January 29, 2016 by and among LKQ Corporation, LKQ Delaware LLP, and certain additional subsidiaries of LKQ Corporation, as borrowers, certain financial institutions, as lenders, and Wells Fargo Bank, National Association, as administrative agent (incorporated herein by reference to Exhibit 4.1 to the Company's report on Form 8-K filed with the SEC on February 2, 2016).
4.3	Amendment No. 1 dated as of December 14, 2016 to the Fourth Amended and Restated Credit Agreement, which is Exhibit A to the Amendment and Restatement Agreement dated as of January 29, 2016 by and among LKQ Corporation, LKQ Delaware LLP, and certain additional subsidiaries of LKQ Corporation, as borrowers, certain financial institutions, as lenders, and Wells Fargo Bank, National Association, as administrative agent (incorporated herein by reference to Exhibit 4.3 to the Company's report on Form 10-K filed with the SEC on February 27, 2017).
4.4	Amendment No. 2 dated as of December 1, 2017 to the Fourth Amended and Restated Credit Agreement, which is Exhibit A to the Amendment and Restatement Agreement dated as of January 29, 2016 by and among LKQ Corporation, LKQ Delaware LLP, and certain additional subsidiaries of LKQ Corporation, as borrowers, certain financial institutions, as lenders, and Wells Fargo Bank, National Association, as administrative agent. (incorporated herein by reference to Exhibit 4.4 to the Company's report on Form 10-K filed with the SEC on February 28, 2018).
4.5	Amendment No. 3 dated as of November 20, 2018 to the Fourth Amended and Restated Credit Agreement, which is Exhibit A to the Amendment and Restatement Agreement dated as of January 29, 2016 by and among LKQ Corporation, LKQ Delaware LLP, and certain additional subsidiaries of LKQ Corporation, as borrowers, certain financial institutions, as lenders, and Wells Fargo Bank, National Association, as administrative agent (incorporated herein by reference to Exhibit 4.5 to the Company's report on Form 10-K filed with the SEC on March 1, 2019).
4.6	Indenture dated as of May 9, 2013 among LKQ Corporation, as Issuer, the Guarantors, and U.S. Bank National Association, as Trustee (incorporated herein by reference to Exhibit 4.1 to the Company's report on Form 8-K filed with the SEC on May 10, 2013).
4.7	Supplemental Indenture dated as of May 8, 2014 among LKQ Corporation, as Issuer, the Guarantors, and U.S. Bank National Association, as Trustee (incorporated herein by reference to Exhibit 4.1 to the Company’s report on Form 10-Q filed with the SEC on August 1, 2014).
4.8	Supplemental Indenture dated as of September 9, 2016 among LKQ Corporation, as Issuer, certain subsidiaries of LKQ Corporation, as Guarantors, and U.S. Bank National Association, as Trustee (incorporated herein by reference to Exhibit 4.11 to the Company's report on Form 10-K filed with the SEC on February 27, 2017).
4.9	Supplemental Indenture dated as of July 20, 2017 among LKQ Corporation, as Issuer, certain subsidiaries of LKQ Corporation, as Guarantors, and U.S. Bank National Association, as Trustee (incorporated herein by reference to Exhibit 4.8 to the Company's report on Form 10-K filed with the SEC on February 28, 2018).
4.10	Supplemental Indenture dated as of November 29, 2017 among LKQ Corporation, as Issuer, certain subsidiaries of LKQ Corporation, as Guarantors, and U.S. Bank National Association, as Trustee (incorporated herein by reference to Exhibit 4.9 to the Company's report on Form 10-K filed with the SEC on February 28, 2018).
4.11	Supplemental Indenture dated as of April 6, 2018 among LKQ Corporation, as Issuer, certain subsidiaries of LKQ Corporation, as Guarantors, and U.S. Bank National Association, as Trustee (incorporated herein by reference to Exhibit 4.2 to the Company's report on Form 10-Q filed with the SEC on May 7, 2018).
4.12	Supplemental Indenture dated as of July 12, 2018 among LKQ Corporation, as Issuer, certain subsidiaries of LKQ Corporation, as Guarantors, and U.S. Bank National Association, as Trustee (incorporated herein by reference to Exhibit 4.4 to the Company's report on Form 10-Q filed with the SEC on August 6, 2018).
4.13	Indenture dated as of April 14, 2016 among LKQ Italia Bondco S.p.A., as Issuer, LKQ Corporation, certain subsidiaries of LKQ Corporation, the Trustee, and the Paying Agent, Transfer Agent and Registrar (incorporated herein by reference to Exhibit 4.1 to the Company’s report on Form 8-K filed with the SEC on April 18, 2016).
4.14	Supplemental Indenture dated as of June 13, 2016 among Auto Kelly a.s., LKQ Corporation, LKQ Italia Bondco S.p.A. and the Trustee (incorporated herein by reference to Exhibit 4.2 to the Company’s report on Form 10-Q filed with the SEC on August 2, 2016).
4.15	Supplemental Indenture dated as of June 13, 2016 among ELIT CZ, spol. s r.o., LKQ Corporation, LKQ Italia Bondco S.p.A. and the Trustee (incorporated herein by reference to Exhibit 4.3 to the Company’s report on Form 10-Q filed with the SEC on August 2, 2016).

4.16	Supplemental Indenture dated as of June 13, 2016 among Rhiag-Inter Auto Parts Italia S.p.A., LKQ Corporation, LKQ Italia Bondco S.p.A. and the Trustee (incorporated herein by reference to Exhibit 4.4 to the Company’s report on Form 10-Q filed with the SEC on August 2, 2016).
4.17	Supplemental Indenture dated as of June 13, 2016 among Bertolotti S.p.A., LKQ Corporation, LKQ Italia Bondco S.p.A. and the Trustee (incorporated herein by reference to Exhibit 4.5 to the Company’s report on Form 10-Q filed with the SEC on August 2, 2016).
4.18	Supplemental Indenture dated as of September 9, 2016 among LKQ Italia Bondco S.p.A., as Issuer, certain subsidiaries of LKQ Corporation, as Guarantors, and BNP Paribas Trust Corporation UK Limited, as Trustee (incorporated herein by reference to Exhibit 4.2 to the Company’s report on Form 10-Q filed with the SEC on November 1, 2016).
4.19	Supplemental Indenture dated as of July 24, 2017 among LKQ Italia Bondco S.p.A., as Issuer, certain subsidiaries of LKQ Corporation, as Guarantors, and BNP Paribas Trust Corporation UK Limited, as Trustee (incorporated herein by reference to Exhibit 4.16 to the Company's report on Form 10-K filed with the SEC on February 28, 2018).
4.20	Supplemental Indenture dated as of November 29, 2017 among LKQ Italia Bondco S.p.A., as Issuer, certain subsidiaries of LKQ Corporation, as Guarantors, and BNP Paribas Trust Corporation UK Limited, as Trustee (incorporated herein by reference to Exhibit 4.17 to the Company's report on Form 10-K filed with the SEC on February 28, 2018).
4.21	Supplemental Indenture dated as of April 27, 2018 among LKQ Italia Bondco S.p.A., as Issuer, certain subsidiaries of LKQ Corporation, as Guarantors, and BNP Paribas Trust Corporation UK Limited, as Trustee (incorporated herein by reference to Exhibit 4.3 to the Company's report on Form 10-Q filed with the SEC on August 6, 2018).
4.22	Supplemental Indenture dated as of July 16, 2018 among LKQ Italia Bondco S.p.A., as Issuer, certain subsidiaries of LKQ Corporation, as Guarantors, and BNP Paribas Trust Corporation UK Limited, as Trustee (incorporated herein by reference to Exhibit 4.5 to the Company's report on Form 10-Q filed with the SEC on August 6, 2018).
4.23	Indenture dated as of April 9, 2018 among LKQ European Holdings B.V., as Issuer, LKQ Corporation, certain subsidiaries of LKQ Corporation, the trustee, paying agent, transfer agent, and registrar (incorporated herein by reference to Exhibit 4.1 to the Company's report on Form 8-K filed with the SEC on April 12, 2018).
4.24	Supplemental Indenture dated as of July 16, 2018 among LKQ European Holdings B.V., as Issuer, LKQ Corporation, certain subsidiaries of LKQ Corporation, as Guarantors, and BNP Paribas Trust Corporation UK Limited, as Trustee (incorporated herein by reference to Exhibit 4.6 to the Company's report on Form 10-Q filed with the SEC on August 6, 2018).
4.25	Supplemental Indenture dated as of June 21, 2019 among LKQ Italia Bondco S.p.A, as Issuer, certain subsidiaries of LKQ Corporation, as Guarantors, and BNP Paribas Trust Corporation UK Limited, as Trustee (incorporated herein by reference to Exhibit 4.1 to the Company's report on Form 10-Q filed with the SEC on August 2, 2019).
4.26	Supplemental Indenture dated as of June 21, 2019 among LKQ European Holdings B.V., as Issuer, LKQ Corporation, certain subsidiaries of LKQ Corporation, as Guarantors, and BNP Paribas Trust Corporation UK Limited, as Trustee (incorporated herein by reference to Exhibit 4.2 to the Company's report on Form 10-Q filed with the SEC on August 2, 2019).
4.27	Description of the Company's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934.
10.1	LKQ Corporation 401(k) Plus Plan dated August 1, 1999 (incorporated herein by reference to Exhibit 10.23 to the Company’s Registration Statement on Form S-1, Registration No. 333-107417 filed with the SEC on July 28, 2003).
10.2	Amendment to LKQ Corporation 401(k) Plus Plan (incorporated herein by reference to Exhibit 10.24 to the Company’s Registration Statement on Form S-1, Registration No. 333-107417 filed with the SEC on July 28, 2003).
10.3	Trust for LKQ Corporation 401(k) Plus Plan (incorporated herein by reference to Exhibit 10.25 to the Company’s Registration Statement on Form S-1, Registration No. 333-107417 filed with the SEC on July 28, 2003).
10.4	LKQ Corporation 401(k) Plus Plan II, as amended and restated effective as of January 1, 2019 (incorporated herein by reference to Exhibit 10.4 to the Company's report on Form 10-K filed with the SEC on March 1, 2019).
10.5	LKQ Corporation 1998 Equity Incentive Plan, as amended (incorporated herein by reference to Exhibit 10.1 to the Company’s report on Form 10-Q filed with the SEC on November 1, 2016).
10.6	Form of LKQ Corporation Restricted Stock Unit Agreement for Non-Employee Directors.
10.7	Form of LKQ Corporation Performance-Based Restricted Stock Unit Agreement (PSU 1 Award).
10.8	Form of LKQ Corporation Performance-Based Restricted Stock Unit Agreement (PSU 2 Award).
10.9	LKQ Corporation Cash Incentive Plan (incorporated herein by reference to Exhibit 10.6 to the Company’s report on Form 10-Q filed with the SEC on May 2, 2019).

10.10	Form of LKQ Corporation Annual Cash Bonus Award Memorandum.
10.11	Form of LKQ Corporation Long-Term Cash Incentive Award Memorandum.
10.12	Form of LKQ Corporation Performance-Based Restricted Stock Unit Agreement (incorporated herein by reference to Exhibit 10.9 to the Company's report on Form 10-K filed with the SEC on February 28, 2018).
10.13	Form of Indemnification Agreement between directors and officers of LKQ Corporation and LKQ Corporation (incorporated herein by reference to Exhibit 10.30 to the Company's Registration Statement on Form S-1, Registration No. 333-107417 filed with the SEC on July 28, 2003).
10.14	Amended and Restated LKQ Corporation Long Term Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the Company's report on Form 8-K filed with the SEC on November 7, 2014).
10.15	Form of LKQ Corporation Executive Officer Long Term Incentive Plan Award Memorandum (incorporated herein by reference to Exhibit 10.15 to the Company's report on Form 10-K filed with the SEC on March 1, 2019).
10.16	Change of Control Agreement between LKQ Corporation and John S. Quinn dated as of July 24, 2014 (incorporated herein by reference to Exhibit 10.3 to the Company's report on Form 8-K filed with the SEC on July 28, 2014).
10.17	Change of Control Agreement between LKQ Corporation and Walter P. Hanley dated as of July 24, 2014 (incorporated herein by reference to Exhibit 10.4 to the Company's report on Form 8-K filed with the SEC on July 28, 2014).
10.18	Change of Control Agreement between LKQ Corporation and Victor M. Casini dated as of July 24, 2014 (incorporated herein by reference to Exhibit 10.5 to the Company's report on Form 8-K filed with the SEC on July 28, 2014).
10.19	Change of Control Agreement between LKQ Corporation and Michael S. Clark dated as of July 24, 2014 (incorporated herein by reference to Exhibit 10.8 to the Company's report on Form 8-K filed with the SEC on July 28, 2014).
10.20	Change of Control Agreement between LKQ Corporation and Dominick P. Zarcone dated as of March 30, 2015 (incorporated herein by reference to Exhibit 10.7 to the Company's report on Form 10-Q filed with the SEC on May 1, 2015).
10.21	Change of Control Agreement between LKQ Corporation and Justin L. Jude dated as of May 13, 2015 (incorporated herein by reference to Exhibit 10.32 to the Company's report on Form 10-K filed with the SEC on February 25, 2016).
10.22	Change of Control Agreement between LKQ Corporation and Ashley T. Brooks dated as of May 2, 2016 (incorporated herein by reference to Exhibit 10.1 to the Company's report on Form 10-Q filed with the SEC on August 2, 2016).
10.23	Change of Control Agreement between LKQ Corporation and Matthew J. McKay dated as of June 1, 2016 (incorporated herein by reference to Exhibit 10.34 to the Company's report on Form 10-K filed with the SEC on February 27, 2017).
10.24	Change of Control Agreement between LKQ Corporation and Varun Laroyia dated as of October 1, 2017 (incorporated herein by reference to Exhibit 10.26 to the Company's report on Form 10-K filed with the SEC on February 28, 2018).
10.25	Change of Control Agreement between LKQ Corporation and Arnd Franz dated as of October 1, 2019.
10.26	Change of Control Agreement between LKQ Corporation and Michael T. Brooks dated as of January 31, 2020.
10.27	LKQ Severance Policy for Key Executives (incorporated herein by reference to Exhibit 10.1 to the Company's report on Form 8-K filed with the SEC on July 28, 2014).
10.28	Receivables Sale Agreement dated as of September 28, 2012 among Keystone Automotive Industries, Inc., as an Originator, Greenleaf Auto Recyclers, LLC, as an Originator, and LKQ Receivables Finance Company, LLC, as Buyer (incorporated herein by reference to Exhibit 10.1 to the Company's report on Form 8-K filed with the SEC on October 4, 2012).
10.29	Receivables Purchase Agreement dated as of September 28, 2012 among LKQ Receivables Finance Company, LLC, as Seller, LKQ Corporation, as Servicer, Victory Receivables Corporation, as a Conduit and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as a Financial Institution, as Administrative Agent and as a Managing Agent (incorporated herein by reference to Exhibit 10.2 to the Company's report on Form 8-K filed with the SEC on October 4, 2012).
10.30	Amendment No. 1 to Receivables Purchase Agreement dated as of September 29, 2014 among LKQ Receivables Finance Company, LLC, as Seller, LKQ Corporation, as Servicer, Victory Receivables Corporation, as a Conduit and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as a Financial Institution, as Administrative Agent and as a Managing Agent (incorporated herein by reference to Exhibit 10.1 to the Company's report on Form 8-K filed with the SEC on October 3, 2014).

10.31	Performance Undertaking, dated as of September 28, 2012 by LKQ Corporation in favor of LKQ Receivables Finance Company, LLC (incorporated herein by reference to Exhibit 10.3 to the Company’s report on Form 8-K filed with the SEC on October 4, 2012).
10.32	Amendment No. 2 to Receivables Purchase Agreement dated as of November 29, 2016 among LKQ Receivables Finance Company, LLC, as Seller, LKQ Corporation, as Servicer, Victory Receivables Corporation, as a Conduit, and The Bank of Tokyo-Mitsubishi UFJ, Ltd., a Financial Institution, as Administrative Agent and as a Managing Agent (incorporated herein by reference to Exhibit 10.40 to the Company's report on Form 10-K filed with the SEC on February 27, 2017).
10.33	Amendment No. 3 to Receivables Purchase Agreement dated as of December 20, 2018 among LKQ Receivables Finance Company, LLC, as Seller, LKQ Corporation, as Servicer, Victory Receivables Corporation, as a Conduit, MUFG Bank, a Financial Institution as Administrative Agent and as a Managing Agent (incorporated herein by reference to Exhibit 10.31 to the Company's report on Form 10-K filed with the SEC on March 1, 2019).
10.34	Offer Letter to John S. Quinn dated February 12, 2015, as amended (incorporated herein by reference to Exhibit 10.41 to the Company’s report on Form 10-K filed with the SEC on February 25, 2016).
10.35	Services Agreement dated as of February 26, 2015 between LKQ Corporation and John S. Quinn (incorporated herein by reference to Exhibit 10.3 to the Company’s report on Form 8-K filed with the SEC on March 3, 2015).
10.36	Offer Letter to Dominick P. Zarcone dated February 12, 2015 (incorporated herein by reference to Exhibit 10.4 to the Company’s report on Form 8-K filed with the SEC on March 3, 2015).
10.37	Memorandum dated as of May 25, 2017 from Joseph M. Holsten to Dominick P. 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).
10.38	Offer letter to Varun Laroyia dated September 5, 2017 (incorporated herein by reference to Exhibit 10.1 to the Company's report on Form 8-K filed with the SEC on September 6, 2017).
10.39	Service Agreement between Euro Car Parts Limited and Sukhpal Singh Ahluwalia dated as of September 7, 2017 (incorporated herein by reference to Exhibit 10.1 to the Company's report on Form 8-K filed with the SEC on September 13, 2017).
10.40	Settlement Agreement among Euro Car Parts Limited, LKQ Corporation and Sukhpal Singh Ahluwalia dated as of January 2, 2019 (incorporated herein by reference to Exhibit 10.40 to the Company's report on Form 10-K filed with the SEC on March 1, 2019).
21.1	List of subsidiaries, jurisdictions and assumed names.
23.1	Consent of Independent Registered Public Accounting Firm.
31.1	Certification of Chief Executive 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.
31.2	Certification of 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 Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of 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
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

ITEM 16. FORM 10-K SUMMARY

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on February 27, 2020.

LKQ CORPORATION

By: /s/ DOMINICK ZARCONE

Dominick Zarcone

President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on February 27, 2020.

Signature	Title
Principal Executive Officer:	
/s/ DOMINICK ZARCONE **Dominick Zarcone**	President and Chief Executive Officer
Principal Financial Officer:	
/s/ VARUN LAROYIA **Varun Laroyia**	Executive Vice President and Chief Financial Officer
Principal Accounting Officer:	
/s/ MICHAEL S. CLARK **Michael S. Clark**	Vice President—Finance and Controller
A Majority of the Directors:	
/s/ A. CLINTON ALLEN **A. Clinton Allen**	Director
/s/ PATRICK BERARD **Patrick Berard**	Director
/s/ MEG ANN DIVITTO **Meg Ann Divitto**	Director
/s/ ROBERT M. HANSER **Robert M. Hanser**	Director
/s/ JOSEPH M. HOLSTEN **Joseph M. Holsten**	Director
/s/ BLYTHE J. MCGARVIE **Blythe J. McGarvie**	Director
/s/ JOHN W. MENDEL **John W. Mendel**	Director
/s/ JODY G. MILLER **Jody G. Miller**	Director
/s/ JOHN F. O'BRIEN **John F. O'Brien**	Director
/s/ GUHAN SUBRAMANIAN **Guhan Subramanian**	Director
/s/ XAVIER URBAIN **Xavier Urbain**	Director
/s/ WILLIAM M. WEBSTER, IV **William M. Webster, IV**	Director
/s/ DOMINICK ZARCONE **Dominick Zarcone**	Director

Exhibit 4.27

**DESCRIPTION OF THE REGISTRANT'S SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934**

As of December 31, 2019, LKQ Corporation has one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"): our Common Stock.

DESCRIPTION OF COMMON STOCK

We are authorized to issue up to 1,000,000,000 shares of common stock. Each share has a par value of $0.01. The following description summarizes various provisions of our common stock. The summary is not complete and is subject to, and qualified in its entirety by, our restated certificate of incorporation and amended and restated bylaws, copies of which have been filed as exhibits to our most recent annual report on Form 10-K, and the provisions of applicable Delaware law.

Common Stock

Each share of our common stock entitles the holder to one vote on all matters submitted to a vote of stockholders, including the election of directors. The holders of common stock are entitled to receive dividends, if any, declared from time to time by the directors out of legally available funds. The payment of dividends is restricted by the terms of our credit facility. In the event of our liquidation, dissolution or winding up, the holders of common stock are entitled to share ratably in all assets remaining after the payment of liabilities.

The common stock has no preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to the common stock. All outstanding shares of common stock are fully paid and nonassessable.

Anti-Takeover Effects of Our Certificate of Incorporation and Bylaws

Some provisions of our restated certificate of incorporation and amended and restated bylaws may be deemed to have an anti-takeover effect and may delay or prevent a tender offer or takeover attempt that a stockholder might consider to be in its best interest. These provisions include:

Special Meetings of Stockholders

Our restated certificate of incorporation provides that special meetings of our stockholders may be called only by the president or by a majority of the board of directors. As a result, stockholders must rely on the board of directors to call a special meeting or wait until the next annual meeting to hold a vote on extraordinary matters like a significant transaction and would have to comply with the notice provisions described below. The restriction on the ability of stockholders to call a special meeting means that a proposal to replace the board also could be delayed until the next annual meeting.

Advance Notice Procedure

Our amended and restated bylaws establish an advance notice procedure for stockholder proposals to be brought before an annual meeting of our stockholders, including proposed nominations of persons for election to the board of directors. Generally, the advance notice provisions require that written notice of the proposals or nominations must be given to our secretary no less than 60 days nor more than 90 days prior to the annual meeting. However, if notice or prior public disclosure of the annual meeting date is given less than 70 days prior to the meeting, the notice must be received by our secretary no later than the close of business on the tenth day following the day on which notice of the annual meeting date was mailed or public disclosure was made, whichever occurs first.

At an annual meeting, stockholders may only consider proposals or nominations specified in the notice of meeting, brought before the meeting by or at the direction of the board of directors, or brought before the meeting by a stockholder who has complied with the notice provisions described above. Our amended and restated bylaws may have the effect of precluding the conduct of certain business at a meeting if the proper procedures are not followed. These provisions may also discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of us.

No Stockholder Action by Written Consent

Delaware law provides that stockholders may take action by written consent in lieu of a stockholder meeting. However, Delaware law also allows us to eliminate stockholder actions by written consent, which we have done. Elimination of written consents of stockholders may lengthen the amount of time required to take stockholder actions because actions by written consent are not subject to the minimum notice requirement of a stockholders' meeting. The elimination of stockholders' written consents may also deter hostile takeover attempts. Without the availability of stockholders' actions by written consent, a holder controlling a majority of our capital stock would not be able to amend our bylaws or remove directors without holding a

stockholders meeting. The holder would have to obtain the consent of a majority of the board of directors to call a special stockholders' meeting or comply with the notice periods applicable to annual meetings.

Authorized but Unissued Shares

The authorized but unissued shares of common stock will be available for future issuance without stockholder approval. These additional shares may be utilized for a variety of corporate purposes, including public offerings to raise additional capital, acquisitions and employee benefit plans. The existence of authorized but unissued shares of common stock could render more difficult or discourage an attempt to obtain control of a majority of our stock by means of a proxy contest, tender offer, merger or otherwise.

Material Provisions of Delaware Law

We are subject to the provisions of Section 203 of the Delaware General Corporation Law. In general, such provisions prohibit a publicly-held Delaware corporation from engaging in any business combination transactions with any interested stockholder for a period of three years after the date of the transaction in which the person became an interested stockholder, unless:

- the transaction is approved by the board of directors prior to the date the interested stockholder obtained that status;
- upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares of voting stock outstanding those shares owned by (a) persons who are directors and also officers and (b) employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- on or subsequent to the date the person became an interested stockholder, the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock which is not owned by the interested stockholder.

A "business combination" is defined to include mergers, asset sales and other transactions resulting in financial benefit to an interested stockholder. In general, an "interested stockholder" is a person who, together with affiliates and associates, owns, or at any time in the previous three years owned, 15% or more of a corporation's voting stock. The statute could have the effect of prohibiting or delaying mergers or other takeover or change in control attempts.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Broadridge Corporate Issuer Solutions, Inc. Its address is 1717 Arch Street, Suite 1300, Philadelphia, Pennsylvania 19103.

Listing

Our common stock is listed on Nasdaq under the symbol "LKQ."

RESTRICTED STOCK UNIT AGREEMENT

This Restricted Stock Unit Agreement (this "Agreement") is made and entered into as of the _____ day of ______________, _______ (the "Grant Date") by and between LKQ Corporation, a Delaware corporation (the "Company"), and ______________________________ (the "Key Person").

Recitals

The Board is of the opinion that the interests of the Company will be advanced by encouraging certain persons affiliated with the Company, upon whose judgment, initiative and efforts the Company depends for the successful conduct of the Company's business, to acquire or increase their proprietary interest in the Company, thus providing them with a more direct stake in its welfare and assuring a closer identification of their interests with those of the Company.

The Board is of the opinion that the Key Person is such a person.

The Company desires to grant restricted stock units ("RSUs") to the Key Person, and the Key Person desires to accept such grant, all on the terms and subject to the conditions set forth in this Agreement and set forth in the Company's 1998 Equity Incentive Plan (the "Plan"). Any capitalized term used herein that is not defined shall have the meaning of such term set forth in the Plan.

Covenants

NOW, THEREFORE, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Grant of Restricted Stock Units. The Company hereby grants to the Key Person and the Key Person hereby accepts from the Company ________ RSUs, on the terms and subject to the conditions set forth herein and in the Plan (the "Award").

2. Representations of Key Person. The Key Person hereby represents and warrants that the Key Person has been provided a copy of the Plan (which is also filed publicly) and a Plan prospectus describing the material terms of the Plan, and is accepting the RSUs with full knowledge of and subject to the restrictions contained in this Agreement and the Plan.

3. Vesting and Settlement. (a) The RSUs shall be subject to time-based vesting conditions (which must be satisfied before the applicable portion of the Award is considered earned and payable) as follows: the Award shall vest with respect to 100% of the number of RSUs subject to the Award on the earlier of (i) May 6, 2020 (unless such date is a day on which the U.S. stock exchanges are closed, in which case the vesting date shall be extended to the next succeeding business day), and (ii) the date of the 2020 Annual Meeting of the Stockholders of the Company (the "Vesting Period").

(b) Within 30 days of vesting, one Share shall be delivered to the Key Person in settlement of each vested RSU.

4. Termination of Relationship. In the event the Key Person incurs a Separation from Service for any reason other than death or Disability, all RSUs of such Key Person that are unvested at the date of Separation from Service shall be forfeited to the Company. In the event the Key Person incurs a Separation from Service due to death or Disability, all RSUs of such Key Person shall immediately become fully vested on the date of termination and all restrictions shall lapse.

5. Change of Control. In the event of a Change of Control occurring after the Grant Date, the

Change of Control provisions of Article 14 of the Plan shall apply to the RSUs.

6. Non-Transferability of RSUs. Except as expressly provided in the Plan or this Agreement, the RSUs may not be sold, assigned, transferred, pledged or otherwise disposed of, shall not be assignable by operation of law, and shall not be subject to execution, attachment or similar process, except by will or the laws of descent and distribution. Any attempted sale, assignment, transfer, pledge or other disposition of any RSU prior to vesting shall be null and void and without effect.

7. Taxes. The Key Person shall be responsible for taxes due upon the settlement of any RSU granted hereunder and upon any later transfer by the Key Person of any Share received upon the settlement of an RSU.

8. No Rights as a Stockholder. Prior to the settlement of any RSU, the Key Person has no rights with respect to the Share issuable to the Key Person upon such settlement, shall not be treated as a Stockholder, and shall not have any voting rights or the right to receive any dividends with respect to the RSU or the underlying Share.

9. Notices. Any notices required or permitted hereunder shall be sent using any means (including personal delivery, courier, messenger service, facsimile transmission or electronic transmission), if to the Key Person, at the address as the Key Person may designate in writing to the Company or to the Key Person's home address if no other address has been provided to the Company; and, if to the Company, at the address of its headquarters in Chicago, Attention: General Counsel, or such other address as the Company may designate in writing to the Key Person. Such notice shall be deemed duly given when it is actually received by the party for whom it was intended. The Company may deliver any documents related to current or future participation in the Plan by electronic means and the Key Person's acceptance of the Award constitutes the Key Person's consent to receive those documents by electronic delivery and to participate in the Plan through any on-line or electronic system established and maintained by the Company or a third party designated by the Company.

10. Failure to Enforce Not a Waiver. The failure of the Company to enforce at any time any provision of this Agreement shall in no way be construed to be a waiver of such provision or of any other provision hereof.

11. Amendment or Termination. This Agreement may not be amended or terminated unless such amendment or termination is in writing and duly executed by each of the parties hereto.

12. Benefit and Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of the Company, its successors and assigns, and the Key Person and the Key Person's executors, administrators, personal representatives and heirs. In the event that any part of this Agreement shall be held to be invalid or unenforceable, the remaining parts hereof shall nevertheless continue to be valid and enforceable as though the invalid portions were not a part hereof.

13. Entire Agreement. This Agreement contains the entire understanding of the parties hereto with respect to the subject matter hereof and supersedes all prior agreements, discussions and understandings relating to such subject matter; provided, however, for the avoidance of doubt, the parties acknowledge that any confidentiality, non-competition, non-solicitation or similar restrictive covenant agreed to by the parties hereto on or before the Grant Date is not superseded by this Agreement and is an obligation of the parties hereto in addition to Section 17 below.

14. Governing Law and Venue. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without giving effect to principles and provisions thereof relating to conflict or choice of laws. Any and all actions concerning any dispute arising hereunder shall be filed and maintained only in a state or federal court sitting in the County of Cook, State of Illinois. The parties hereto specifically consent and submit to the jurisdiction of such court.

15. Incorporation of Terms of Plan. The terms of the Plan are incorporated herein by reference and the Key Person's rights hereunder are subject to the terms of the Plan to the extent they are inconsistent with or in addition to the terms set forth herein. The Key Person hereby agrees to comply with all requirements of the Plan.

16. Non-Competition and Confidentiality. (a) Notwithstanding any provision to the contrary set forth elsewhere herein, the RSUs, the Shares underlying the RSUs, and any proceeds received by the Key Person upon the sale of Shares underlying the RSUs shall be forfeited by the Key Person to the Company without any consideration therefore, if the Key Person is not in compliance, at any time during the period commencing on the Grant Date and ending nine months following the Key Person's Separation from Service, with all applicable provisions of the Plan and with the following conditions:

(i) the Key Person shall not directly or indirectly (1) be employed by, engage or have any interest in any business which is or becomes competitive with the Company or its Subsidiaries or is or becomes otherwise prejudicial to or in conflict with the interests of the Company or its Subsidiaries, (2) induce any customer of the Company or its Subsidiaries to patronize such competitive business or otherwise request or advise any such customer to withdraw, curtail or cancel any of its business with the Company or its Subsidiaries, or (3) hire or solicit for employment any person employed by the Company or its Subsidiaries or hire any person who was employed by the Company or its Subsidiaries at any time within nine months of such hire; provided, however, that this restriction shall not prevent the Key Person from acquiring and holding up to two percent of the outstanding shares of capital stock of any corporation which is or becomes competitive with the Company or is or becomes otherwise prejudicial to or in conflict with the interests of the Company if such shares are available to the general public on a national securities exchange or in the over-the-counter market; and

(ii) the Key Person shall not use or disclose, except for the sole benefit of or with the written consent of the Company, any confidential information relating to the business, processes or products of the Company. Nothing in this Agreement, however, prohibits the Key Employee from reporting violations of law or regulation to any U.S. federal, state or local governmental or law enforcement branch, agency or entity (collectively, a "Governmental Entity"), or from cooperating with any Governmental Entity, including the EEOC, the Securities and Exchange Commission or the Department of Justice.

(b) The Company shall notify in writing the Key Person of any violation by the Key Person of this Section 16. The forfeiture shall be effective as of the date of the occurrence of any of the activities set forth in Section 16(a) above. If the Shares underlying the RSUs have been sold, the Key Person shall promptly pay to the Company the amount of the proceeds from such sale. The Key Person hereby consents to a deduction from any amounts owed by the Company to the Key Person from time to time (including amounts owed as wages or other compensation, fringe benefits or vacation pay) to the extent of the amounts owed by the Key Person to the Company under this Section 16. Whether or not the Company elects to make any set-off in whole or in part, the Key Person agrees to timely pay any amounts due under this Section 16. In addition, the Company shall be entitled to injunctive relief for any violation by the Key Person of this Section 16.

(c) Notwithstanding any provision of this Agreement to the contrary, the Key Person shall be entitled to communicate, cooperate and file a complaint with any Governmental Entity concerning possible violations of any U.S. federal, state or local law or regulation, and to otherwise make disclosures to any Governmental Entity, in each case, that are protected under the whistleblower provisions of any such law or regulation, as long as in each case the communications and disclosures are consistent with applicable law. The Key Person shall not forfeit any RSUs, Shares held in connection with any RSUs or proceeds from the sale of such Shares as a result of exercising any rights under this Section 16(c).

(d) The obligations of this **Section 16** shall survive the Key Person's Separation from Service.

17. Hedging Positions. The Key Person agrees that, at any time during the period commencing on the Grant Date and ending when the Award is fully settled or the RSUs are forfeited, the Key Person shall not (a) directly or indirectly sell any equity security of the Company if the Key Person does not own the security sold, or if owning the security, does not deliver it against such sale within 20 days thereafter; or (b) establish a derivative security position with respect to any equity security of the Company that increases in value as the value of the underlying equity decreases (including a long put option and a short call option position) with securities underlying the position exceeding the underlying securities otherwise owned by the Key Person. In the event the Key Person violates this provision, the Company shall have the right to cancel the Award.

18. Code Section 409A. The RSUs are intended to be exempt from (or in the alternative to comply with) Code Section 409A. This Agreement shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Code Section 409A, consistent with Section 18.6 of the Plan. For purposes of Code Section 409A, each installment payment under this Agreement or the Plan, or otherwise payable to the Key Employee, shall be treated as a separate payment. Notwithstanding the foregoing, neither the Company nor the Committee shall have any obligation to take any action to prevent the assessment of any additional tax or penalty on the Key Employee under Code Section 409A and neither the Company nor the Committee shall have any liability to the Key Employee for such tax or penalty.

19. Clawback. The Award and all amounts and benefits received or outstanding under the Plan shall be subject to potential clawback, cancellation, recoupment, rescission, payback, reduction or other similar action in accordance with the terms and conditions of any applicable Company clawback or similar policy or any applicable law related to such actions, as may be in effect from time to time. The Key Person's acceptance of the Award constitutes the Key Person's acknowledgement of and consent to the Company's application, implementation and enforcement of any applicable Company clawback or similar policy that may apply to the Key Person, whether adopted before or after the Grant Date, and any provision of applicable law relating to clawback, cancellation, recoupment, rescission, payback or reduction of compensation, and the Key Person's agreement that the Company may take such actions as may be necessary to effectuate any such policy or applicable law, without further consideration or action.

20. Dividend Equivalents. If a dividend is paid with respect to the Common Stock, a dividend equivalent equal to the total dividend the Key Person would have received had the RSUs been actual Shares shall be accumulated and deemed reinvested in additional RSUs, which shall become earned and payable to the same extent that the underlying RSUs become earned and payable. If the underlying RSUs are forfeited, the Key Person shall have no right to such dividend equivalents. Reinvestment of dividend equivalents in additional RSUs at the time of any dividend payment and the payment of Shares with respect to dividend equivalents shall only be permissible if sufficient Shares are available under the Plan for such

reinvestment or payment (taking into account then-outstanding Awards). In the event that sufficient Shares are not available for such reinvestment or payment, such reinvestment or payment shall be made in the form of a grant of RSUs equal in number to the Shares that would have been obtained by such payment or reinvestment, the terms of which RSUs shall provide for settlement in cash and for dividend equivalent reinvestment in further RSUs on the terms contemplated by this Section.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the Grant Date.

LKQ CORPORATION	KEY PERSON
By: ___________________________	By: ___________________________
Name:___________________________	Name: ________________________
Title: _____________________________	Address:_______________________

PERFORMANCE-BASED RESTRICTED STOCK UNIT AGREEMENT

(PSU 1 AWARD)

LKQ CORPORATION 1998 EQUITY INCENTIVE PLAN (as amended as of August 8, 2016)

This Performance-Based Restricted Stock Unit Agreement (this "**Agreement**") is made and entered into as of the [[DAY]] day of [[MONTH]] [[YEAR]] (the "**Grant Date**") by and between LKQ Corporation, a Delaware corporation (the "**Company**"), and [[FIRSTNAME]] [[LASTNAME]] (the "**Key Person**").

Recitals

The Board is of the opinion that the interests of the Company will be advanced by encouraging certain persons affiliated with the Company, upon whose judgment, initiative and efforts the Company depends for the successful conduct of the Company's business, to acquire or increase their proprietary interest in the Company, thus providing them with a more direct stake in its welfare and assuring a closer identification of their interests with those of the Company.

The Board is of the opinion that the Key Person is such a person.

The Company desires to grant performance-based RSUs to the Key Person, and the Key Person desires to accept such grant, all on the terms and subject to the conditions set forth in this Agreement and set forth in the Company's 1998 Equity Incentive Plan (the "**Plan**"). Any capitalized term used herein that is not defined shall have the meaning of such term set forth in the Plan.

Covenants

NOW, THEREFORE, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Grant of PSUs. The Company hereby grants to the Key Person and the Key Person hereby accepts from the Company [[SHARESGRANTED]] performance-based RSUs ("**PSUs**"), on the terms and subject to the conditions set forth herein and in the Plan (the "**Award**").

2. Representations of Key Person. The Key Person hereby represents and warrants that the Key Person has been provided a copy of the Plan (which is also filed publicly) and a Plan prospectus describing the material terms of the Plan, and is accepting the PSUs with full knowledge of and subject to the restrictions contained in this Agreement and the Plan.

3. Vesting and Settlement. (a) The Award shall be subject to two vesting conditions. Except as otherwise provided in this Agreement, the Award will be considered earned and payable only to the extent that both vesting conditions are satisfied.

(i) Time-Based Vesting. The Award will vest over time as follows: 16.67% of the number of PSUs subject to the Award (rounded to the nearest whole Share) will vest on [[FIRSTVESTINGDATE]] and each six-month anniversary thereof (unless such vesting date is a day on which the U.S. stock exchanges are closed, in which case the vesting date shall be extended to the next succeeding business day), subject to the Key Person's continued Service through the applicable vesting date.

(ii) Performance-Based Vesting. The Award will also only vest upon written certification by the Committee of positive fully-diluted earnings per share ("**EPS**") of the Company (subject to adjustment for certain extraordinary items) for any of the Company's first five fiscal years ending after the Grant Date. If and when the performance-based condition is met, all PSUs that had previously met the time-based vesting condition shall become earned and payable immediately and the remaining PSUs shall become earned and payable according to the remaining schedule of the time-based condition. If the performance-based condition is not met, all PSUs shall be forfeited.

For purposes of determining EPS of the Company in any particular fiscal year, EPS shall be increased to the extent that EPS was reduced in accordance with generally accepted accounting principles ("**GAAP**") by objectively determinable amounts due to:

1. A change in accounting policy or GAAP;
2. Dispositions of assets or businesses;
3. Asset impairments;
4. Amounts incurred in connection with any financing;
5. Losses on interest rate swaps resulting from mark to market adjustments or discontinuing hedges;
6. Board-approved restructuring, acquisition, or similar charges, including charges in conjunction with or in anticipation of an acquisition;
7. Losses (and related fees and expenses) related to extraordinary environmental, legal, product liability or other contingencies;
8. Changes in tax laws or regulations or interpretations of such laws or regulations;
9. A Board-approved divestiture of a material business (i.e., the performance goals shall be adjusted to account for the divestiture, including, if appropriate, the pro-rata effect of targeted improvements);
10. Changes in contingent consideration liabilities;
11. Losses from discontinued operations;
12. The imposition of tariffs or taxes on the importation of inventory;
13. Amortization expense related to acquired intangible assets; and
14. Other extraordinary, unusual, or infrequently occurring items as specifically disclosed in the Company's financial statements or filings under the Securities Exchange Act of 1934.

(b) Within 30 days of the satisfaction of both the time-based vesting condition and the performance-based vesting condition, one Share shall be delivered to the Key Person in settlement of each vested PSU.

4. Separation from Service. (a) Except as otherwise provided in this **Section 4** and **Section 5**, in the event the Key Person incurs a Separation from Service prior to the end of the Performance Period, the Award shall be forfeited to the Company.

(b) In the event the Key Person incurs a Separation from Service due to death or Disability before the end of the Performance Period, the PSUs shall immediately become fully vested.

(c) In the event the Key Person incurs a Separation from Service due to Retirement, the Key Person shall continue to vest in the PSUs subject to all the terms of this Agreement (including the performance-based vesting conditions), except that the Service requirement will not apply and the Award will be prorated as follows: (i) if the one-year anniversary of the commencement of the Performance Period has occurred as of the date of Retirement, then the Key Person shall be eligible to vest in 100% of the Award; and (ii) if the one-year anniversary of the commencement of the Performance Period has not occurred as of the date of Retirement, then the Key Person shall be eligible to vest in a percentage of the Award equal to a fraction, the numerator of which is the number of days between the commencement of the Performance Period and the date of Retirement and the denominator of which is 365. Notwithstanding the definition of "Retirement" in the Plan, for the purposes of this Agreement, "**Retirement**" means the Key Person voluntarily incurs a Separation from Service with the Company or a Subsidiary (A) after he/she has attained at least 60 years of age and completed at least five years of service with the Company or its Subsidiaries or (B) under circumstances that the Committee determines, in its sole discretion, qualify as a Retirement from the Company or a Subsidiary.

5. Change of Control. In the event of a Change of Control occurring after the Grant Date, the Change of Control provisions of Article 14 of the Plan shall apply to the PSUs. As permitted under Sections 14.1 and 14.2(c) of the Plan, upon a Change of Control, the amount of the Award that will be deemed to have been earned will be based on the greater of the actual and assumed achievement of the Award Components as of the date of the Change of Control.

6. Non-Transferability of PSUs. Except as expressly provided in the Plan or this Agreement, PSUs may not be sold, assigned, transferred, pledged or otherwise disposed of, shall not be assignable by operation of law, and shall not be subject to execution, attachment or similar process, except by will or the laws of descent and distribution. Any attempted sale, assignment, transfer, pledge or other disposition of any PSU prior to vesting shall be null and void and without effect.

7. Taxes. The Key Person shall be responsible for taxes due upon the settlement of any PSU granted hereunder and upon any later transfer by the Key Person of any Share received upon the settlement of a PSU; provided that, unless the Committee determines otherwise, the Company shall withhold Shares otherwise deliverable to the Key Person as a result of the vesting and settlement of the PSUs to cover all taxes due for those PSUs.

8. Payroll Authorization. In the event that the Key Person does not make an arrangement acceptable to the Company to pay to the Company the tax withholding obligation due upon vesting or settlement of a PSU or in the event that the Key Person does not pay the entire tax withholding obligation due upon vesting or settlement of a PSU, the Key Person authorizes the Company to collect the amount due through a payroll withholding or to direct a broker to sell a sufficient number of the Key Person's Shares to satisfy such obligation (and any related brokerage fees) and to remit to the Company from the proceeds of sale the amount due. In the event that the Key Person pays more than the tax withholding obligation due upon vesting or settlement of a PSU, the Key Person authorizes the Company to return the excess payment through the Key Person's payroll.

9. No Rights as a Stockholder. Prior to the settlement of any PSU, the Key Person has no rights with respect to the Share issuable to the Key Person upon such settlement, shall not be treated as a Stockholder, and shall not have any voting rights or the right to receive any dividends with respect to the PSU or the underlying Share.

10. Notices. Any notices required or permitted hereunder shall be sent using any means (including personal delivery, courier, messenger service, facsimile transmission or electronic transmission), if to the Key Person, at the address as the Key Person may designate in writing to the Company or to the Key Person's home address if no other address has been provided to the Company; and, if to the Company, at the address of its headquarters in Chicago, Attention: General Counsel, or such other address as the Company may designate in writing to the Key Person. Such notice shall be deemed duly given when it is actually received by the party for whom it was intended. The Company may deliver any documents related to current or future participation in the Plan by electronic means and the Key Person's acceptance of the Award constitutes the Key Person's consent to receive those documents by electronic delivery and to participate in the Plan through any on-line or electronic system established and maintained by the Company or a third party designated by the Company.

11. Failure to Enforce Not a Waiver. The failure of the Company to enforce at any time any provision of this Agreement shall in no way be construed to be a waiver of such provision or of any other provision hereof.

12. Amendment or Termination. This Agreement may not be amended or terminated unless such amendment or termination is in writing and duly executed by each of the parties hereto.

13. Benefit and Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of the Company, its successors and assigns, and the Key Person and the Key Person's executors, administrators, personal representatives and heirs. In the event that any part of this Agreement shall be held to be invalid or unenforceable, the remaining parts hereof shall nevertheless continue to be valid and enforceable as though the invalid portions were not a part hereof.

14. Entire Agreement. This Agreement contains the entire understanding of the parties hereto with respect to the subject matter hereof and supersedes all prior agreements, discussions and understandings relating to such subject matter; provided, however, for the avoidance of doubt, the parties acknowledge that any confidentiality, non-competition, non-solicitation or similar restrictive covenant agreed to by the parties hereto on or before the Grant Date is not superseded by this Agreement and is an obligation of the parties hereto in addition to **Section 17** below.

15. Governing Law and Venue. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without giving effect to principles and provisions thereof relating to conflict or choice of laws. Any and all actions concerning any dispute arising hereunder shall be filed and maintained only in a state or federal court sitting in the County of Cook, State of Illinois. The parties hereto specifically consent and submit to the jurisdiction of such court.

16. Incorporation of Terms of Plan. The terms of the Plan are incorporated herein by reference and the Key Person's rights hereunder are subject to the terms of the Plan even to the extent they are inconsistent with or in addition to the terms set forth herein. The Key Person hereby agrees to comply with all requirements of the Plan.

17. Non-Competition and Confidentiality. (a) Notwithstanding any provision to the contrary set forth elsewhere herein, the PSUs, the Shares underlying the PSUs, and any proceeds received by the Key Person upon the sale of Shares underlying the PSUs shall be forfeited by the Key Person to the Company without any consideration therefore, if the Key Person is not in compliance, at any time during the period commencing on the Grant Date and ending nine months following the Key Person's Separation from Service (or, if continued vesting applies under **Section 4**, for the duration of the continued vesting period, if longer than nine months), with all applicable provisions of the Plan and with the following conditions:

(i) the Key Person shall not directly or indirectly (1) be employed by, engage or have any interest in any business which is or becomes competitive with the Company or its Subsidiaries or is or becomes otherwise prejudicial to or in conflict with the interests of the Company or its Subsidiaries, (2) induce any customer of the Company or its Subsidiaries to patronize such competitive business or otherwise request or advise any such customer to withdraw, curtail or cancel any of its business with the Company or its Subsidiaries, or (3) hire or solicit for employment any person employed by the Company or its Subsidiaries or hire any person who was employed by the Company or its Subsidiaries at any time within nine months of such hire; provided, however, that this restriction shall not prevent the Key Person from acquiring and holding up to two percent of the outstanding shares of capital stock of any corporation which is or becomes competitive with the Company or is or becomes otherwise prejudicial to or in conflict with the interests of the Company if such shares are available to the general public on a national securities exchange or in the over-the-counter market; and

(ii) the Key Person shall not use or disclose, except for the sole benefit of or with the written consent of the Company, any confidential information relating to the business, processes or products of the Company. Nothing in this Agreement, however, prohibits the Key Employee from reporting violations of law or regulation to any U.S. federal, state or local governmental or law enforcement branch, agency or entity (collectively, a "**Governmental Entity**"), or from cooperating with any Governmental Entity, including the EEOC, the Securities and Exchange Commission or the Department of Justice.

(b) The Company shall notify in writing the Key Person of any violation by the Key Person of this **Section 17**. The forfeiture shall be effective as of the date of the occurrence of any of the activities set forth in **Section 17(a)** above. If the Shares underlying the PSUs have been sold, the Key Person shall promptly pay to the Company the amount of the proceeds from such sale. The Key Person hereby consents to a deduction from any amounts owed by the Company to the Key Person from time to time (including amounts owed as wages or other compensation, fringe benefits or vacation pay) to the extent of the amounts owed by the Key Person to the Company under this **Section 17**. Whether or not the Company elects to make any set-off in whole or in part, the Key Person agrees to timely pay any amounts due under this **Section 17**. In addition, the Company shall be entitled to injunctive relief for any violation by the Key Person of this **Section 17**.

(c) Notwithstanding any provision of this Agreement to the contrary, the Key Person shall be entitled to communicate, cooperate and file a complaint with any Governmental Entity concerning possible violations of any U.S. federal, state or local law or regulation, and to otherwise make disclosures to any Governmental Entity, in each case, that are protected under the whistleblower provisions of any such law or regulation, as long as in each case the communications and disclosures are consistent with applicable law. The Key Person shall not forfeit any PSUs, Shares held in connection with any PSUs or proceeds from the sale of such Shares as a result of exercising any rights under this **Section 17(c)**.

(d) The obligations of this **Section 17** shall survive the Key Person's Separation from Service.

18. Hedging Positions. The Key Person agrees that, at any time during the period commencing on the Grant Date and ending when the Award is fully settled or the PSUs are forfeited, the Key Person shall not (a) directly or indirectly sell any equity security of the Company if the Key Person does not own the security sold, or if owning the security, does not deliver it against such sale within 20 days thereafter; or (b) establish a derivative security position with respect to any equity security of the Company that increases in value as the value of the underlying equity decreases (including a long put option and a short call option position) with securities underlying the position exceeding the underlying securities otherwise owned by the Key Person. In the event the Key Person violates this provision, the Company shall have the right to cancel the Award.

19. Code Section 409A. The PSUs are intended to be exempt from (or in the alternative to comply with) Code Section 409A. This Agreement shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Code Section 409A, consistent with Section 18.6 of the Plan. For purposes of Code Section 409A, each installment payment under this Agreement or the Plan, or otherwise payable to the Key Employee, shall be treated as a separate payment. Notwithstanding the foregoing, neither the Company nor the Committee shall have any obligation to take any action to prevent the assessment of any additional tax or penalty on the Key Employee under Code Section 409A and neither the Company nor the Committee shall have any liability to the Key Employee for such tax or penalty.

20. Clawback. The Award and all amounts and benefits received or outstanding under the Plan shall be subject to potential clawback, cancellation, recoupment, rescission, payback, reduction or other similar action in accordance with the terms and conditions of any applicable Company clawback or similar policy or any applicable law related to such actions, as may be in effect from time to time. The Key Person's acceptance of the Award constitutes the Key Person's acknowledgement of and consent to the Company's application, implementation and enforcement of any applicable Company clawback or similar policy that may apply to the Key Person, whether adopted before or after the Grant Date, and any provision of applicable law relating to clawback, cancellation, recoupment, rescission, payback or reduction of compensation, and the Key Person's agreement that the Company may take such actions as may be necessary to effectuate any such policy or applicable law, without further consideration or action.

21. Dividend Equivalents. If a dividend is paid with respect to the Common Stock, a dividend equivalent equal to the total dividend the Key Person would have received had the PSUs been actual Shares shall be accumulated and deemed reinvested in additional PSUs, which shall become earned and payable to the same extent that the underlying PSUs become earned and payable. If the underlying PSUs are forfeited, the Key Person shall have no right to such dividend equivalents. Reinvestment of dividend equivalents in additional PSUs at the time of any dividend payment and the payment of Shares with respect to dividend equivalents shall only be permissible if sufficient Shares are available under the Plan for such reinvestment or payment (taking into account then-outstanding Awards). In the event that sufficient Shares are not available for such reinvestment or payment, such reinvestment or payment shall be made in the form of a grant of PSUs equal in number to the Shares that would have been obtained by such payment or reinvestment, the terms of which PSUs shall provide for settlement in cash and for dividend equivalent reinvestment in further PSUs on the terms contemplated by this Section.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the Grant Date.

LKQ CORPORATION	KEY PERSON
By: ___________________________	By: ___________________________
Name: ___________________________	Name: ___________________________
Title: ___________________________	Address: ___________________________

PERFORMANCE-BASED RESTRICTED STOCK UNIT AGREEMENT

(PSU 2 AWARD)

LKQ CORPORATION 1998 EQUITY INCENTIVE PLAN (as amended as of August 8, 2016)

This Performance-Based Restricted Stock Unit Agreement (this "**Agreement**") is made and entered into as of the [[DAY]] day of [[MONTH]] [[YEAR]] (the "**Grant Date**") by and between LKQ Corporation, a Delaware corporation (the "**Company**"), and [[FIRSTNAME]] [[LASTNAME]] (the "**Key Person**").

Recitals

The Board is of the opinion that the interests of the Company will be advanced by encouraging certain persons affiliated with the Company, upon whose judgment, initiative and efforts the Company depends for the successful conduct of the Company's business, to acquire or increase their proprietary interest in the Company, thus providing them with a more direct stake in its welfare and assuring a closer identification of their interests with those of the Company.

The Board is of the opinion that the Key Person is such a person.

The Company desires to grant performance-based RSUs to the Key Person, and the Key Person desires to accept such grant, all on the terms and subject to the conditions set forth in this Agreement and set forth in the Company's 1998 Equity Incentive Plan (the "**Plan**"). Any capitalized term used herein that is not defined shall have the meaning of such term set forth in the Plan.

Covenants

NOW, THEREFORE, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Grant of PSUs. The Company hereby grants to the Key Person and the Key Person hereby accepts from the Company the number of performance-based RSUs set forth in Exhibit A ("**PSUs**"), on the terms and subject to the conditions set forth herein and in the Plan (the "**Award**").

2. Representations of Key Person. The Key Person hereby represents and warrants that the Key Person has been provided a copy of the Plan (which is also filed publicly) and a Plan prospectus describing the material terms of the Plan, and is accepting the PSUs with full knowledge of and subject to the restrictions contained in this Agreement and the Plan.

3. Vesting and Settlement. The Award shall vest according to the Award Component Matrix attached hereto as Exhibit A, which consists of performance metrics (the "**Award Components**") measured over a performance period (the "**Performance Period**"), in each case as set forth in Exhibit A. At the end of the Performance Period, any PSUs that have not vested shall be forfeited. Within 30 days of the satisfaction of the performance-based vesting condition, one Share shall be delivered to the Key Person in settlement of each vested PSU.

4. Separation from Service. (a) Except as otherwise provided in this **Section 4** and **Section 5,** in the event the Key Person incurs a Separation from Service prior to the end of the Performance Period, the Award shall be forfeited to the Company.

(b) In the event the Key Person incurs a Separation from Service due to death or Disability before the end of the Performance Period, the PSUs shall immediately become fully vested at "target."

(c) In the event the Key Person incurs a Separation from Service due to Retirement, the Key Person shall continue to vest in the PSUs subject to all the terms of this Agreement (including the performance-based vesting conditions), except that the Service requirement will not apply and the Award will be prorated as follows: (i) if the one-year anniversary of the commencement of the Performance Period has occurred as of the date of Retirement, then

the Key Person shall be eligible to vest in 100% of the Award; and (ii) if the one-year anniversary of the commencement of the Performance Period has not occurred as of the date of Retirement, then the Key Person shall be eligible to vest in a percentage of the Award equal to a fraction, the numerator of which is the number of days between the commencement of the Performance Period and the date of Retirement and the denominator of which is 365. Notwithstanding the definition of "Retirement" in the Plan, for the purposes of this Agreement, "**Retirement**" means the Key Person voluntarily incurs a Separation from Service with the Company or a Subsidiary (A) after he/she has attained at least 60 years of age and completed at least five years of service with the Company or its Subsidiaries (B) under circumstances that the Committee determines, in its sole discretion, qualify as a Retirement from the Company or a Subsidiary.

5. Change of Control. In the event of a Change of Control occurring after the Grant Date, the Change of Control provisions of Article 14 of the Plan shall apply to the PSUs. As permitted under Sections 14.1 and 14.2(c) of the Plan, upon a Change of Control, the amount of the Award that will be deemed to have been earned will be based on the greater of the actual and assumed achievement of the Award Components as of the date of the Change of Control.

6. Non-Transferability of PSUs. Except as expressly provided in the Plan or this Agreement, PSUs may not be sold, assigned, transferred, pledged or otherwise disposed of, shall not be assignable by operation of law, and shall not be subject to execution, attachment or similar process, except by will or the laws of descent and distribution. Any attempted sale, assignment, transfer, pledge or other disposition of any PSU prior to vesting shall be null and void and without effect.

7. Taxes. The Key Person shall be responsible for taxes due upon the settlement of any PSU granted hereunder and upon any later transfer by the Key Person of any Share received upon the settlement of a PSU; provided that, unless the Committee determines otherwise, the Company shall withhold Shares otherwise deliverable to the Key Person as a result of the vesting and settlement of the PSUs to cover all taxes due for those PSUs.

8. Payroll Authorization. In the event that the Key Person does not make an arrangement acceptable to the Company to pay to the Company the tax withholding obligation due upon vesting or settlement of a PSU or in the event that the Key Person does not pay the entire tax withholding obligation due upon vesting or settlement of a PSU, the Key Person authorizes the Company to collect the amount due through a payroll withholding or to direct a broker to sell a sufficient number of the Key Person's Shares to satisfy such obligation (and any related brokerage fees) and to remit to the Company from the proceeds of sale the amount due. In the event that the Key Person pays more than the tax withholding obligation due upon vesting or settlement of a PSU, the Key Person authorizes the Company to return the excess payment through the Key Person's payroll.

9. No Rights as a Stockholder. Prior to the settlement of any PSU, the Key Person has no rights with respect to the Share issuable to the Key Person upon such settlement, shall not be treated as a Stockholder, and shall not have any voting rights or the right to receive any dividends with respect to the PSU or the underlying Share.

10. Notices. Any notices required or permitted hereunder shall be sent using any means (including personal delivery, courier, messenger service, facsimile transmission or electronic transmission), if to the Key Person, at the address as the Key Person may designate in writing to the Company or to the Key Person's home address if no other address has been provided to the Company; and, if to the Company, at the address of its headquarters in Chicago, Attention: General Counsel, or such other address as the Company may designate in writing to the Key Person. Such notice shall be deemed duly given when it is actually received by the party for whom it was intended. The Company may deliver any documents related to current or future participation in the Plan by electronic means and the Key Person's acceptance of the Award constitutes the Key Person's consent to receive those documents by electronic delivery and to participate in the Plan through any on-line or electronic system established and maintained by the Company or a third party designated by the Company.

11. Failure to Enforce Not a Waiver. The failure of the Company to enforce at any time any provision of this Agreement shall in no way be construed to be a waiver of such provision or of any other provision hereof.

12. Amendment or Termination. This Agreement may not be amended or terminated unless such amendment or termination is in writing and duly executed by each of the parties hereto.

13. Benefit and Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of the Company, its successors and assigns, and the Key Person and the Key Person's executors, administrators, personal representatives and heirs. In the event that any part of this Agreement shall be held to be invalid or unenforceable, the remaining parts hereof shall nevertheless continue to be valid and enforceable as though the invalid portions were not a part hereof.

14. Entire Agreement. This Agreement contains the entire understanding of the parties hereto with respect to the subject matter hereof and supersedes all prior agreements, discussions and understandings relating to such subject matter; provided, however, for the avoidance of doubt, the parties acknowledge that any confidentiality, non-competition, non-solicitation or similar restrictive covenant agreed to by the parties hereto on or before the Grant Date is not superseded by this Agreement and is an obligation of the parties hereto in addition to **Section 17** below.

15. Governing Law and Venue. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without giving effect to principles and provisions thereof relating to conflict or choice of laws. Any and all actions concerning any dispute arising hereunder shall be filed and maintained only in a state or federal court sitting in the County of Cook, State of Illinois. The parties hereto specifically consent and submit to the jurisdiction of such court.

16. Incorporation of Terms of Plan. The terms of the Plan are incorporated herein by reference and the Key Person's rights hereunder are subject to the terms of the Plan even to the extent they are inconsistent with or in addition to the terms set forth herein. The Key Person hereby agrees to comply with all requirements of the Plan.

17. Non-Competition and Confidentiality. (a) Notwithstanding any provision to the contrary set forth elsewhere herein, the PSUs, the Shares underlying the PSUs, and any proceeds received by the Key Person upon the sale of Shares underlying the PSUs shall be forfeited by the Key Person to the Company without any consideration therefore, if the Key Person is not in compliance, at any time during the period commencing on the Grant Date and ending nine months following the Key Person's Separation from Service (or, if continued vesting applies under **Section 4**, for the duration of the continued vesting period, if longer than nine months), with all applicable provisions of the Plan and with the following conditions:

(i) the Key Person shall not directly or indirectly (1) be employed by, engage or have any interest in any business which is or becomes competitive with the Company or its Subsidiaries or is or becomes otherwise prejudicial to or in conflict with the interests of the Company or its Subsidiaries, (2) induce any customer of the Company or its Subsidiaries to patronize such competitive business or otherwise request or advise any such customer to withdraw, curtail or cancel any of its business with the Company or its Subsidiaries, or (3) hire or solicit for employment any person employed by the Company or its Subsidiaries or hire any person who was employed by the Company or its Subsidiaries at any time within nine months of such hire; provided, however, that this restriction shall not prevent the Key Person from acquiring and holding up to two percent of the outstanding shares of capital stock of any corporation which is or becomes competitive with the Company or is or becomes otherwise prejudicial to or in conflict with the interests of the Company if such shares are available to the general public on a national securities exchange or in the over-the-counter market; and

(ii) the Key Person shall not use or disclose, except for the sole benefit of or with the written consent of the Company, any confidential information relating to the business, processes or products of the Company. Nothing in this Agreement, however, prohibits the Key Employee from reporting violations of law or regulation to any U.S. federal, state or local governmental or law enforcement branch, agency or entity (collectively, a "**Governmental Entity**"), or from cooperating with any Governmental Entity, including the EEOC, the Securities and Exchange Commission or the Department of Justice.

(b) The Company shall notify in writing the Key Person of any violation by the Key Person of this **Section 17**. The forfeiture shall be effective as of the date of the occurrence of any of the activities set forth in **Section 17(a)** above. If the Shares underlying the PSUs have been sold, the Key Person shall promptly pay to the Company the amount of the proceeds from such sale. The Key Person hereby consents to a deduction from any amounts owed by the Company to the Key Person from time to time (including amounts owed as wages or other compensation, fringe benefits or vacation pay) to the extent of the amounts owed by the Key Person to the Company under this **Section 17**. Whether or not the Company elects to make any set-off in whole or in part, the Key Person agrees to timely pay any amounts due under this **Section 17**. In addition, the Company shall be entitled to injunctive relief for any violation by the Key Person of this **Section 17**.

(c) Notwithstanding any provision of this Agreement to the contrary, the Key Person shall be entitled to communicate, cooperate and file a complaint with any Governmental Entity concerning possible violations of any U.S. federal, state or local law or regulation, and to otherwise make disclosures to any Governmental Entity, in each case, that are protected under the whistleblower provisions of any such law or regulation, as long as in each case the communications and disclosures are consistent with applicable law. The Key Person shall not forfeit any PSUs, Shares held in connection with any PSUs or proceeds from the sale of such Shares as a result of exercising any rights under this **Section 17(c)**.

(d) The obligations of this **Section 17** shall survive the Key Person's Separation from Service.

18. Hedging Positions. The Key Person agrees that, at any time during the period commencing on the Grant Date and ending when the Award is fully settled or the PSUs are forfeited, the Key Person shall not (a) directly or indirectly sell any equity security of the Company if the Key Person does not own the security sold, or if owning the security, does not deliver it against such sale within 20 days thereafter; or (b) establish a derivative security position with respect to any equity security of the Company that increases in value as the value of the underlying equity decreases (including a long put option and a short call option position) with securities underlying the position exceeding the underlying securities otherwise owned by the Key Person. In the event the Key Person violates this provision, the Company shall have the right to cancel the Award.

19. Code Section 409A. The PSUs are intended to be exempt from (or in the alternative to comply with) Code Section 409A. This Agreement shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Code Section 409A, consistent with Section 18.6 of the Plan. For purposes of Code Section 409A, each installment payment under this Agreement or the Plan, or otherwise payable to the Key Employee, shall be treated as a separate payment. Notwithstanding the foregoing, neither the Company nor the Committee shall have any obligation to take any action to prevent the assessment of any additional tax or penalty on the Key Employee under Code Section 409A and neither the Company nor the Committee shall have any liability to the Key Employee for such tax or penalty.

20. Clawback. The Award and all amounts and benefits received or outstanding under the Plan shall be subject to potential clawback, cancellation, recoupment, rescission, payback, reduction or other similar action in accordance with the terms and conditions of any applicable Company clawback or similar policy or any applicable law related to such actions, as may be in effect from time to time. The Key Person's acceptance of the Award constitutes the Key Person's acknowledgement of and consent to the Company's application, implementation and enforcement of any applicable Company clawback or similar policy that may apply to the Key Person, whether adopted before or after the Grant Date, and any provision of applicable law relating to clawback, cancellation, recoupment, rescission, payback or reduction of compensation, and the Key Person's agreement that the Company may take such actions as may be necessary to effectuate any such policy or applicable law, without further consideration or action.

21. Dividend Equivalents. If a dividend is paid with respect to the Common Stock, a dividend equivalent equal to the total dividend the Key Person would have received had the PSUs been actual Shares shall be accumulated and deemed reinvested in additional PSUs, which shall become earned and payable to the same extent that the underlying PSUs become earned and payable. If the underlying PSUs are forfeited, the Key Person shall have no right to such dividend equivalents. Reinvestment of dividend equivalents in additional PSUs at the time of any dividend payment and the payment of Shares with respect to dividend equivalents shall only be permissible if sufficient

Shares are available under the Plan for such reinvestment or payment (taking into account then-outstanding Awards). In the event that sufficient Shares are not available for such reinvestment or payment, such reinvestment or payment shall be made in the form of a grant of PSUs equal in number to the Shares that would have been obtained by such payment or reinvestment, the terms of which PSUs shall provide for settlement in cash and for dividend equivalent reinvestment in further PSUs on the terms contemplated by this Section.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the Grant Date.

LKQ CORPORATION KEY PERSON

By: ___________________________ By: ___________________________
Name:___________________________ Name: ________________________
Title: ____________________________ Address:_______________________

Exhibit A

	Threshold	**Target PSUs**	Maximum
Number of PSUs	1/2 Target PSUs	**[[SHARESGRANTED AT TARGET]]**	2X Target PSUs

Award Component Matrix

Performance Period: January 1, [[YEAR]] to December 31, [[YEAR]]

The Award Components consist of the following: (1) The average of the Company's annual parts and services organic revenue growth during the Performance Period; (2) The Company's adjusted diluted earnings per share in year [[YEAR]]; and (3) The average of the Company's annual return on invested capital (ROIC) during the Performance Period (the ROIC in any given year shall be calculated as the adjusted net income before interest expense (NOPAT) divided by the sum of (i) average total debt, net of cash and (ii) average equity). For purposes of calculating annual return on invested capital, (i) the impact of acquisitions with a purchase price over $50 million completed during the Performance Period will be excluded from the calculation in each of the three years, (ii) NOPAT will not be adjusted for currency impacts, and (iii) invested capital will be based on a five quarter average and will not be adjusted for changes to NOPAT or currency impacts (e.g., CTA). Portions of the Award will vest based on the percentages allocated to each Award Component, as illustrated below.

Revenue Component			
	Average Parts & Services Organic Revenue Growth over Performance Period	Earned Revenue Component (Shares)	Weighting of Revenue Component
Threshold	[[•]]%	[[•]]	40%
Target	[[•]]%	[[•]]	
Maximum	[[•]]%	[[•]]	
EPS Component			
	Adjusted Diluted EPS in year 2021	Earned EPS Component (Shares)	Weighting of EPS Component
Threshold	$[[•]]	[[•]]	40%
Target	$[[•]]	[[•]]	
Maximum	$[[•]]	[[•]]	
ROIC Component			
	Average ROIC over Performance Period	Earned ROIC Component (Shares)	Weighting of ROIC Component
Threshold	[[•]]%	[[•]]	20%
Target	[[•]]%	[[•]]	
Maximum	[[•]]%	[[•]]	

The earned and payable Award amount will be calculated using the following formula:

(Earned Revenue Component * Weighting of Revenue Component) +

(Earned EPS Component * Weighting of EPS Component) +

(Earned ROIC Component * Weighting of ROIC Component).

Payouts between Threshold and Target and between Target and Maximum will be calculated using a linear function. There will be no payouts for performance below Threshold and no payments higher than Maximum for performance above Maximum.

The GAAP calculation of each of the above Performance Metrics will be subject to adjustment by the Committee for extraordinary, unusual, infrequently occurring, or other items if such adjustment is deemed necessary or advisable by the Committee to more accurately achieve the purposes of this award.

In addition, the Committee will adjust the Performance Metrics or other features of the award (1) that relate to the value or number of the shares of common stock of the Company to reflect any stock dividend, stock split, recapitalization, combination or exchange of shares, or other similar changes in such stock, and (2) except as otherwise indicated, to account for changes in the value of foreign currencies of countries in which the Company operates versus the U.S. dollar (using the average respective exchange rates for the calendar year prior to the Performance Period).

Notwithstanding any contrary provision of the Plan or this Award Component Matrix, the Committee may adjust the Award payable to you.

Exhibit 10.10

MEMORANDUM

TO: [[NAME]]

FROM: Compensation Committee

DATE: [[DATE]], [[YEAR]]

RE: Annual Cash Bonus

You have been selected to participate in the LKQ Corporation Cash Incentive Plan (CIP) for purposes of your potential annual bonus for the [[YEAR]] performance period. All capitalized terms not otherwise defined in this Memorandum will have the meanings set forth in the CIP (see Attachment 1). The potential payout under your award is subject to the terms and conditions set forth in this Memorandum and in the CIP. The information contained herein is personal to you and proprietary to the Company, and by participating in the CIP, you agree to keep all information stated herein strictly confidential.

Performance Period: [[DATE]], [[YEAR]] to [[DATE]], [[YEAR]]

Target Award: [[•]]% of "Base Salary," defined as your weighted average base salary during the Performance Period, before both (1) deductions for taxes or benefits and (2) deferrals of compensation pursuant to any Company- or Affiliate-sponsored deferred compensation plan.

Performance Metrics: (1) "EBITDA Dollars" defined as Segment EBITDA, as presented in our public filings, for the Performance Period. Segment EBITDA is calculated as EBITDA excluding restructuring and acquisition related expenses, change in fair value of contingent consideration liabilities, other gains and losses related to acquisitions, equity method investments, or divestitures, equity in losses and earnings of unconsolidated subsidiaries and impairment of goodwill. EBITDA, which is the basis for Segment EBITDA, is calculated as net income, less net income (loss) attributable to noncontrolling interest, excluding discontinued operations, depreciation, amortization, interest (which includes loss on debt extinguishment) and income tax expense.

(2) "EBITDA Margin" defined as EBITDA Dollars divided by Total Revenue, as presented in our public filings, for the Performance Period.

(3) "Free Cash Flow Component" defined as operating cash flows less capital expenditures, as presented in our public filings, for the Performance Period.

Adjustments: The calculation of each of the above Performance Metrics will be subject to adjustment by the Committee for extraordinary, unusual, infrequently occurring, or other items if such adjustment is deemed necessary or advisable by the Committee to more accurately achieve the purposes of this award.

In addition, the Committee will adjust the Performance Metrics or other features of the award to account for changes in the value of foreign currencies of countries in which the Company operates versus the U.S. dollar (using the average respective exchange rates applied in the [[YEAR]] budget).

Notwithstanding any contrary provision of the CIP, this Memorandum, or the Payout Formula, the Committee may adjust the Actual Award payable to you. In addition, this Award shall be subject to potential clawback, cancellation, recoupment, rescission, payback, reduction or other similar action in accordance with the terms and conditions of any applicable clawback or similar policy or any applicable law related to such actions, as may be in effect from time to time.

Payout Formula: See immediately below.

EBITDA Dollars Component			
	EBITDA Dollars for Performance Period	Earned % of EBITDA Dollars Component	Weighting of EBITDA Dollars Component
Threshold	$[[•]]	[[•]]%	30%
Target	$[[•]]	[[•]]%	
Maximum	$[[•]]	[[•]]%	
EBITDA Margin Component			
	EBITDA Margin for Performance Period	Earned % of EBITDA Margin Component	Weighting of EBITDA Margin Component
Threshold	[[•]]%	[[•]]%	30%
Target	[[•]]%	[[•]]%	
Maximum	[[•]]%	[[•]]%	
Free Cash Flow Component			
	Free Cash Flow for Performance Period	Earned % of Free Cash Flow Component	Weighting of Free Cash Flow Component
Threshold	$[[•]]	[[•]]%	40%
Target	$[[•]]	[[•]]%	
Maximum	$[[•]]	[[•]]%	

Your Actual Award amount will be calculated using the following Payout Formula:

(Earned % of EBITDA Dollars Component * Weighting of EBITDA Dollars Component * Base Salary) +

(Earned % of EBITDA Margin Component * Weighting of EBITDA Margin Component * Base Salary) +

(Earned % of Free Cash Flow Component * Weighting of Free Cash Flow Component * Base Salary).

* Payouts between Threshold and Target and between Target and Maximum shall be calculated using a linear function. There shall be no payouts for performance below Threshold and no payments higher than Maximum for performance above Maximum.

MEMORANDUM

TO: [[YEAR]] CIP Participant

FROM: Compensation Committee

DATE: [[DATE]], [[YEAR]]

RE: Long-Term Cash Incentive Award

You are being granted a long-term cash incentive award under the LKQ Corporation Cash Incentive Plan (CIP). All capitalized terms not otherwise defined in this Memorandum will have the meanings set forth in the CIP. The potential payout under your award is subject to the terms and conditions set forth in this Memorandum and in the CIP. The information contained herein is personal to you and proprietary to the Company, and by participating in the CIP, you agree to keep all information stated herein strictly confidential.

Participant: [[NAME]]

Performance Period: [[DATE]], [[YEAR]] to [[DATE]], [[YEAR]]

Target Award: $[[•]] **OR** [[•% of Base Salary, defined as •]].

Performance Metrics: (1) The average of the Company's annual parts and services organic revenue growth during the Performance Period.

(2) The Company's adjusted diluted earnings per share in year [[YEAR]].

(3) The average of the Company's annual return on invested capital (ROIC) during the Performance Period (the ROIC in any given year shall be calculated as the adjusted net income before interest expense (NOPAT) divided by the sum of (i) average total debt, net of cash and (ii) average equity). For purposes of calculating annual return on invested capital, (i) the impact of acquisitions with a purchase price over $50 million completed during the Performance Period will be excluded from the calculation in each of the three years, (ii) NOPAT will not be adjusted for currency impacts, and (iii) invested capital will be based on a five quarter average and will not be adjusted for changes to NOPAT or currency impacts (e.g., CTA). Portions of the Award will vest based on the percentages allocated to each Award Component, as illustrated below.

Adjustments: The GAAP calculation of each of the above Performance Metrics will be subject to adjustment by the Committee for extraordinary, unusual, infrequently occurring, or other items if such adjustment is deemed necessary or advisable by the Committee to more accurately achieve the purposes of this award.

In addition, the Committee will adjust the Performance Metrics or other features of the award (1) that relate to the value or number of the shares of common stock of the Company to reflect any stock dividend, stock split, recapitalization, combination or exchange of shares, or other similar changes in such stock, and (2) except as otherwise indicated, to account for changes in the value of foreign currencies of countries in which the Company operates versus the U.S. dollar

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(using the average respective exchange rates for the calendar year prior to the Performance Period).

For purposes of determining the EPS and ROIC Components, each shall be increased to the extent that it was reduced in accordance with generally accepted accounting principles ("**GAAP**") by objectively determinable amounts due to:

1. A change in accounting policy or GAAP;
2. Dispositions of assets or businesses;
3. Asset impairments;
4. Amounts incurred in connection with any financing;
5. Losses on interest rate swaps resulting from mark to market adjustments or discontinuing hedges;
6. Board-approved restructuring, acquisition, or similar charges, including charges in conjunction with or in anticipation of an acquisition;
7. Losses (and related fees and expenses) related to extraordinary environmental, legal, product liability or other contingencies;
8. Changes in tax laws or regulations or interpretations of such laws or regulations;
9. A Board-approved divestiture of a material business (i.e., the performance goals shall be adjusted to account for the divestiture, including, if appropriate, the pro-rata effect of targeted improvements);
10. Changes in contingent consideration liabilities;
11. Losses from discontinued operations;
12. The imposition of tariffs or taxes on the importation of inventory;
13. Amortization expense related to acquired intangible assets; and
14. Other extraordinary, unusual, or infrequently occurring items as specifically disclosed in the Company's financial statements or filings under the Exchange Act.

Notwithstanding any contrary provision of the CIP, this Memorandum, or the Payout Formula, the Committee may adjust the Actual Award payable to you.

Payout Formula: See immediately below.

Revenue Component			
	Average Parts & Services Organic Revenue Growth over Performance Period	Earned % of Revenue Component	Weighting of Revenue Component
Threshold	[[•]]%	[[•]]%	40%
Target	[[•]]%	[[•]]%	
Maximum	[[•]]%	[[•]]%	
EPS Component			
	Adjusted Diluted EPS in year 2021	Earned % of EPS Component	Weighting of EPS Component
Threshold	$[[•]]	[[•]]%	40%
Target	$[[•]]	[[•]]%	
Maximum	$[[•]]	[[•]]%	
ROIC Component			
	Average ROIC over Performance Period	Earned % of ROIC Component	Weighting of ROIC Component
Threshold	[[•]]%	[[•]]%	20%
Target	[[•]]%	[[•]]%	
Maximum	[[•]]%	[[•]]%	

The earned and payable Award amount will be calculated using the following formula:

(Earned % of Revenue Component * Weighting of Revenue Component * [[Target Award $ Amount]] **OR** [[Base Salary, if Target Award is expressed as % of Base Salary]]) + (Earned % of EPS Component * Weighting of EPS Component * [[Target Award $ Amount]] **OR** [[Base Salary, if Target Award is expressed as % of Base Salary]]) + (Earned % of ROIC Component * Weighting of ROIC Component * [[Target Award $ Amount]] **OR** [[Base Salary, if Target Award is expressed as % of Base Salary]]).

* Payouts between Threshold and Target and between Target and Maximum will be calculated using a linear function. There will be no payouts for performance below Threshold and no payments higher than Maximum for performance above Maximum.

Exhibit 10.25

CONFIDENTIAL

Change of Control Agreement

October 1, 2019

Arnd Franz
500 W. Madison Street, Suite 2800
Chicago, IL 60661

Dear Arnd:

LKQ Corporation, a Delaware corporation (the "Company"), considers it essential to the best interests of its stockholders to take reasonable steps to retain key management personnel. Further, the Board of Directors of the Company (the "Board") recognizes that the uncertainty and questions that might arise among management in the context of any possible Change of Control (as defined below) of the Company could result in the departure or distraction of management personnel to the detriment of the Company and its stockholders.

In order to reinforce and encourage your continued attention and dedication to your assigned duties without distraction in the face of potentially disturbing circumstances arising from any possible Change of Control, the Company has determined to enter into this letter agreement (the "Agreement"), which addresses the terms and conditions of your separation from the Company in connection with a Change of Control or within two (2) years following the Change of Control Date (the "Change of Control Period"). Capitalized words that are not otherwise defined herein shall have the meanings assigned to those words in Section 11 hereof.

The Agreement provides severance benefits to you under certain circumstances since you are in a select group of management or highly compensated employees of the Company. This Agreement is designed to be an "employee welfare benefit plan," as defined in Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). Exhibit A is a part of this Agreement and provides important information regarding this Agreement.

1. Operation of Agreement. The provisions of this Agreement pertaining to the terms and conditions of your separation from the Company in connection with a Change of Control (collectively, the "Severance Provisions") shall apply only if a Change of Control occurs during the Effective Period. If a Change of Control occurs during the Effective Period, the Severance Provisions become effective on the date of the Change of Control (the "Change of Control Date"). Notwithstanding the foregoing, if (a) a Change of Control occurs during the Effective Period; and (b) your employment with the Company is terminated (other than your voluntary resignation without Good Reason or due to your death or Disability) during the Effective Period, but within twelve (12) months prior to the date on which the Change of Control occurs; and (c) it is reasonably demonstrated by you that such termination of employment (i) was at the request of a third party that has taken steps reasonably calculated to effect a Change of Control or (ii) otherwise arose in connection with or in anticipation of a Change of Control, then the "Change of Control Date" shall instead mean the date immediately prior to the date of such termination of employment. In connection with the foregoing, your unvested equity-based compensation awards that are outstanding as of your termination shall remain outstanding to the extent necessary (but subject in all cases to their maximum term) to enable their potential future vesting and

exercisability should a Change of Control occur within twelve months after your termination without Cause by the Company. This Agreement will remain in effect until the later of (x) the last day of the Effective Period; or (y) if a Change of Control occurs during the Effective Period, the date on which all benefits due to you under this Agreement, if any, have been paid. However, this Agreement will expire earlier (i) upon the date that your employment is terminated by the Company for Cause or by you without Good Reason or (ii) upon the first anniversary of the termination of your employment by the Company without Cause if no Change of Control has occurred before such first anniversary.

2. Termination of Employment by Reason of Death or Disability. Your employment shall terminate automatically if you die during the Change of Control Period. If the Company determines in good faith that you incurred a Disability during the Change of Control Period, it may give you written notice, in accordance with Section 5 hereof, of its intention to terminate your employment. In such event, your employment with the Company shall terminate effective on the thirtieth (30) calendar day after your receipt of such notice if you have not returned to full-time duties within thirty (30) calendar days after such receipt. If your employment is terminated for death or Disability during the Change of Control Period, this Agreement shall terminate without further obligations on the part of the Company other than the obligation to pay to you or your representative, as applicable, the following amounts:

   a. the Accrued Obligations, which shall be paid to you in a single lump sum cash payment within fifteen (15) calendar days of the Date of Termination;

   b. the Pro Rata Bonus, which shall be paid to you in a single lump sum cash payment no later than the later of (i) fifteen (15) calendar days following the Date of Termination or (ii) the effective date of the Waiver and Release; and

   c. the Other Benefits, which shall be paid in accordance with the terms and conditions of such plans, programs, policies, arrangements or agreements.

3. Termination for Cause; Resignation Other Than for Good Reason. If your employment is terminated for Cause or you resign for other than Good Reason during the Change of Control Period, your employment will terminate on the Date of Termination in accordance with Section 5 hereof and this Agreement shall terminate without further obligations on the part of the Company other than the obligation to pay to you the following:

   a. the Accrued Obligations, which shall be paid to you in a single lump sum cash payment within fifteen (15) calendar days of the Date of Termination; and

   b. the Other Benefits, which shall be paid in accordance with the terms and conditions of such plans, programs or policies.

4. Termination as a Result of an Involuntary Termination. In the event that your employment with the Company should terminate during the Change of Control Period as a result of an Involuntary Termination, the Company will be obligated, except as provided in Section 8 or Section 9 hereof, to provide you the following benefits:

   a. Severance Payment. The Company shall pay to you the following amounts:

i. the Accrued Obligations, which shall be paid to you in a single lump sum cash payment within fifteen (15) calendar days of the Date of Termination;

ii. the Pro Rata Bonus, which shall be paid to you in a single lump sum cash payment no later than the later of (A) fifteen (15) calendar days following the Date of Termination or (B) the effective date of the Waiver and Release;

iii. an amount equal to the product of (A) 2.0 times (B) the sum of (1) your Adjusted Base Salary plus (2) the greater of (x) your Target Bonus or (y) the average of the annual bonuses paid or to be paid to you with respect to the immediately preceding three (3) fiscal years, which amount shall be paid to you in a single lump sum cash payment no later than the later of (i) fifteen (15) calendar days following the Date of Termination or (ii) the effective date of the Waiver and Release;

iv. if you had previously consented to the Company's request to relocate your principal place of employment more than forty (40) miles from its location immediately prior to the Change of Control, all unreimbursed relocation expenses incurred by you in accordance with the Company's relocation policies, which expenses shall be paid to you in a single lump sum cash payment no later than the later of (A) fifteen (15) calendar days following the Date of Termination or (B) the effective date of the Waiver and Release; and

v. the Other Benefits, which shall be paid in accordance with the then-existing terms and conditions of such plans, programs or policies.

b. Benefit Continuation. You and your then eligible dependents shall continue to be covered by and participate in the group health and dental care plans (collectively, "Health Plans") of the Company (at the Company's cost) in which you participated, or were eligible to participate, immediately prior to the Date of Termination through the end of the Benefit Continuation Period; ***provided***, ***however***, that any medical or dental welfare benefit otherwise receivable by you hereunder shall be reduced to the extent that you become covered under a group health or dental care plan providing comparable medical and health benefits. You shall be eligible to participate in such Health Plans on terms that are at least as favorable as those in effect immediately prior to the Date of Termination. However, in the event that the terms of the Company's Health Plans do not permit you to participate in those plans (other than pursuant to an election under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA")), in lieu of your and your eligible dependent's coverage and participation under the Company's Health Plans, the Company shall pay to you within fifteen (15) calendar days after the effective date of the Waiver and Release a lump sum equal to two (2) times your monthly COBRA premium amount for the number of months remaining in the Benefit Continuation Period. In addition, for the purposes of coverage under COBRA, your COBRA event date will be the date of loss of coverage described in this paragraph above.

c. Outplacement Services. The Company shall, at its sole expense as incurred, provide you with outplacement services on such terms and conditions as may be reasonably determined by the Company prior to the Change of Control.

d. Acceleration of Stock Awards. All your outstanding awards of restricted stock, stock options, and other equity-based compensation shall become fully vested and exercisable in full immediately upon the effective date of the Waiver and Release; provided, however, that any such awards that would be out of the money as of the Date of Termination may be terminated pursuant to Section 9(b) hereof. In addition, all of your outstanding awards of restricted stock, stock options, and other equity-based compensation that are not assumed or substituted with awards of equivalent value in connection with a Change of Control shall become fully vested and exercisable in full immediately upon the Change of Control.

5. Date and Notice of Termination. Any termination of your employment by the Company or by you during the Change of Control Period shall be communicated by a notice of termination to the other party hereto (the "Notice of Termination"). The Notice of Termination shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated. The date of your termination of employment with the Company (the "Date of Termination") shall be determined as follows: (i) if your employment is terminated for Disability, thirty (30) calendar days after a Notice of Termination is received by you (provided that you shall not have returned to the full-time performance of your duties during such thirty (30) calendar day period), (ii) if your employment is terminated by the Company in an Involuntary Termination, the later of the date specified in the Notice of Termination or five (5) calendar days after the date the Notice of Termination is received by you, (iii) if you terminate your employment for Good Reason, five (5) calendar days after the date the Notice of Termination is received by the Company, and (iv) if your employment is terminated by the Company for Cause, the later of the date specified in the Notice of Termination or five (5) calendar days following the date such notice is received by you. The Date of Termination for a resignation of employment other than for Good Reason shall be the date set forth in the applicable notice.

6. No Mitigation or Offset; D&O Insurance.

a. No Mitigation or Offset. You shall not be required to mitigate the amount of any payment provided for herein by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for herein be reduced by any compensation earned by you as the result of employment by another employer.

b. D&O Insurance, and Indemnification. Through at least the sixth anniversary of the Date of Termination, the Company shall maintain coverage for you as a named insured on all directors' and officers' insurance maintained by the Company for the benefit of its directors and officers on at least the same basis as all other covered individuals and provide you with at least the same corporate indemnification as it provides to other senior executives.

7. Confidentiality. You agree to treat all Confidential Information as confidential information entrusted to you solely for use as an employee of the Company, and shall not divulge, reveal or transmit any Confidential Information in any way to persons not employed by the Company at any time from the date hereof until the end of time, whether or not you continue to be an employee of the Company, unless authorized in writing by the Company.

8. Code Section 409A. The Agreement is not intended to constitute a "nonqualified deferred compensation plan" within the meaning of Code Section 409A. Notwithstanding the foregoing, in the event this Agreement or any benefit paid under this Agreement to you is deemed to be subject

to Code Section 409A, you consent to the Company's adoption of such conforming amendments as the Company deems advisable or necessary, in its sole discretion (but without an obligation to do so), to comply with Code Section 409A and avoid the imposition of taxes under Code Section 409A. This Agreement will be interpreted and construed to not violate Code Section 409A, although nothing herein will be construed as an entitlement to or guarantee of any particular tax treatment to you.

For purposes of this Agreement, a termination of employment means a "separation from service" as defined in Code Section 409A. Each payment made pursuant to any provision of this Agreement shall be considered a separate payment and not one of a series of payments for purposes of Code Section 409A. While it is intended that all payments and benefits provided under this Agreement to you will be exempt from or comply with Code Section 409A, the Company makes no representation or covenant to ensure that the payments under this Agreement are exempt from or compliant with Code Section 409A. The Company will have no liability to you or any other person or entity if a payment or benefit under this Agreement is challenged by any taxing authority or is ultimately determined not to be exempt or compliant. You further understand and agree that you will be entirely responsible for any and all taxes on any benefits payable to you as a result of this Agreement. As a condition of participation in the Agreement, you understand and agree that you will never assert any claims against the Company for reimbursement or payment of any Code Section 409A additional taxes, penalties and/or interest.

If upon your "separation from service" within the meaning of Code Section 409A, you are then a "specified employee" (as defined in Code Section 409A), then solely to the extent necessary to comply with Code Section 409A and avoid the imposition of taxes under Code Section 409A, the Company shall defer payment of "nonqualified deferred compensation" subject to Code Section 409A payable as a result of and within six (6) months following such "separation from service" under this Agreement until the earlier of (i) the first business day of the seventh month following your "separation from service," or (ii) ten (10) days after the Company receives written confirmation of your death. Any such delayed payments shall be made without interest. For avoidance of doubt, any payment whose amount is derived from the value of a Company common share shall be calculated using the value of a common share as of the closing on the expiration date of the foregoing Code Section 409A delay period.

To the extent any nonqualified deferred compensation payment to you could be paid in one or more of your taxable years depending upon you completing certain employment-related actions, then any such payments will commence or occur in the later taxable year to the extent required by Code Section 409A.

No reimbursement payable to you pursuant to any provisions of this Agreement or pursuant to any plan or arrangement of the Company shall be paid later than the last day of the calendar year following the calendar year in which the related expense was incurred, and no such reimbursement during any calendar year shall affect the amounts eligible for reimbursement in any other calendar year, except, in each case, to the extent that it does not violate Code Section 409A.

Any reimbursement payable to you under this Agreement or pursuant to any plan or arrangement of the Company shall be paid in accordance with the Company's established procedures provided, however, that to the extent necessary to comply with Code Section 409A, the following requirements will be adhered to: (1) such reimbursement arrangements will provide an objectively determinable nondiscretionary definition of the expenses eligible for reimbursement or of the in-kind benefits to be provided, (2) such reimbursement arrangements will provide for the

reimbursement of expenses incurred or for the provision of the in-kind benefits during an objectively and specifically prescribed period (including the lifetime of the service provider), (3) such reimbursement arrangements will provide that the amount of expenses eligible for reimbursement, or in-kind benefits provided, during your taxable year may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year, (4) the reimbursement of an eligible expense will be made on or before the last day of your taxable year following the taxable year in which the expense was incurred, and (5) the right to reimbursement or in-kind benefits will not be subject to liquidation or exchange for another benefit. Additionally, to the extent required by Code Section 409A, an eligible reimbursement expense must be incurred by you no later than the end of the second year following the year in which your Date of Termination occurs and any reimbursement payments to you must be made not later than the end of the third year following your Date of Termination (or, in the case of in-kind benefits, by the end of the second year following your Date of Termination).

9. Certain Reduction of Payments by the Company.

a. Best Net. Anything in this Agreement to the contrary notwithstanding, in the event that the independent auditors of the Company (the "Accounting Firm") determine that receipt of all payments or distributions in the nature of compensation to or for your benefit, whether paid or payable pursuant to this Agreement or otherwise ("Payments"), would subject you to tax under Section 4999 of the Code, the Payments paid or payable pursuant to this Agreement (the "COC Payments"), including payments made with respect to equity-based compensation accelerated pursuant to Section 4(d) hereof, but excluding payments made with respect to Sections 4(a)(i) and 4(a)(ii) hereof (except as provided below), may be reduced (but not below zero) to the Reduced Amount, but only if the Accounting Firm determines that the Net After-Tax Receipt of unreduced aggregate Payments would be equal to or less than the Net After-Tax Receipt of the aggregate Payments as if the Payments were reduced to the Reduced Amount. If such a determination is not made by the Accounting Firm, you shall receive all COC Payments to which you are entitled under this Agreement.

b. Reduced Amount. If the Accounting Firm determines that Payments should be reduced to the Reduced Amount, the Company shall promptly give you notice to that effect and a copy of the detailed calculation thereof. Absent manifest error, all determinations made by the Accounting Firm under this Section 9 shall be binding upon you and the Company and shall be made as soon as reasonably practicable and in no event later than twenty (20) business days following the Change of Control Date, or such later date on which there has been a Payment. The reduction of the Payments, if applicable, shall be made by reducing the payments and benefits hereunder in the following order, and only to the extent necessary to achieve the Reduced Amount:
The Company shall reduce or eliminate the Payments, by first reducing or eliminating the portion of the Payments which are not payable in cash and then by reducing or eliminating cash payments, in each case in reverse order beginning with payments or benefits which are to be paid the farthest in time from the determination.

All fees and expenses of the Accounting Firm in implementing the provisions of this Section 9 shall be borne by the Company. To the extent requested by you, the Company shall cooperate with you in good faith in valuing services provided or to be provided by you (including without limitation, your agreeing to refrain from performing services

pursuant to a covenant not to compete or similar covenant) before, on or after the date of a change in ownership or control of the Company (within the meaning of Q&A-2(b) of the Treasury Regulations adopted under Section 280G of the Code (the "Regulations")), such that payments in respect of such services may be considered reasonable compensation within the meaning of Q&A-9 and Q&A-40 to Q&A-44 of the Regulations and/or exempt from the definition of the term "parachute payment" within the meaning of Q&A-2(a) of the Regulations in accordance with Q&A-5(a) of the Regulations.

c. Subsequent Adjustment. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that amounts will have been paid or distributed by the Company to you or for your benefit pursuant to this Agreement which should not have been so paid or distributed ("Overpayment") or that additional amounts which will have not been paid or distributed by the Company to you or for your benefit pursuant to this Agreement could have been so paid or distributed ("Underpayment"), in each case, consistent with the calculation of the Reduced Amount hereunder. In the event that the Accounting Firm, based upon the assertion of a deficiency by the Internal Revenue Service against either the Company or you that the Accounting Firm believes has a high probability of success, determines that an Overpayment has been made, you shall pay any such Overpayment to the Company; provided, however, that no amount shall be payable by you to the Company if and to the extent such payment would not either reduce the amount of taxes to which you are subject under Sections 1 and 4999 of the Code or generate a refund of such taxes. In the event that the Accounting Firm, based upon controlling precedent or substantial authority, determines that an Underpayment has occurred, any such Underpayment shall be paid promptly (and in no event later than sixty (60) days following the date on which the Underpayment is determined) by the Company to you or for your benefit.

10. Successors; Binding Agreement.

a. Assumption by Successor. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company expressly to assume and to agree to perform its obligations under this Agreement in the same manner and to the same extent that the Company would be required to perform such obligations if no such succession had taken place; ***provided***, ***however***, that no such assumption shall relieve the Company of its obligations hereunder. As used herein, the "Company" shall mean the Company as hereinbefore defined and any successor to its business or assets as aforesaid which assumes and agrees to perform its obligations by operation of law or otherwise.

b. Enforceability; Beneficiaries. This Agreement shall be binding upon and inure to the benefit of you (and your personal representatives and heirs) and the Company and any organization which succeeds to substantially all of the business or assets of the Company, whether by means of merger, consolidation, acquisition of all or substantially all of the assets of the Company or otherwise, including, without limitation, as a result of a Change of Control or by operation of law. This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If you should die while any amount would still be payable to you hereunder if you had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this

Agreement to your devisee, legatee or other designee or, if there is no such designee, to your estate.

11. Definitions. For purposes of this Agreement, the following capitalized terms have the meanings set forth below:

a. "Accounting Firm" has the meaning assigned thereto in Section 9 hereof.

b. "Accrued Obligations" shall mean all compensation earned or accrued through the Date of Termination but not paid as of the Date of Termination, including base salary, bonus for the prior performance year, accrued but unused vacation, and reimbursement of business expenses accrued in accordance with the Company's business expense reimbursement policies.

c. "Adjusted Base Salary" means the greater of your base salary in effect immediately prior to (i) the Change of Control Date or (ii) the Date of Termination.

d. "Agreement" has the meaning assigned thereto in the second introductory paragraph hereof.

e. "Benefit Continuation Period" means the period beginning on the Date of Termination and ending on the last day of the month in which occurs the earlier of (i) the 24-month anniversary of the Date of Termination and (ii) the date on which you elect coverage for you and your covered dependents under substantially comparable benefit plans of a subsequent employer.

f. "Board" has the meaning assigned thereto in the first introductory paragraph hereof.

g. "Bonus Opportunity" for any performance year means your maximum cash bonus opportunity for that year, on the assumption that the Company achieves all applicable performance targets and that you achieve all applicable individual performance criteria.

h. "Cause" shall mean (i) your engaging in willful and continued failure to substantially perform your material duties with the Company (other than due to becoming Disabled); ***provided, however***, that the Company shall have provided you with written notice of such failure and such failure is not cured by you within twenty (20) calendar days of such notice; (ii) your engaging in misconduct that is materially and demonstrably injurious to the Company; (iii) your conviction of, or plea of no contest to, a felony, other crime of moral turpitude; or (iv) a final non-appealable adjudication in a criminal or civil proceeding that you have committed fraud. For purposes of the previous sentence, no act or failure to act on your part shall be deemed "willful" if it is done, or omitted to be done, by you in good faith and with a reasonable belief that it was in the best interest of the Company.

i. "Change of Control" shall mean:

i. any "person" (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of

30% or more of either (A) the then-outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (B) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that, for purposes of this Section, the following acquisitions shall not constitute a Change of Control: (i) any acquisition directly from the Company, (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company, or (iv) any acquisition pursuant to a transaction that complies with Sections 11(i)(iii)(A), (B), and (C);

ii. during any period of two consecutive years (not including any period prior to the Effective Date), individuals who at the beginning of such period constituted the Board and any new directors, whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least three-fourths of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or

iii. there is a consummation of a reorganization, merger, statutory share exchange or consolidation or similar transaction involving the Company or any of its subsidiaries, a sale or other disposition of all or substantially all of the assets of the Company, or the acquisition of assets or stock of another entity by the Company or any of its subsidiaries (each, a "Business Combination"), in each case unless, following such Business Combination, (A) all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding Company Common Stock and the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the then-outstanding shares of common stock (or, for a non-corporate entity, equivalent securities) and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors (or, for a non-corporate entity, equivalent governing body), as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity that, as a result of such transaction, owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and the Outstanding Company Voting Securities, as the case may be, (B) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 30% or more of, respectively, the then-outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then-outstanding voting securities of such corporation, except to the extent that such ownership existed prior to the Business Combination, and (C) at least a majority of the members of the board of directors (or, for a non-corporate entity, equivalent governing body) of the entity resulting from such Business Combination were members of the incumbent Board at the time of the execution of

the initial agreement or of the action of the Board providing for such Business Combination.

j. "Change of Control Date" has the meaning assigned thereto in Section 1 hereof.

k. "Change of Control Period" has the meaning assigned thereto in the second introductory paragraph hereof.

l. "COC Payments" has the meaning assigned thereto in Section 9 hereof.

m. "Code" shall mean the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

n. "Company" has the meaning assigned thereto in the first introductory paragraph hereof.

o. "Confidential Information" shall mean all financial information, trade secrets, personnel records, training and operational manuals, records, contracts, lists, business procedures, business methods, accounts, brochures, and handbooks that was learned or obtained by you in the course of your employment by the Company, and all other documents relating to the Company or persons doing business with the Company that are proprietary to the Company.

p. "Date of Termination" has the meaning assigned thereto in Section 5 hereof.

q. "Disability" shall mean your incapacity due to physical or mental illness as defined in the long-term disability plan sponsored by the Company or an affiliate of the Company for your benefit and which causes you to be absent from the full-time performance of your duties.

r. "Effective Period" shall mean the period commencing on the date hereof (the "Effective Date") and ending on the third anniversary of the date of this Agreement; ***provided, however***, that beginning on the third anniversary of the date of this Agreement and on each one-year anniversary thereafter (each such date a "Renewal Date"), the Effective Period shall be automatically extended for a period of two years beginning on such Renewal Date, unless at least sixty (60) calendar days prior to such Renewal Date, the Company shall give notice that the Effective Period shall not be so extended.

s. "Good Reason" shall mean the occurrence of any of the following events or circumstances:

    i. a substantial adverse change in your title, position, offices, or the nature of your duties or responsibilities from those in effect immediately prior to the Change of Control, or in the position, level, or status of the person to whom you report.

    ii. a reduction by the Company in your annual base salary, Target Bonus, or benefits as in effect immediately prior to the Change of Control or as the same may be increased from time to time thereafter, other than a general reduction in benefits applicable across similarly situated executives within the Company;

iii. a failure by the Company to pay you material compensation or benefits when due including, without limitation, failure by the Company to pay any accrued relocation expenses or Other Benefits;

iv. the relocation of the office of the Company where you are principally employed immediately prior to the Change of Control to a location which is more than forty (40) miles from such office of the Company (except for required travel on the Company's business to an extent substantially consistent with your customary business travel obligations in the ordinary course of business prior to the Change of Control); or any failure by a successor to the Company to assume and agree to perform this Agreement, as contemplated by Section 10(a) hereof, or any agreement with respect to your outstanding equity awards.

provided, however, that no event or condition set forth in subparagraphs (i) through (v) above shall constitute Good Reason unless (x) you give the Company written notice of objection to such event or condition within sixty (60) calendar days of the initial occurrence of such event or condition and (y) such event or condition is not corrected or remedied, in all material respects, by the Company within thirty (30) calendar days of its receipt of such notice; and ***provided, further, however***, that your mental or physical incapacity following the occurrence of an event described above in subparagraphs (i) through (v) above shall not affect your ability to terminate employment for Good Reason and that your death following delivery of a Notice of Termination shall not affect your estate's entitlement to the payments and benefits provided hereunder upon an Involuntary Termination. In order to qualify as a termination of employment due to Good Reason, you must resign your employment for Good Reason within forty (40) calendar days after you have provided the Company with the foregoing notice that a Good Reason event has occurred.

t. "Involuntary Termination" shall mean, during the Change of Control Period, (i) your termination of employment by the Company without Cause or (ii) your resignation of employment with the Company for Good Reason.

u. "Net After-Tax Receipt" shall mean the present value (as determined in accordance with Section 280G(d)(4) of the Code) of a Payment net of all taxes imposed on you with respect thereto under Sections 1 and 4999 of the Code and under applicable state and local laws, determined by applying the highest marginal rate under Section 1 of the Code and under state and local laws which applied to your taxable income for the immediately preceding taxable year, or such other rate(s) as you certify as likely to apply to you in the relevant tax year(s).

v. "Notice of Termination" has the meaning assigned thereto in Section 5 hereof.

w. "Other Benefits" means, to the extent not theretofore paid or provided, any other amounts or benefits required to be paid or provided to you or that you are eligible to receive under any plan, program, policy, practice, contract or agreement of the Company in accordance with such applicable terms at the time of the Date of Termination. Nothing herein shall prohibit the Company from changing, modifying, amending, or eliminating any benefit plans in accordance with the terms of such plans prior to the Date of Termination, with or without prior notice.

x. "Overpayment" has the meaning assigned thereto in Section 9 hereof.

y. "Pro Rata Bonus" means a pro rata portion of your Bonus Opportunity for the performance year in which the Date of Termination occurs, calculated based on the number of days that you are employed in the performance year up through and including the Date of Termination.

z. "Payment" has the meaning assigned thereto in Section 9 hereof.

aa. "Reduced Amount" shall mean $1,000.00 less than the greatest amount of Payments that can be paid that would not result in the imposition of the excise tax under Section 4999 of the Code.

ab. "Severance Policy" means the Company's Severance Policy for Key Executives as adopted on July 21, 2014 and as may be amended from time to time.

ac. "Target Bonus" for any year means your total cash target, but not maximum, bonus for that year, on the assumption that the Company has achieved, but not exceeded, all applicable performance targets and that you have achieved, but not exceeded, all applicable individual performance criteria.

ad. "Underpayment" has the meaning assigned thereto in Section 9 hereof.

ae. "Tax Authority" has the meaning assigned thereto in Section 9 hereof.

12. Notice. For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, addressed to the Board of Directors, LKQ Corporation, 500 West Madison Street, Suite 2800, Chicago, IL 60661, with a copy to the General Counsel of the Company, or to you at the address set forth on the first page of this Agreement or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

13. Release. As a condition to receiving any payments or benefits pursuant to this Agreement by reason of your death, Disability or Involuntary Termination, you (or in the case of your death, the executor of your estate) must execute a waiver and release of claims, including confidentiality and non-disparagement covenants, substantially in the form approved by the Company prior to the Change of Control Date (as set forth on Exhibit B attached hereto) (a "Waiver and Release"), and such executed Waiver and Release must be delivered to the Company (and not revoked by you) and become effective by its own terms no later than 55 days after the later of (i) the Change of Control or (ii) the termination of your employment with the Company.

14. Arbitration. Any dispute or controversy arising under or in connection with this Agreement that cannot be mutually resolved by the parties hereto shall be settled exclusively by arbitration in Chicago, Illinois under the employment arbitration rules of the American Arbitration Association before one arbitrator of exemplary qualifications and stature, who shall be selected jointly by the Company and you, or, if the Company and you cannot agree on the selection of the arbitrator, such arbitrator shall be selected by the American Arbitration Association. Judgment may be entered on the arbitrator's award in any court having jurisdiction. The parties hereby agree that the arbitrator shall be empowered to enter an equitable decree mandating specific enforcement of the terms of

this Agreement. The Company agrees to pay as incurred, to the fullest extent permitted by law, the costs and fees of the arbitration, including all legal fees and expenses which you may reasonably incur as a result of any contest (regardless of the outcome thereof) by the Company, you or others of the validity or enforceability of, or liability under, any provision of this Agreement (including as a result of any contest by you about the amount of any payment pursuant to this Agreement), plus in each case interest on any delayed payment at the applicable Federal rate provided for in Section 7872(f)(2)(A) of the Code.

15. Miscellaneous.

a. Amendments, Waivers, Etc. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement and this Agreement shall supersede all prior agreements, negotiations, correspondence, undertakings and communications of the parties, oral or written, with respect to the subject matter hereof. Notwithstanding the foregoing and for avoidance of doubt, this Agreement does not supersede or replace the Severance Policy. However, any payments or benefits provided (or to be provided) under this Agreement shall be reduced and offset by payments or benefits of the same type that are received by you from the Company under the Severance Policy or any other severance arrangement.

b. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

c. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

d. No Contract of Employment. Nothing in this Agreement shall be construed as giving you any right to be retained in the employ of the Company or shall affect the terms and conditions of your employment with the Company prior to the commencement of the Change of Control Period.

e. Withholding. Amounts paid to you hereunder shall be subject to all applicable federal, state and local withholding taxes.

f. Source of Payments. All payments provided under this Agreement shall be paid in cash from the general funds of the Company, and no special or separate fund shall be established, and no other segregation of assets made, to assure payment. You will have no right, title or interest whatsoever in or to any investments which the Company may make to aid it in meeting its obligations hereunder. To the extent that any person acquires a right to receive payments from the Company hereunder, such right shall be no greater than the right of an unsecured creditor of the Company.

g. Headings. The headings contained in this Agreement are intended solely for convenience of reference and shall not affect the rights of the parties to this Agreement.

h. Governing Law. This Agreement is governed by ERISA and, to the extent applicable, the laws of the State of Delaware without regard to conflicts of law.

i. Effect on Benefit Plans. In the event of any inconsistency between the provisions of this agreement and the provisions of any benefit plan of the Company, the provisions that are more favorable to you shall control.

* * * * *

By signing below, you acknowledge that this Agreement sets forth our agreement on the subject matter hereof. Kindly sign and return to the Company the enclosed copy of this letter which will then constitute our agreement on this subject.

Sincerely,

LKQ CORPORATION

By: /s/ Victor M. Casini

Name: Victor M. Casini

Title: Senior Vice President and General Counsel

Agreed to as of this October 1, 2019

/s/ Arnd Franz

Arnd Franz
Senior Vice President of LKQ Corporation and
Chief Executive Officer and Managing Director of
LKQ Europe

EXHIBIT A

The Agreement, including its Exhibits, constitutes both the official plan document and the required summary plan description under ERISA.

ELIGIBILITY

The Agreement is effective for the individual named in the Agreement ("**you**").

BENEFITS

You shall be eligible for severance benefits at such times and in such amounts as may be specified in your Agreement.

OTHER IMPORTANT INFORMATION

A. Agreement Administration. As the Agreement Administrator, the Company has the full and sole discretionary authority to administer and interpret the Agreement, including discretionary authority to determine eligibility for participation in and for benefits under the Agreement, to determine the amount of benefits (if any) payable per participant, and to interpret any terms of this document. All determinations by the Agreement Administrator will be final and conclusive upon all persons and be given the maximum possible deference allowed by law. The Agreement Administrator is the "named fiduciary" of the Agreement for purposes of ERISA and will be subject to the applicable fiduciary standards of ERISA when acting in such capacity. The Company may delegate in writing to any other person all or a portion of its authority or responsibility with respect to the Agreement.

B. Source of Benefits. The Agreement is unfunded, and all severance benefits will be paid from the general assets of the Company or its successor. No contributions are required under the Agreement.

C. Claims Procedure. If you believe you have been incorrectly denied a benefit or are entitled to a greater benefit than the benefit you received under the Agreement, you may submit a signed, written application to the Company's Senior Vice President of Human Resources ("**Claims Administrator**"). You will be notified in writing of the approval or denial of this claim within ninety (90) days of the date that the Claims Administrator receives the claim, unless special circumstances require an extension of time for processing the claim. In the event an extension is necessary, you will be provided written notice prior to the end of the initial ninety (90) day period indicating the special circumstances requiring the extension and the date by which the Claims Administrator expects to notify you of approval or denial of the claim. In no event will an extension extend beyond ninety (90) days after the end of the initial ninety (90) day period. If your claim is denied, the written notification will state specific reasons for the denial, make specific reference to the Agreement provision(s) on which the denial is based, and provide a description of any material or information necessary for you to perfect the claim and why such material or information is necessary. The written notification will also provide a description of the Agreement's review procedures and the applicable time limits, including a statement of your right to bring a civil suit under section 502(a) of ERISA following denial of your claim on review.

You will have sixty (60) days from receipt of the written notification of the denial of your claim to file a signed, written request for a full and fair review of the denial by a review panel which will be a named fiduciary of the Agreement for purposes of such review. This request should include the reasons you are requesting a review and may include facts supporting your request and any other relevant comments, documents, records and other information relating to your claim. Upon request and free of charge, you will be provided with reasonable access to, and copies of, all documents, records and other information relevant

to your claim, including any document, record or other information that was relied upon in, or submitted, considered or generated in the course of, denying your claim. A final, written determination of your eligibility for benefits shall be made within sixty (60) days of receipt of your request for review, unless special circumstances require an extension of time for processing the claim, in which case you will be provided written notice of the reasons for the delay within the initial sixty (60) day period and the date by which you should expect notification of approval or denial of your claim. This review will take into account all comments, documents, records and other information submitted by you relating to your claim, whether or not submitted or considered in the initial review of your claim. In no event will an extension extend beyond sixty (60) days after the end of the initial sixty (60) day period. If an extension is required because you fail to submit information that is necessary to decide your claim, the period for making the benefit determination on review will be tolled from the date the notice of extension is sent to you until the date on which you respond to the request for additional information. If your claim is denied on review, the written notification will state specific reasons for the denial, make specific reference to the Agreement provision(s) on which the denial is based and state that you are entitled to receive upon request, and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to your claim, including any document, record or other information that was relied upon in, or submitted, considered or generated in the course of, denying your claim. The written notification will also include a statement of your right to bring an action under section 502(a) of ERISA.

If your claim is initially denied or is denied upon review, you are entitled to receive upon request, and free of charge, reasonable access to, and copies of, any document, record or other information that demonstrates that (1) your claim was denied in accordance with the terms of the Agreement, and (2) the provisions of the Agreement have been consistently applied to similarly situated participants, if any. In pursuing any of your rights set forth in this section, your authorized representative may act on your behalf.

If you do not receive notice within the time periods described above, whether on initial determination or review, you may initiate a lawsuit under Section 502(a) of ERISA.

D. Indemnification. The Company agrees to indemnify its officers and employees and the members of the Board of Directors of the Company from all liabilities from their acts or omissions in connection with the administration, amendment or termination of the Agreement, to the maximum extent permitted by applicable law.

E. Severability. If any provision of the Agreement is held invalid or unenforceable, its invalidity or unenforceability will not affect any other provision of the Agreement, and the Agreement will be construed and enforced as if such provision had not been included.

F. Headings. Headings in the Agreement are for purposes of reference only and will not limit or otherwise affect the meaning hereof.

STATEMENT OF ERISA RIGHTS

As a participant in the Agreement you are entitled to certain rights and protections under ERISA. ERISA provides that all Agreement participants shall be entitled to:

A. Receive Information About Your Agreement and Benefits

Examine, without charge, at the Agreement Administrator’s office and at other specified locations, such as work sites, all documents governing the Agreement.

Obtain, upon written request to the Agreement Administrator, copies of documents governing the operation of the Agreement. The Agreement Administrator may impose a reasonable charge for the copies.

B. Prudent Actions by Agreement Fiduciaries

In addition to creating rights for Agreement participants, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate your Agreement, called "fiduciaries" of the Agreement, have a duty to do so prudently and in the interest of you and other Agreement participants and beneficiaries. No one, including your employer or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a welfare benefit or exercising your rights under ERISA.

C. Enforce Your Rights

If your claim for a welfare benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of Agreement documents and do not receive it within 30 days, you may file suit in a federal court. In such a case, the court may require the Agreement Administrator to provide the materials and pay you up to $110.00 per day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Agreement Administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or federal court after you have completed the Agreement's administrative appeals process. If you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

D. Assistance With Your Questions

If you have any questions about the Agreement, you should contact the Agreement Administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Agreement Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory, or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

ADDITIONAL AGREEMENT INFORMATION

Name of Agreement:	Change of Control Agreement
Employer Sponsoring Agreement:	LKQ Corporation. 500 West Madison Street, Suite 2800, Chicago, IL 60661
Employer Identification Number:	36-4215970
Agreement Number:	528
Agreement Year:	Calendar Year
Agreement Administrator:	LKQ Corporation c/o Senior Vice President of Human Resources 500 West Madison Street, Suite 2800, Chicago, IL 60661 Telephone No. (312) 621-1950
Agent for Service of Legal Process:	Agreement Administrator, at the above address
Type of Agreement:	Employee Welfare Benefit Plan providing for severance benefits
Agreement Costs:	The cost of the Agreement is paid by LKQ Corporation
Type of Administration:	Self-administered by the Agreement Administrator

EXHIBIT B

WAIVER AND GENERAL RELEASE AGREEMENT

This Waiver and Release Agreement (this "Release") is entered into as of the date indicated on the signature page of this Release by and between LKQ Corporation, a Delaware corporation (the "Company") and ("Employee"). Employee has been employed by the Company, and the parties are entering into this Release because the employment relationship is ending, without fault or wrongdoing on the part of either the Company or Employee, who agree as follows:

1. Release.

a. In exchange for the valuable consideration set forth in the Change of Control Agreement dated as of ____________ ___, 20___ (the "Letter Agreement"), between Employee and the Company, the receipt and adequacy of which are herein acknowledged, Employee hereby agrees to release and forever discharge the Company and its present, former and future partners, shareholders, affiliates, direct and indirect parents, subsidiaries, successors, directors, officers, employees, agents, attorneys, heirs and assigns (the "Released Parties"), from any and all claims, actions and causes of action (the "Claims") arising out of (i) his employment relationship with and service as an employee of the Company and its affiliates, and the termination of such relationship or service, or (ii) any event, condition, circumstance or obligation that occurred, existed or arose on or prior to the date hereof, including, but not limited to any Claims under Title VII of the Civil Rights Act of 1964, the Rehabilitation Act of 1973, the Americans With Disabilities Act of 1990, the Civil Rights

Act of 1866, the Civil Rights Act of 1991, the Employee Retirement Income Security Act of 1974 (ERISA), the Family and Medical Leave Act of 1993, the California Fair Employment and Housing Act; the California Workers' Compensation Act; the California Unruh and Ralph Civil Rights Laws; the California Alcohol and Drug Rehabilitation Law and any other federal, state or local law, statute, regulation or ordinance, or law of any foreign jurisdiction, whether such Claim arises under statute or common law and whether or not Employee is presently aware of the existence of such Claim. Employee also forever releases, discharges and waives any right he may have to recover in any proceeding brought by any federal, state or local agency against the Released Parties to enforce any laws. To ensure that this Release is fully enforceable in accordance with its terms, Employee agrees to waive any and all rights to any Claims, whether or not he knows or suspects them to exist in his favor, which if known to him would have materially affected his execution of this Release. Notwithstanding the foregoing, this Release does not apply to Employee's rights, claims, or benefits under the Letter Agreement or to Employee's rights, if any, to payment of benefits pursuant to any employee benefit plan. This Release also does not apply to Employee's rights, claims, or benefits claims for unemployment compensation benefits, workers compensation benefits, claims under the Fair Labor Standards Act, health insurance benefits under the Consolidated Omnibus Budget Reconciliation Act (COBRA), or claims with regard to vested benefits under a retirement plan governed by ERISA.

b. **To ensure that this Release is fully enforceable in accordance with its terms, Employee hereby agrees to waive any and all rights under Section 1542 of the California Civil Code (to the extent applicable) as it exists from time to time, which provides:**
A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

In addition, to ensure that this Release is fully enforceable in accordance with its terms, Employee hereby agrees to waive any protection that may exist under any comparable or similar statute and under any principle of common law of the United States or any and all States.

EMPLOYEE UNDERSTANDS THAT, BY SIGNING THIS RELEASE, EMPLOYEE WILL HAVE WAIVED ANY RIGHT THAT HE MAY HAVE TO BRING A LAWSUIT OR MAKE ANY CLAIM AGAINST THE COMPANY AND THE RELEASED PARTIES BASED ON ANY ACT OR OMISSIONS BY THEM UP TO THE DATE OF SIGNING THIS AGREEMENT.

c. In further consideration of the payments and benefits provided to Employee under the Letter Agreement, Employee hereby releases and forever discharges the Released Parties from any and all Claims that he may have as of the date he signs this Release arising under the federal Age Discrimination in Employment Act of 1967, as amended, and the applicable rules and regulations promulgated thereunder ("ADEA"). By signing this Release, Employee hereby acknowledges and confirms the following: (i) he was advised by the Company in connection with his termination to consult with an attorney of his choice prior to signing this Release and to have such attorney explain to him the terms of this Release, including, without limitation, the terms relating to his release of claims arising under the ADEA; (ii) if Employee is 40 years of age or older as of the date of execution of this Release, he was given a period of not fewer than 21 calendar days to consider the terms of this Release and to consult with an attorney of his choosing with respect thereto;

(iii) he is providing the release and discharge set forth in this Paragraph 1(c) only in exchange for consideration in addition to anything of value to which he is already entitled and (iv) he can revoke this Release without it becoming effective as described below.

2. No Legal Claim. Employee has not commenced any legal action, which term includes, without limitation, any demand for arbitration proceedings and any charge, complaint, filing or submission with any federal, state or local agency, court or other tribunal, to assert any Claim against a Released Party, and covenants and agrees not to do so in the future with respect to the matters released herein. If Employee commences or joins any legal action against a Released Party, Employee agrees that such an action is prohibited by this Release, and further agrees to promptly indemnify such Released Party for its reasonable costs and attorneys fees incurred in defending such action as well as forfeit or return any monetary judgment obtained by Employee against any Released Party in such action. Nothing in this Paragraph 2 is intended to reflect any party's belief that Employee's waiver of claims under the ADEA is invalid or unenforceable under this Release, it being the intent of the parties that such claims are waived.

3. Nondisparagement. Employee agrees to refrain, except as required by law or in connection with a judicial proceeding, from making directly or indirectly, now or at any time in the future, any written or oral statements, representations or other communications that disparage or are otherwise damaging to the business or reputation of the Released Parties.

4. Continuing Obligations. This Release shall not supersede any continuing obligations Employee may have under the terms of the Letter Agreement or any other agreement between Employee and the Company.

5. Disclaimer. Employee hereby certifies that Employee has read the terms of this Release, that Employee has been advised by the Company to consult with an attorney of Employee's own choice prior to executing this Release, that Employee has had an opportunity to do so, and that Employee understands the provisions and consequences of this Release. Employee further certifies that the Company has not made any representation to Employee concerning this Release other than those contained herein.

6. Governing Law. This Release is governed by ERISA and, to the extent applicable, the laws of the State of Delaware without regard to conflicts of law.

7. Separability of Clauses. If any provisions of this Release shall be finally determined to be invalid or unenforceable under applicable law by a court of competent jurisdiction, that part shall be ineffective to the extent of such invalidity or unenforceability only, without in any way affecting the remaining provisions of this Release.

8. Counterparts. This Release may be executed by the parties hereto in counterparts, each of which shall be deemed an original, but both such counterparts shall together constitute one and the same document.

9. Effectiveness. This Release shall be effective only when it has been executed by Employee and the executed original has been returned to the Company, and any applicable revocation period has expired.

IN WITNESS WHEREOF, the Company has caused this Release to be signed by its duly authorized officer, and Employee has executed this Release as of the day and year indicated below Employee's signature.

LKQ CORPORATION

By:

Name:
Title:

If Employee is 40 years of age or older as of the date of execution of this Release, Employee shall have the right to revoke this Release during the seven-day period (the "Revocation Period") commencing immediately following the date he signs and delivers this Release to the Company. The Revocation Period shall expire at 5:00 p.m. [INSERT TIME ZONE] Time on the last day of the Revocation Period; provided, however, that if such seventh day is not a business day, the Revocation Period shall extend to 5:00 p.m. on the next succeeding business day. In the event Employee revokes this Release, all obligations of the Company under this Release and under any agreement which are conditional upon this Release shall terminate and be of no further force and effect as of the date of such revocation. No such revocation by Employee shall be effective unless it is in writing and signed by him and received by the Company prior to the expiration of the Revocation Period at the following address:

LKQ Corporation
ATTN: General Counsel
500 W. Madison Street, Suite 2800
Chicago, IL 60661

I HAVE READ AND AGREE
TO THIS RELEASE:

____
Name:
Date:

Exhibit 10.26

CONFIDENTIAL

Change of Control Agreement

January 31, 2020

Michael T. Brooks
500 W. Madison Street, Suite 2800
Chicago, IL 60661

Dear Michael:

LKQ Corporation, a Delaware corporation (the "Company"), considers it essential to the best interests of its stockholders to take reasonable steps to retain key management personnel. Further, the Board of Directors of the Company (the "Board") recognizes that the uncertainty and questions that might arise among management in the context of any possible Change of Control (as defined below) of the Company could result in the departure or distraction of management personnel to the detriment of the Company and its stockholders.

In order to reinforce and encourage your continued attention and dedication to your assigned duties without distraction in the face of potentially disturbing circumstances arising from any possible Change of Control, the Company has determined to enter into this letter agreement (the "Agreement"), which addresses the terms and conditions of your separation from the Company in connection with a Change of Control or within two (2) years following the Change of Control Date (the "Change of Control Period"). Capitalized words that are not otherwise defined herein shall have the meanings assigned to those words in Section 11 hereof.

The Agreement provides severance benefits to you under certain circumstances since you are in a select group of management or highly compensated employees of the Company. This Agreement is designed to be an "employee welfare benefit plan," as defined in Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). Exhibit A is a part of this Agreement and provides important information regarding this Agreement.

1. Operation of Agreement. The provisions of this Agreement pertaining to the terms and conditions of your separation from the Company in connection with a Change of Control (collectively, the "Severance Provisions") shall apply only if a Change of Control occurs during the Effective Period. If a Change of Control occurs during the Effective Period, the Severance Provisions become effective on the date of the Change of Control (the "Change of Control Date"). Notwithstanding the foregoing, if (a) a Change of Control occurs during the Effective Period; and (b) your employment with the Company is terminated (other than your voluntary resignation without Good Reason or due to your death or Disability) during the Effective Period, but within twelve (12) months prior to the date on which the Change of Control occurs; and (c) it is reasonably demonstrated by you that such termination of employment (i) was at the request of a third party that has taken steps reasonably calculated to effect a Change of Control or (ii) otherwise arose in connection with or in anticipation of a Change of Control, then the "Change of Control Date" shall instead mean the date immediately prior to the date of such termination of employment. In connection with the foregoing, your unvested equity-based compensation awards that are outstanding as of your termination shall remain outstanding to the extent necessary (but subject in all cases to their maximum term) to enable their potential future vesting and

exercisability should a Change of Control occur within twelve months after your termination without Cause by the Company. This Agreement will remain in effect until the later of (x) the last day of the Effective Period; or (y) if a Change of Control occurs during the Effective Period, the date on which all benefits due to you under this Agreement, if any, have been paid. However, this Agreement will expire earlier (i) upon the date that your employment is terminated by the Company for Cause or by you without Good Reason or (ii) upon the first anniversary of the termination of your employment by the Company without Cause if no Change of Control has occurred before such first anniversary.

2. Termination of Employment by Reason of Death or Disability. Your employment shall terminate automatically if you die during the Change of Control Period. If the Company determines in good faith that you incurred a Disability during the Change of Control Period, it may give you written notice, in accordance with Section 5 hereof, of its intention to terminate your employment. In such event, your employment with the Company shall terminate effective on the thirtieth (30) calendar day after your receipt of such notice if you have not returned to full-time duties within thirty (30) calendar days after such receipt. If your employment is terminated for death or Disability during the Change of Control Period, this Agreement shall terminate without further obligations on the part of the Company other than the obligation to pay to you or your representative, as applicable, the following amounts:

   a. the Accrued Obligations, which shall be paid to you in a single lump sum cash payment within fifteen (15) calendar days of the Date of Termination;

   b. the Pro Rata Bonus, which shall be paid to you in a single lump sum cash payment no later than the later of (i) fifteen (15) calendar days following the Date of Termination or (ii) the effective date of the Waiver and Release; and

   c. the Other Benefits, which shall be paid in accordance with the terms and conditions of such plans, programs, policies, arrangements or agreements.

3. Termination for Cause; Resignation Other Than for Good Reason. If your employment is terminated for Cause or you resign for other than Good Reason during the Change of Control Period, your employment will terminate on the Date of Termination in accordance with Section 5 hereof and this Agreement shall terminate without further obligations on the part of the Company other than the obligation to pay to you the following:

   a. the Accrued Obligations, which shall be paid to you in a single lump sum cash payment within fifteen (15) calendar days of the Date of Termination; and

   b. the Other Benefits, which shall be paid in accordance with the terms and conditions of such plans, programs or policies.

4. Termination as a Result of an Involuntary Termination. In the event that your employment with the Company should terminate during the Change of Control Period as a result of an Involuntary Termination, the Company will be obligated, except as provided in Section 8 or Section 9 hereof, to provide you the following benefits:

   a. Severance Payment. The Company shall pay to you the following amounts:

i. the Accrued Obligations, which shall be paid to you in a single lump sum cash payment within fifteen (15) calendar days of the Date of Termination;

ii. the Pro Rata Bonus, which shall be paid to you in a single lump sum cash payment no later than the later of (A) fifteen (15) calendar days following the Date of Termination or (B) the effective date of the Waiver and Release;

iii. an amount equal to the product of (A) 2.0 times (B) the sum of (1) your Adjusted Base Salary plus (2) the greater of (x) your Target Bonus or (y) the average of the annual bonuses paid or to be paid to you with respect to the immediately preceding three (3) fiscal years, which amount shall be paid to you in a single lump sum cash payment no later than the later of (i) fifteen (15) calendar days following the Date of Termination or (ii) the effective date of the Waiver and Release;

iv. if you had previously consented to the Company's request to relocate your principal place of employment more than forty (40) miles from its location immediately prior to the Change of Control, all unreimbursed relocation expenses incurred by you in accordance with the Company's relocation policies, which expenses shall be paid to you in a single lump sum cash payment no later than the later of (A) fifteen (15) calendar days following the Date of Termination or (B) the effective date of the Waiver and Release; and

v. the Other Benefits, which shall be paid in accordance with the then-existing terms and conditions of such plans, programs or policies.

b. Benefit Continuation. You and your then eligible dependents shall continue to be covered by and participate in the group health and dental care plans (collectively, "Health Plans") of the Company (at the Company's cost) in which you participated, or were eligible to participate, immediately prior to the Date of Termination through the end of the Benefit Continuation Period; ***provided***, ***however***, that any medical or dental welfare benefit otherwise receivable by you hereunder shall be reduced to the extent that you become covered under a group health or dental care plan providing comparable medical and health benefits. You shall be eligible to participate in such Health Plans on terms that are at least as favorable as those in effect immediately prior to the Date of Termination. However, in the event that the terms of the Company's Health Plans do not permit you to participate in those plans (other than pursuant to an election under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA")), in lieu of your and your eligible dependent's coverage and participation under the Company's Health Plans, the Company shall pay to you within fifteen (15) calendar days after the effective date of the Waiver and Release a lump sum equal to two (2) times your monthly COBRA premium amount for the number of months remaining in the Benefit Continuation Period. In addition, for the purposes of coverage under COBRA, your COBRA event date will be the date of loss of coverage described in this paragraph above.

c. Outplacement Services. The Company shall, at its sole expense as incurred, provide you with outplacement services on such terms and conditions as may be reasonably determined by the Company prior to the Change of Control.

d. Acceleration of Stock Awards. All your outstanding awards of restricted stock, stock options, and other equity-based compensation shall become fully vested and exercisable in full immediately upon the effective date of the Waiver and Release; provided, however, that any such awards that would be out of the money as of the Date of Termination may be terminated pursuant to Section 9(b) hereof. In addition, all of your outstanding awards of restricted stock, stock options, and other equity-based compensation that are not assumed or substituted with awards of equivalent value in connection with a Change of Control shall become fully vested and exercisable in full immediately upon the Change of Control.

5. Date and Notice of Termination. Any termination of your employment by the Company or by you during the Change of Control Period shall be communicated by a notice of termination to the other party hereto (the "Notice of Termination"). The Notice of Termination shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated. The date of your termination of employment with the Company (the "Date of Termination") shall be determined as follows: (i) if your employment is terminated for Disability, thirty (30) calendar days after a Notice of Termination is received by you (provided that you shall not have returned to the full-time performance of your duties during such thirty (30) calendar day period), (ii) if your employment is terminated by the Company in an Involuntary Termination, the later of the date specified in the Notice of Termination or five (5) calendar days after the date the Notice of Termination is received by you, (iii) if you terminate your employment for Good Reason, five (5) calendar days after the date the Notice of Termination is received by the Company, and (iv) if your employment is terminated by the Company for Cause, the later of the date specified in the Notice of Termination or five (5) calendar days following the date such notice is received by you. The Date of Termination for a resignation of employment other than for Good Reason shall be the date set forth in the applicable notice.

6. No Mitigation or Offset; D&O Insurance.

a. No Mitigation or Offset. You shall not be required to mitigate the amount of any payment provided for herein by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for herein be reduced by any compensation earned by you as the result of employment by another employer.

b. D&O Insurance, and Indemnification. Through at least the sixth anniversary of the Date of Termination, the Company shall maintain coverage for you as a named insured on all directors' and officers' insurance maintained by the Company for the benefit of its directors and officers on at least the same basis as all other covered individuals and provide you with at least the same corporate indemnification as it provides to other senior executives.

7. Confidentiality. You agree to treat all Confidential Information as confidential information entrusted to you solely for use as an employee of the Company, and shall not divulge, reveal or transmit any Confidential Information in any way to persons not employed by the Company at any time from the date hereof until the end of time, whether or not you continue to be an employee of the Company, unless authorized in writing by the Company.

8. Code Section 409A. The Agreement is not intended to constitute a "nonqualified deferred compensation plan" within the meaning of Code Section 409A. Notwithstanding the foregoing, in the event this Agreement or any benefit paid under this Agreement to you is deemed to be subject

to Code Section 409A, you consent to the Company's adoption of such conforming amendments as the Company deems advisable or necessary, in its sole discretion (but without an obligation to do so), to comply with Code Section 409A and avoid the imposition of taxes under Code Section 409A. This Agreement will be interpreted and construed to not violate Code Section 409A, although nothing herein will be construed as an entitlement to or guarantee of any particular tax treatment to you.

For purposes of this Agreement, a termination of employment means a "separation from service" as defined in Code Section 409A. Each payment made pursuant to any provision of this Agreement shall be considered a separate payment and not one of a series of payments for purposes of Code Section 409A. While it is intended that all payments and benefits provided under this Agreement to you will be exempt from or comply with Code Section 409A, the Company makes no representation or covenant to ensure that the payments under this Agreement are exempt from or compliant with Code Section 409A. The Company will have no liability to you or any other person or entity if a payment or benefit under this Agreement is challenged by any taxing authority or is ultimately determined not to be exempt or compliant. You further understand and agree that you will be entirely responsible for any and all taxes on any benefits payable to you as a result of this Agreement. As a condition of participation in the Agreement, you understand and agree that you will never assert any claims against the Company for reimbursement or payment of any Code Section 409A additional taxes, penalties and/or interest.

If upon your "separation from service" within the meaning of Code Section 409A, you are then a "specified employee" (as defined in Code Section 409A), then solely to the extent necessary to comply with Code Section 409A and avoid the imposition of taxes under Code Section 409A, the Company shall defer payment of "nonqualified deferred compensation" subject to Code Section 409A payable as a result of and within six (6) months following such "separation from service" under this Agreement until the earlier of (i) the first business day of the seventh month following your "separation from service," or (ii) ten (10) days after the Company receives written confirmation of your death. Any such delayed payments shall be made without interest. For avoidance of doubt, any payment whose amount is derived from the value of a Company common share shall be calculated using the value of a common share as of the closing on the expiration date of the foregoing Code Section 409A delay period.

To the extent any nonqualified deferred compensation payment to you could be paid in one or more of your taxable years depending upon you completing certain employment-related actions, then any such payments will commence or occur in the later taxable year to the extent required by Code Section 409A.

No reimbursement payable to you pursuant to any provisions of this Agreement or pursuant to any plan or arrangement of the Company shall be paid later than the last day of the calendar year following the calendar year in which the related expense was incurred, and no such reimbursement during any calendar year shall affect the amounts eligible for reimbursement in any other calendar year, except, in each case, to the extent that it does not violate Code Section 409A.

Any reimbursement payable to you under this Agreement or pursuant to any plan or arrangement of the Company shall be paid in accordance with the Company's established procedures provided, however, that to the extent necessary to comply with Code Section 409A, the following requirements will be adhered to: (1) such reimbursement arrangements will provide an objectively determinable nondiscretionary definition of the expenses eligible for reimbursement or of the in-kind benefits to be provided, (2) such reimbursement arrangements will provide for the

reimbursement of expenses incurred or for the provision of the in-kind benefits during an objectively and specifically prescribed period (including the lifetime of the service provider), (3) such reimbursement arrangements will provide that the amount of expenses eligible for reimbursement, or in-kind benefits provided, during your taxable year may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year, (4) the reimbursement of an eligible expense will be made on or before the last day of your taxable year following the taxable year in which the expense was incurred, and (5) the right to reimbursement or in-kind benefits will not be subject to liquidation or exchange for another benefit. Additionally, to the extent required by Code Section 409A, an eligible reimbursement expense must be incurred by you no later than the end of the second year following the year in which your Date of Termination occurs and any reimbursement payments to you must be made not later than the end of the third year following your Date of Termination (or, in the case of in-kind benefits, by the end of the second year following your Date of Termination).

9. Certain Reduction of Payments by the Company.

a. Best Net. Anything in this Agreement to the contrary notwithstanding, in the event that the independent auditors of the Company (the "Accounting Firm") determine that receipt of all payments or distributions in the nature of compensation to or for your benefit, whether paid or payable pursuant to this Agreement or otherwise ("Payments"), would subject you to tax under Section 4999 of the Code, the Payments paid or payable pursuant to this Agreement (the "COC Payments"), including payments made with respect to equity-based compensation accelerated pursuant to Section 4(d) hereof, but excluding payments made with respect to Sections 4(a)(i) and 4(a)(ii) hereof (except as provided below), may be reduced (but not below zero) to the Reduced Amount, but only if the Accounting Firm determines that the Net After-Tax Receipt of unreduced aggregate Payments would be equal to or less than the Net After-Tax Receipt of the aggregate Payments as if the Payments were reduced to the Reduced Amount. If such a determination is not made by the Accounting Firm, you shall receive all COC Payments to which you are entitled under this Agreement.

b. Reduced Amount. If the Accounting Firm determines that Payments should be reduced to the Reduced Amount, the Company shall promptly give you notice to that effect and a copy of the detailed calculation thereof. Absent manifest error, all determinations made by the Accounting Firm under this Section 9 shall be binding upon you and the Company and shall be made as soon as reasonably practicable and in no event later than twenty (20) business days following the Change of Control Date, or such later date on which there has been a Payment. The reduction of the Payments, if applicable, shall be made by reducing the payments and benefits hereunder in the following order, and only to the extent necessary to achieve the Reduced Amount:

The Company shall reduce or eliminate the Payments, by first reducing or eliminating the portion of the Payments which are not payable in cash and then by reducing or eliminating cash payments, in each case in reverse order beginning with payments or benefits which are to be paid the farthest in time from the determination.

All fees and expenses of the Accounting Firm in implementing the provisions of this Section 9 shall be borne by the Company. To the extent requested by you, the Company shall cooperate with you in good faith in valuing services provided or to be provided by

you (including without limitation, your agreeing to refrain from performing services pursuant to a covenant not to compete or similar covenant) before, on or after the date of a change in ownership or control of the Company (within the meaning of Q&A-2(b) of the Treasury Regulations adopted under Section 280G of the Code (the "Regulations")), such that payments in respect of such services may be considered reasonable compensation within the meaning of Q&A-9 and Q&A-40 to Q&A-44 of the Regulations and/or exempt from the definition of the term "parachute payment" within the meaning of Q&A-2(a) of the Regulations in accordance with Q&A-5(a) of the Regulations.

c. Subsequent Adjustment. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that amounts will have been paid or distributed by the Company to you or for your benefit pursuant to this Agreement which should not have been so paid or distributed ("Overpayment") or that additional amounts which will have not been paid or distributed by the Company to you or for your benefit pursuant to this Agreement could have been so paid or distributed ("Underpayment"), in each case, consistent with the calculation of the Reduced Amount hereunder. In the event that the Accounting Firm, based upon the assertion of a deficiency by the Internal Revenue Service against either the Company or you that the Accounting Firm believes has a high probability of success, determines that an Overpayment has been made, you shall pay any such Overpayment to the Company; provided, however, that no amount shall be payable by you to the Company if and to the extent such payment would not either reduce the amount of taxes to which you are subject under Sections 1 and 4999 of the Code or generate a refund of such taxes. In the event that the Accounting Firm, based upon controlling precedent or substantial authority, determines that an Underpayment has occurred, any such Underpayment shall be paid promptly (and in no event later than sixty (60) days following the date on which the Underpayment is determined) by the Company to you or for your benefit.

10. Successors; Binding Agreement.

a. Assumption by Successor. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company expressly to assume and to agree to perform its obligations under this Agreement in the same manner and to the same extent that the Company would be required to perform such obligations if no such succession had taken place; ***provided***, ***however***, that no such assumption shall relieve the Company of its obligations hereunder. As used herein, the "Company" shall mean the Company as hereinbefore defined and any successor to its business or assets as aforesaid which assumes and agrees to perform its obligations by operation of law or otherwise.

b. Enforceability; Beneficiaries. This Agreement shall be binding upon and inure to the benefit of you (and your personal representatives and heirs) and the Company and any organization which succeeds to substantially all of the business or assets of the Company, whether by means of merger, consolidation, acquisition of all or substantially all of the assets of the Company or otherwise, including, without limitation, as a result of a Change of Control or by operation of law. This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If you should die while any amount would still be payable to you hereunder if you had continued to live, all such amounts,

unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to your devisee, legatee or other designee or, if there is no such designee, to your estate.

11. Definitions. For purposes of this Agreement, the following capitalized terms have the meanings set forth below:

a. "Accounting Firm" has the meaning assigned thereto in Section 9 hereof.

b. "Accrued Obligations" shall mean all compensation earned or accrued through the Date of Termination but not paid as of the Date of Termination, including base salary, bonus for the prior performance year, accrued but unused vacation, and reimbursement of business expenses accrued in accordance with the Company's business expense reimbursement policies.

c. "Adjusted Base Salary" means the greater of your base salary in effect immediately prior to (i) the Change of Control Date or (ii) the Date of Termination.

d. "Agreement" has the meaning assigned thereto in the second introductory paragraph hereof.

e. "Benefit Continuation Period" means the period beginning on the Date of Termination and ending on the last day of the month in which occurs the earlier of (i) the 24-month anniversary of the Date of Termination and (ii) the date on which you elect coverage for you and your covered dependents under substantially comparable benefit plans of a subsequent employer.

f. "Board" has the meaning assigned thereto in the first introductory paragraph hereof.

g. "Bonus Opportunity" for any performance year means your maximum cash bonus opportunity for that year, on the assumption that the Company achieves all applicable performance targets and that you achieve all applicable individual performance criteria.

h. "Cause" shall mean (i) your engaging in willful and continued failure to substantially perform your material duties with the Company (other than due to becoming Disabled); ***provided, however***, that the Company shall have provided you with written notice of such failure and such failure is not cured by you within twenty (20) calendar days of such notice; (ii) your engaging in misconduct that is materially and demonstrably injurious to the Company; (iii) your conviction of, or plea of no contest to, a felony, other crime of moral turpitude; or (iv) a final non-appealable adjudication in a criminal or civil proceeding that you have committed fraud. For purposes of the previous sentence, no act or failure to act on your part shall be deemed "willful" if it is done, or omitted to be done, by you in good faith and with a reasonable belief that it was in the best interest of the Company.

i. "Change of Control" shall mean:

i. any "person" (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) becomes the beneficial

owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 30% or more of either (A) the then-outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (B) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that, for purposes of this Section, the following acquisitions shall not constitute a Change of Control: (i) any acquisition directly from the Company, (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company, or (iv) any acquisition pursuant to a transaction that complies with Sections 11(i)(iii)(A), (B), and (C);

ii. during any period of two consecutive years (not including any period prior to the Effective Date), individuals who at the beginning of such period constituted the Board and any new directors, whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least three-fourths of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or

iii. there is a consummation of a reorganization, merger, statutory share exchange or consolidation or similar transaction involving the Company or any of its subsidiaries, a sale or other disposition of all or substantially all of the assets of the Company, or the acquisition of assets or stock of another entity by the Company or any of its subsidiaries (each, a "Business Combination"), in each case unless, following such Business Combination, (A) all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding Company Common Stock and the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the then-outstanding shares of common stock (or, for a non-corporate entity, equivalent securities) and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors (or, for a non-corporate entity, equivalent governing body), as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity that, as a result of such transaction, owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and the Outstanding Company Voting Securities, as the case may be, (B) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 30% or more of, respectively, the then-outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then-outstanding voting securities of such corporation, except to the extent that such ownership existed prior to the Business Combination, and (C) at least a majority of the members of the board of directors (or, for a non-corporate entity, equivalent governing body) of the entity resulting from such Business Combination were members of the incumbent Board at the time of the execution of

the initial agreement or of the action of the Board providing for such Business Combination.

j. "Change of Control Date" has the meaning assigned thereto in Section 1 hereof.

k. "Change of Control Period" has the meaning assigned thereto in the second introductory paragraph hereof.

l. "COC Payments" has the meaning assigned thereto in Section 9 hereof.

m. "Code" shall mean the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

n. "Company" has the meaning assigned thereto in the first introductory paragraph hereof.

o. "Confidential Information" shall mean all financial information, trade secrets, personnel records, training and operational manuals, records, contracts, lists, business procedures, business methods, accounts, brochures, and handbooks that was learned or obtained by you in the course of your employment by the Company, and all other documents relating to the Company or persons doing business with the Company that are proprietary to the Company.

p. "Date of Termination" has the meaning assigned thereto in Section 5 hereof.

q. "Disability" shall mean your incapacity due to physical or mental illness as defined in the long-term disability plan sponsored by the Company or an affiliate of the Company for your benefit and which causes you to be absent from the full-time performance of your duties.

r. "Effective Period" shall mean the period commencing on the date hereof (the "Effective Date") and ending on the third anniversary of the date of this Agreement; ***provided, however***, that beginning on the third anniversary of the date of this Agreement and on each one-year anniversary thereafter (each such date a "Renewal Date"), the Effective Period shall be automatically extended for a period of two years beginning on such Renewal Date, unless at least sixty (60) calendar days prior to such Renewal Date, the Company shall give notice that the Effective Period shall not be so extended.

s. "Good Reason" shall mean the occurrence of any of the following events or circumstances:

i. a substantial adverse change in your title, position, offices, or the nature of your duties or responsibilities from those in effect immediately prior to the Change of Control, or in the position, level, or status of the person to whom you report.

ii. a reduction by the Company in your annual base salary, Target Bonus, or benefits as in effect immediately prior to the Change of Control or as the same may be increased from time to time thereafter, other than a general reduction in benefits applicable across similarly situated executives within the Company;

iii. a failure by the Company to pay you material compensation or benefits when due including, without limitation, failure by the Company to pay any accrued relocation expenses or Other Benefits;

iv. the relocation of the office of the Company where you are principally employed immediately prior to the Change of Control to a location which is more than forty (40) miles from such office of the Company (except for required travel on the Company's business to an extent substantially consistent with your customary business travel obligations in the ordinary course of business prior to the Change of Control); or any failure by a successor to the Company to assume and agree to perform this Agreement, as contemplated by Section 10(a) hereof, or any agreement with respect to your outstanding equity awards.

provided, however, that no event or condition set forth in subparagraphs (i) through (v) above shall constitute Good Reason unless (x) you give the Company written notice of objection to such event or condition within sixty (60) calendar days of the initial occurrence of such event or condition and (y) such event or condition is not corrected or remedied, in all material respects, by the Company within thirty (30) calendar days of its receipt of such notice; and ***provided, further, however***, that your mental or physical incapacity following the occurrence of an event described above in subparagraphs (i) through (v) above shall not affect your ability to terminate employment for Good Reason and that your death following delivery of a Notice of Termination shall not affect your estate's entitlement to the payments and benefits provided hereunder upon an Involuntary Termination. In order to qualify as a termination of employment due to Good Reason, you must resign your employment for Good Reason within forty (40) calendar days after you have provided the Company with the foregoing notice that a Good Reason event has occurred.

t. "Involuntary Termination" shall mean, during the Change of Control Period, (i) your termination of employment by the Company without Cause or (ii) your resignation of employment with the Company for Good Reason.

u. "Net After-Tax Receipt" shall mean the present value (as determined in accordance with Section 280G(d)(4) of the Code) of a Payment net of all taxes imposed on you with respect thereto under Sections 1 and 4999 of the Code and under applicable state and local laws, determined by applying the highest marginal rate under Section 1 of the Code and under state and local laws which applied to your taxable income for the immediately preceding taxable year, or such other rate(s) as you certify as likely to apply to you in the relevant tax year(s).

v. "Notice of Termination" has the meaning assigned thereto in Section 5 hereof.

w. "Other Benefits" means, to the extent not theretofore paid or provided, any other amounts or benefits required to be paid or provided to you or that you are eligible to receive under any plan, program, policy, practice, contract or agreement of the Company in accordance with such applicable terms at the time of the Date of Termination. Nothing herein shall prohibit the Company from changing, modifying, amending, or eliminating any benefit plans in accordance with the terms of such plans prior to the Date of Termination, with or without prior notice.

x. "Overpayment" has the meaning assigned thereto in Section 9 hereof.

y. "Pro Rata Bonus" means a pro rata portion of your Bonus Opportunity for the performance year in which the Date of Termination occurs, calculated based on the number of days that you are employed in the performance year up through and including the Date of Termination.

z. "Payment" has the meaning assigned thereto in Section 9 hereof.

aa. "Reduced Amount" shall mean $1,000.00 less than the greatest amount of Payments that can be paid that would not result in the imposition of the excise tax under Section 4999 of the Code.

ab. "Severance Policy" means the Company's Severance Policy for Key Executives as adopted on July 21, 2014 and as may be amended from time to time.

ac. "Target Bonus" for any year means your total cash target, but not maximum, bonus for that year, on the assumption that the Company has achieved, but not exceeded, all applicable performance targets and that you have achieved, but not exceeded, all applicable individual performance criteria.

ad. "Underpayment" has the meaning assigned thereto in Section 9 hereof.

ae. "Tax Authority" has the meaning assigned thereto in Section 9 hereof.

12. Notice. For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, addressed to the Board of Directors, LKQ Corporation, 500 West Madison Street, Suite 2800, Chicago, IL 60661, with a copy to the General Counsel of the Company, or to you at the address set forth on the first page of this Agreement or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

13. Release. As a condition to receiving any payments or benefits pursuant to this Agreement by reason of your death, Disability or Involuntary Termination, you (or in the case of your death, the executor of your estate) must execute a waiver and release of claims, including confidentiality and non-disparagement covenants, substantially in the form approved by the Company prior to the Change of Control Date (as set forth on Exhibit B attached hereto) (a "Waiver and Release"), and such executed Waiver and Release must be delivered to the Company (and not revoked by you) and become effective by its own terms no later than 55 days after the later of (i) the Change of Control or (ii) the termination of your employment with the Company.

14. Arbitration. Any dispute or controversy arising under or in connection with this Agreement that cannot be mutually resolved by the parties hereto shall be settled exclusively by arbitration in Chicago, Illinois under the employment arbitration rules of the American Arbitration Association before one arbitrator of exemplary qualifications and stature, who shall be selected jointly by the Company and you, or, if the Company and you cannot agree on the selection of the arbitrator, such arbitrator shall be selected by the American Arbitration Association. Judgment may be entered on the arbitrator's award in any court having jurisdiction. The parties hereby agree that the arbitrator shall be empowered to enter an equitable decree mandating specific enforcement of the terms of

this Agreement. The Company agrees to pay as incurred, to the fullest extent permitted by law, the costs and fees of the arbitration, including all legal fees and expenses which you may reasonably incur as a result of any contest (regardless of the outcome thereof) by the Company, you or others of the validity or enforceability of, or liability under, any provision of this Agreement (including as a result of any contest by you about the amount of any payment pursuant to this Agreement), plus in each case interest on any delayed payment at the applicable Federal rate provided for in Section 7872(f)(2)(A) of the Code.

15. Miscellaneous.

a. Amendments, Waivers, Etc. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement and this Agreement shall supersede all prior agreements, negotiations, correspondence, undertakings and communications of the parties, oral or written, with respect to the subject matter hereof. Notwithstanding the foregoing and for avoidance of doubt, this Agreement does not supersede or replace the Severance Policy. However, any payments or benefits provided (or to be provided) under this Agreement shall be reduced and offset by payments or benefits of the same type that are received by you from the Company under the Severance Policy or any other severance arrangement.

b. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

c. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

d. No Contract of Employment. Nothing in this Agreement shall be construed as giving you any right to be retained in the employ of the Company or shall affect the terms and conditions of your employment with the Company prior to the commencement of the Change of Control Period.

e. Withholding. Amounts paid to you hereunder shall be subject to all applicable federal, state and local withholding taxes.

f. Source of Payments. All payments provided under this Agreement shall be paid in cash from the general funds of the Company, and no special or separate fund shall be established, and no other segregation of assets made, to assure payment. You will have no right, title or interest whatsoever in or to any investments which the Company may make to aid it in meeting its obligations hereunder. To the extent that any person acquires a right to receive payments from the Company hereunder, such right shall be no greater than the right of an unsecured creditor of the Company.

g. Headings. The headings contained in this Agreement are intended solely for convenience of reference and shall not affect the rights of the parties to this Agreement.

h. Governing Law. This Agreement is governed by ERISA and, to the extent applicable, the laws of the State of Delaware without regard to conflicts of law.

i. Effect on Benefit Plans. In the event of any inconsistency between the provisions of this agreement and the provisions of any benefit plan of the Company, the provisions that are more favorable to you shall control.

* * * * *

By signing below, you acknowledge that this Agreement sets forth our agreement on the subject matter hereof. Kindly sign and return to the Company the enclosed copy of this letter which will then constitute our agreement on this subject.

Sincerely,

LKQ CORPORATION

/s/ Victor M. Casini

By: ____________________

Name: Victor M. Casini

Title: Senior Vice President and General Counsel

Agreed to as of this January 31, 2020

/s/ Michael T. Brooks

Michael T. Brooks

Senior Vice President - Global Information Officer

EXHIBIT A

The Agreement, including its Exhibits, constitutes both the official plan document and the required summary plan description under ERISA.

ELIGIBILITY

The Agreement is effective for the individual named in the Agreement ("**you**").

BENEFITS

You shall be eligible for severance benefits at such times and in such amounts as may be specified in your Agreement.

OTHER IMPORTANT INFORMATION

A. Agreement Administration. As the Agreement Administrator, the Company has the full and sole discretionary authority to administer and interpret the Agreement, including discretionary authority to determine eligibility for participation in and for benefits under the Agreement, to determine the amount of benefits (if any) payable per participant, and to interpret any terms of this document. All determinations by the Agreement Administrator will be final and conclusive upon all persons and be given the maximum possible deference allowed by law. The Agreement Administrator is the "named fiduciary" of the Agreement for purposes of ERISA and will be subject to the applicable fiduciary standards of ERISA when acting in such capacity. The Company may delegate in writing to any other person all or a portion of its authority or responsibility with respect to the Agreement.

B. Source of Benefits. The Agreement is unfunded, and all severance benefits will be paid from the general assets of the Company or its successor. No contributions are required under the Agreement.

C. Claims Procedure. If you believe you have been incorrectly denied a benefit or are entitled to a greater benefit than the benefit you received under the Agreement, you may submit a signed, written application to the Company's Senior Vice President of Human Resources ("**Claims Administrator**"). You will be notified in writing of the approval or denial of this claim within ninety (90) days of the date that the Claims Administrator receives the claim, unless special circumstances require an extension of time for processing the claim. In the event an extension is necessary, you will be provided written notice prior to the end of the initial ninety (90) day period indicating the special circumstances requiring the extension and the date by which the Claims Administrator expects to notify you of approval or denial of the claim. In no event will an extension extend beyond ninety (90) days after the end of the initial ninety (90) day period. If your claim is denied, the written notification will state specific reasons for the denial, make specific reference to the Agreement provision(s) on which the denial is based, and provide a description of any material or information necessary for you to perfect the claim and why such material or information is necessary. The written notification will also provide a description of the Agreement's review procedures and the applicable time limits, including a statement of your right to bring a civil suit under section 502(a) of ERISA following denial of your claim on review.

You will have sixty (60) days from receipt of the written notification of the denial of your claim to file a signed, written request for a full and fair review of the denial by a review panel which will be a named fiduciary of the Agreement for purposes of such review. This request should include the reasons you are requesting a review and may include facts supporting your request and any other relevant comments, documents, records and other information relating to your claim. Upon request and free of charge, you will be provided with reasonable access to, and copies of, all documents, records and other information relevant

to your claim, including any document, record or other information that was relied upon in, or submitted, considered or generated in the course of, denying your claim. A final, written determination of your eligibility for benefits shall be made within sixty (60) days of receipt of your request for review, unless special circumstances require an extension of time for processing the claim, in which case you will be provided written notice of the reasons for the delay within the initial sixty (60) day period and the date by which you should expect notification of approval or denial of your claim. This review will take into account all comments, documents, records and other information submitted by you relating to your claim, whether or not submitted or considered in the initial review of your claim. In no event will an extension extend beyond sixty (60) days after the end of the initial sixty (60) day period. If an extension is required because you fail to submit information that is necessary to decide your claim, the period for making the benefit determination on review will be tolled from the date the notice of extension is sent to you until the date on which you respond to the request for additional information. If your claim is denied on review, the written notification will state specific reasons for the denial, make specific reference to the Agreement provision(s) on which the denial is based and state that you are entitled to receive upon request, and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to your claim, including any document, record or other information that was relied upon in, or submitted, considered or generated in the course of, denying your claim. The written notification will also include a statement of your right to bring an action under section 502(a) of ERISA.

If your claim is initially denied or is denied upon review, you are entitled to receive upon request, and free of charge, reasonable access to, and copies of, any document, record or other information that demonstrates that (1) your claim was denied in accordance with the terms of the Agreement, and (2) the provisions of the Agreement have been consistently applied to similarly situated participants, if any. In pursuing any of your rights set forth in this section, your authorized representative may act on your behalf.

If you do not receive notice within the time periods described above, whether on initial determination or review, you may initiate a lawsuit under Section 502(a) of ERISA.

D. Indemnification. The Company agrees to indemnify its officers and employees and the members of the Board of Directors of the Company from all liabilities from their acts or omissions in connection with the administration, amendment or termination of the Agreement, to the maximum extent permitted by applicable law.

E. Severability. If any provision of the Agreement is held invalid or unenforceable, its invalidity or unenforceability will not affect any other provision of the Agreement, and the Agreement will be construed and enforced as if such provision had not been included.

F. Headings. Headings in the Agreement are for purposes of reference only and will not limit or otherwise affect the meaning hereof.

STATEMENT OF ERISA RIGHTS

As a participant in the Agreement you are entitled to certain rights and protections under ERISA. ERISA provides that all Agreement participants shall be entitled to:

A. Receive Information About Your Agreement and Benefits

Examine, without charge, at the Agreement Administrator’s office and at other specified locations, such as work sites, all documents governing the Agreement.

Obtain, upon written request to the Agreement Administrator, copies of documents governing the operation of the Agreement. The Agreement Administrator may impose a reasonable charge for the copies.

B. Prudent Actions by Agreement Fiduciaries

In addition to creating rights for Agreement participants, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate your Agreement, called "fiduciaries" of the Agreement, have a duty to do so prudently and in the interest of you and other Agreement participants and beneficiaries. No one, including your employer or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a welfare benefit or exercising your rights under ERISA.

C. Enforce Your Rights

If your claim for a welfare benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of Agreement documents and do not receive it within 30 days, you may file suit in a federal court. In such a case, the court may require the Agreement Administrator to provide the materials and pay you up to $110.00 per day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Agreement Administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or federal court after you have completed the Agreement's administrative appeals process. If you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

D. Assistance With Your Questions

If you have any questions about the Agreement, you should contact the Agreement Administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Agreement Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory, or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

ADDITIONAL AGREEMENT INFORMATION

Name of Agreement:	Change of Control Agreement
Employer Sponsoring Agreement:	LKQ Corporation. 500 West Madison Street, Suite 2800, Chicago, IL 60661
Employer Identification Number:	36-4215970
Agreement Number:	529
Agreement Year:	Calendar Year
Agreement Administrator:	LKQ Corporation c/o Senior Vice President of Human Resources 500 West Madison Street, Suite 2800, Chicago, IL 60661 Telephone No. (312) 621-1950
Agent for Service of Legal Process:	Agreement Administrator, at the above address
Type of Agreement:	Employee Welfare Benefit Plan providing for severance benefits
Agreement Costs:	The cost of the Agreement is paid by LKQ Corporation
Type of Administration:	Self-administered by the Agreement Administrator

EXHIBIT B

WAIVER AND GENERAL RELEASE AGREEMENT

This Waiver and Release Agreement (this "Release") is entered into as of the date indicated on the signature page of this Release by and between LKQ Corporation, a Delaware corporation (the "Company") and ("Employee"). Employee has been employed by the Company, and the parties are entering into this Release because the employment relationship is ending, without fault or wrongdoing on the part of either the Company or Employee, who agree as follows:

1. Release.

a. In exchange for the valuable consideration set forth in the Change of Control Agreement dated as of ____________ ___, 20___ (the "Letter Agreement"), between Employee and the Company, the receipt and adequacy of which are herein acknowledged, Employee hereby agrees to release and forever discharge the Company and its present, former and future partners, shareholders, affiliates, direct and indirect parents, subsidiaries, successors, directors, officers, employees, agents, attorneys, heirs and assigns (the "Released Parties"), from any and all claims, actions and causes of action (the "Claims") arising out of (i) his employment relationship with and service as an employee of the Company and its affiliates, and the termination of such relationship or service, or (ii) any event, condition, circumstance or obligation that occurred, existed or arose on or prior to the date hereof, including, but not limited to any Claims under Title VII of the Civil Rights Act of 1964, the Rehabilitation Act of 1973, the Americans With Disabilities Act of 1990, the Civil Rights

Act of 1866, the Civil Rights Act of 1991, the Employee Retirement Income Security Act of 1974 (ERISA), the Family and Medical Leave Act of 1993, the California Fair Employment and Housing Act; the California Workers' Compensation Act; the California Unruh and Ralph Civil Rights Laws; the California Alcohol and Drug Rehabilitation Law and any other federal, state or local law, statute, regulation or ordinance, or law of any foreign jurisdiction, whether such Claim arises under statute or common law and whether or not Employee is presently aware of the existence of such Claim. Employee also forever releases, discharges and waives any right he may have to recover in any proceeding brought by any federal, state or local agency against the Released Parties to enforce any laws. To ensure that this Release is fully enforceable in accordance with its terms, Employee agrees to waive any and all rights to any Claims, whether or not he knows or suspects them to exist in his favor, which if known to him would have materially affected his execution of this Release. Notwithstanding the foregoing, this Release does not apply to Employee's rights, claims, or benefits under the Letter Agreement or to Employee's rights, if any, to payment of benefits pursuant to any employee benefit plan. This Release also does not apply to Employee's rights, claims, or benefits claims for unemployment compensation benefits, workers compensation benefits, claims under the Fair Labor Standards Act, health insurance benefits under the Consolidated Omnibus Budget Reconciliation Act (COBRA), or claims with regard to vested benefits under a retirement plan governed by ERISA.

b. **To ensure that this Release is fully enforceable in accordance with its terms, Employee hereby agrees to waive any and all rights under Section 1542 of the California Civil Code (to the extent applicable) as it exists from time to time, which provides:**

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

In addition, to ensure that this Release is fully enforceable in accordance with its terms, Employee hereby agrees to waive any protection that may exist under any comparable or similar statute and under any principle of common law of the United States or any and all States.

EMPLOYEE UNDERSTANDS THAT, BY SIGNING THIS RELEASE, EMPLOYEE WILL HAVE WAIVED ANY RIGHT THAT HE MAY HAVE TO BRING A LAWSUIT OR MAKE ANY CLAIM AGAINST THE COMPANY AND THE RELEASED PARTIES BASED ON ANY ACT OR OMISSIONS BY THEM UP TO THE DATE OF SIGNING THIS AGREEMENT.

c. In further consideration of the payments and benefits provided to Employee under the Letter Agreement, Employee hereby releases and forever discharges the Released Parties from any and all Claims that he may have as of the date he signs this Release arising under the federal Age Discrimination in Employment Act of 1967, as amended, and the applicable rules and regulations promulgated thereunder ("ADEA"). By signing this Release, Employee hereby acknowledges and confirms the following: (i) he was advised by the Company in connection with his termination to consult with an attorney of his choice prior to signing this Release and to have such attorney explain to him the terms of this Release, including, without limitation, the terms relating to his release of claims arising under the ADEA; (ii) if Employee is 40 years of age or older as of the date of execution of this Release, he was given a period of not fewer than 21 calendar days to consider the terms of this Release and to consult with an attorney of his choosing with respect thereto;

(iii) he is providing the release and discharge set forth in this Paragraph 1(c) only in exchange for consideration in addition to anything of value to which he is already entitled and (iv) he can revoke this Release without it becoming effective as described below.

2. No Legal Claim. Employee has not commenced any legal action, which term includes, without limitation, any demand for arbitration proceedings and any charge, complaint, filing or submission with any federal, state or local agency, court or other tribunal, to assert any Claim against a Released Party, and covenants and agrees not to do so in the future with respect to the matters released herein. If Employee commences or joins any legal action against a Released Party, Employee agrees that such an action is prohibited by this Release, and further agrees to promptly indemnify such Released Party for its reasonable costs and attorneys fees incurred in defending such action as well as forfeit or return any monetary judgment obtained by Employee against any Released Party in such action. Nothing in this Paragraph 2 is intended to reflect any party's belief that Employee's waiver of claims under the ADEA is invalid or unenforceable under this Release, it being the intent of the parties that such claims are waived.

3. Nondisparagement. Employee agrees to refrain, except as required by law or in connection with a judicial proceeding, from making directly or indirectly, now or at any time in the future, any written or oral statements, representations or other communications that disparage or are otherwise damaging to the business or reputation of the Released Parties.

4. Continuing Obligations. This Release shall not supersede any continuing obligations Employee may have under the terms of the Letter Agreement or any other agreement between Employee and the Company.

5. Disclaimer. Employee hereby certifies that Employee has read the terms of this Release, that Employee has been advised by the Company to consult with an attorney of Employee's own choice prior to executing this Release, that Employee has had an opportunity to do so, and that Employee understands the provisions and consequences of this Release. Employee further certifies that the Company has not made any representation to Employee concerning this Release other than those contained herein.

6. Governing Law. This Release is governed by ERISA and, to the extent applicable, the laws of the State of Delaware without regard to conflicts of law.

7. Separability of Clauses. If any provisions of this Release shall be finally determined to be invalid or unenforceable under applicable law by a court of competent jurisdiction, that part shall be ineffective to the extent of such invalidity or unenforceability only, without in any way affecting the remaining provisions of this Release.

8. Counterparts. This Release may be executed by the parties hereto in counterparts, each of which shall be deemed an original, but both such counterparts shall together constitute one and the same document.

9. Effectiveness. This Release shall be effective only when it has been executed by Employee and the executed original has been returned to the Company, and any applicable revocation period has expired.

IN WITNESS WHEREOF, the Company has caused this Release to be signed by its duly authorized officer, and Employee has executed this Release as of the day and year indicated below Employee's signature.

LKQ CORPORATION

By:

Name:
Title:

If Employee is 40 years of age or older as of the date of execution of this Release, Employee shall have the right to revoke this Release during the seven-day period (the "Revocation Period") commencing immediately following the date he signs and delivers this Release to the Company. The Revocation Period shall expire at 5:00 p.m. [INSERT TIME ZONE] Time on the last day of the Revocation Period; provided, however, that if such seventh day is not a business day, the Revocation Period shall extend to 5:00 p.m. on the next succeeding business day. In the event Employee revokes this Release, all obligations of the Company under this Release and under any agreement which are conditional upon this Release shall terminate and be of no further force and effect as of the date of such revocation. No such revocation by Employee shall be effective unless it is in writing and signed by him and received by the Company prior to the expiration of the Revocation Period at the following address:

LKQ Corporation
ATTN: General Counsel
500 W. Madison Street, Suite 2800
Chicago, IL 60661

I HAVE READ AND AGREE
TO THIS RELEASE:

____
Name:
Date:

Exhibit 21.1

LIST OF SUBSIDIARIES OF LKQ CORPORATION (as of December 31, 2019)

Subsidiary	Jurisdiction	Assumed Names
U.S. Enitites		
A&A Auto Parts Stores, Inc.	Pennsylvania	
AIM Recycling Florida, LLC (50.01% stake)	Delaware	AIM Recycling West Palm; AIM Recycling Medley; AIM Recycling Davie
American Recycling International, Inc.	California	Pick A Part Auto Dismantling
A-Reliable Auto Parts & Wreckers, Inc.	Illinois	LKQ Self Service Auto Parts-Rockford; LKQ Heavy Duty Truck ARSCO; LKQ Heavy Duty Truck Core; LKQ Pick Your Part Rockford; LKQ Pick Your Part Chicago Heights
Assured Quality Testing Services, LLC	Delaware	
Automotive Calibration & Technology Services, LLC	Delaware	
AutoTech Fund I L.P. (8.25% stake)	Delaware	
Ecology Recycling Services, LLC (33.33% stake)	California	
DriverFx.com, Inc.	Delaware	
Global Powertrain Systems, LLC	Delaware	
KAIR IL, LLC	Illinois	
KAO Logistics, Inc	Pennsylvania	
KAO Warehouse, Inc.	Delaware	
Keystone Automotive Industries, Inc.	California	Transwheel, Coast to Coast International; LKQ of Cleveland; Keystone Automotive-San Francisco Bay Area; Chrome Enhancements
Keystone Automotive Operations, Inc.	Pennsylvania	
Keystone Automotive Operations of Canada, Inc.	Delaware	
KPGW Canadian Holdco, LLC	Delaware	
Lakefront Capital Holdings, LLC	California	
LKQ 1st Choice Auto Parts, LLC	Oklahoma	
LKQ 250 Auto, Inc.	Ohio	
LKQ All Models Corp.	Arizona	Wholesale Auto Recyclers; Cars ‘n More; LKQ of Arizona
LKQ Apex Auto Parts, Inc.	Oklahoma	LKQ Self Service Auto Parts - Oklahoma City
LKQ Auto Parts of Central California, Inc.	California	LKQ Valley Truck Parts; LKQ Specialized Auto Parts; LKQ ACME Truck Parts; All Engine Distributing
LKQ Auto Parts of Memphis, Inc.	Arkansas	LKQ of Tennessee; LKQ Preferred
LKQ Auto Parts of North Texas, Inc.	Delaware	
LKQ Auto Parts of North Texas, L.P.	Delaware	LKQ Auto Parts of Central Texas; LKQ Self Service Auto Parts-Austin
LKQ Auto Parts of Utah, LLC	Utah	
LKQ Best Automotive Corp.	Delaware	LKQ Auto Parts of South Texas; A-1 Auto Salvage Pick & Pull; The Engine & Transmission Store; LKQ Automotive Core Services; LKQ International Sales; LKQ of El Paso
LKQ Brad’s Auto & Truck Parts, Inc.	Oregon	
LKQ Central, Inc.	Delaware	
LKQ Corporation	Delaware	
LKQ Delaware LLP	Delaware	
LKQ Foster Auto Parts Salem, Inc.	Oregon	Foster Auto Parts Salem

Subsidiary	Jurisdiction	Assumed Names
LKQ Foster Auto Parts, Inc.	Oregon	LKQ U-Pull-It Auto Wrecking; U-Pull-It Auto Wrecking; LKQ Barger Auto Parts; LKQ KC Truck Parts-Inland Empire; LKQ KC Truck Parts-Western Washington; LKQ KC Truck Parts-Montana; LKQ Wholesale Truck Parts; LKQ of Eastern Idaho
LKQ Great Lakes Corp.	Indiana	LKQ Star Auto Parts; LKQ Chicago; LKQ Self Service Auto Parts-Milwaukee
LKQ Heavy Truck-Texas Best Diesel, L.P.	Texas	LKQ Fleet Solutions
LKQ Investments, Inc.	Delaware	
LKQ Lakenor Auto & Truck Salvage, Inc.	California	LKQ of Southern California; LKQ of Las Vegas; LKQ Parts Outlet-Los Angeles
LKQ Metro, Inc.	Illinois	
LKQ Midwest, Inc.	Delaware	
LKQ Midwest Auto Parts Corp.	Nebraska	Midwest Foreign Auto; LKQ Midwest Auto; LKQ Auto Parts of Lincoln
LKQ Minnesota, Inc.	Minnesota	LKQ Albert Lea
LKQ of Indiana, Inc.	Indiana	LKQ Self Service Auto Parts-South Bend; LKQ Kentuckiana; LKQ Pick Your Part
LKQ of Michigan, Inc.	Michigan	
LKQ of Nevada, Inc.	Nevada	
LKQ Northeast, Inc.	Delaware	LKQ Thruway Auto Parts; LKQ Venice Auto Parts; LKQ Triple Nickel Trucks
LKQ Pick Your Part Southeast, LLC	Delaware	LKQ Self Service Auto Parts-Orlando; LKQ Pick Your Part
LKQ Receivables Finance Company, LLC	Delaware	
LKQ Self Service Auto Parts-Holland, Inc.	Michigan	LKQ Pick Your Part
LKQ Self Service Auto Parts-Kalamazoo, Inc.	Michigan	LKQ Self Service Auto Parts-Grand Rapids; LKQ Pick Your Part
LKQ Self Service Auto Parts-Tulsa, Inc.	Oklahoma	LKQ Pick Your Part
LKQ Southeast, Inc.	Delaware	LKQ Fort Myers; LKQ Heavy Truck-Tampa; LKQ Pick Your Part; LKQ Gulf Coast; LKQ Plunks Truck Parts & Equipment - West Monroe; LKQ of Carolina; LKQ Richmond; LKQ East Carolina; LKQ Self Service East NC ; LKQ Self Service Auto Parts-Charlotte; LKQ Pick Your Part; LKQ Heavy Duty Truck Charlotte; LKQ Heavy Duty Truck-Universal Truck Parts; LKQ Heavy Truck-Universal; LKQ Melbourne; LKQ North Florida; LKQ South Florida; LKQ West Florida;
LKQ Southwick LLC	Massachusetts	
LKQ Taiwan Holding Company	Illinois	
LKQ Trading Company	Delaware	
LKQ TriplettASAP, Inc.	Ohio	LKQ Heavy Truck-Goody's; LKQ Pittsburgh; LKQ Pick Your Part; Cockrell's Auto Parts
LKQ West Michigan Auto Parts, Inc.	Michigan	
North American ATK Corporation	California	
PGW Auto Glass, LLC	Delaware	
Pick-Your-Part Auto Wrecking	California	LKQ Pick A Part-San Bernardino; LKQ Midnight Auto & Truck Recyclers; LKQ Pick A Part-Hesperia; LKQ Desert High Truck & Auto Recyclers; LKQ Pick A Part-Riverside; LKQ Hillside Truck & Auto Recyclers
Potomac German Auto, Inc.	Maryland	LKQ Norfolk; LKQ Heavy Truck-Maryland

Subsidiary	Jurisdiction	Assumed Names
Pull-N-Save Auto Parts, LLC	Colorado	LKQ Pull-N-Save Auto Parts of Aurora LLC; LKQ of Colorado; LKQ Self Service Auto Parts-Denver; LKQ Western Truck Parts
Redding Auto Center, Inc.	California	LKQ Auto Parts of Northern California; LKQ Reno; LKQ Specialized Parts Planet; LKQ ACME Truck Parts; LKQ Auto Sales of Rancho Cordova
Rydell Motor Company, LLC (1% stake)	Iowa	
Scrap Processors, LLC	Illinois	
U-Pull-It, Inc.	Illinois	LKQ PickYour Part Blue Island
U-Pull-It, North, LLC	Illinois	LKQ Pick Your Part
Warn Industries, Inc.	Delaware	

Subsidiary	Jurisdiction	Assumed Names
Foreign Entities		
1323352 Alberta ULC	Alberta	
1323410 Alberta ULC	Alberta	
Ageres B.V.	Netherlands	
Alfa Paints B.V.	Netherlands	
Andrew Page 1917 Limited	England & Wales	
Annex-Technik GmbH (subsidary of PV Automotive GmbH)	Germany	
AP Logistics Belgie NV (Sator Holding B.V. 71% share & Fource Services 29% share)	Belgium	
AP Logistics B.V.	Netherlands	
APM Automotive s.r.o.	Czech Republic	
Aquafax Limited	England & Wales	
Arleigh Group Limited	England & Wales	
Arleigh International Limited	England & Wales	
A.S.A.P. Supplies Limited	England & Wales	
ATR International AG (2% stake; 20% subsidary of Auto-Teile-Ring)	Germany	
Autoteileland AL GmbH (subsidary of PV Automotive GmbH)	Germany	
Auto-Teile-Ring-GmbH (37.5% stake)	Germany	
Atracco AB	Sweden	
Atracco AS	Norway	
Atracco Auto AB	Sweden	
Atracco Group AB	Sweden	
Atracco Tromso AS		
Auto Kelly a.s.	Czech Republic	
Auto Kelly Slovakia s.r.o.	Slovakia	
Automotive Academy B.V.	Netherlands	
Automotive Data Services Limited	England & Wales	
Autoteile Supermarkt GmbH (59% subsidiary of Neimke Holding)	Germany	
Auto Wessel B.V.	Netherlands	
Belgian Carparts Corporation CVBA	Belgium	
Blue Moose Holdings Ltd.	England & Wales	
B.M. S.r.l.	Italy	
BRUNN GmbH (subsidary of PV Automotive GmbH)	Germany	
Car Parts 4 Less Limited	England & Wales	

Subsidiary	Jurisdiction	Assumed Names
Car Systems B.V.	Netherlands	
Centro Ricambi Rhiag S.r.l.	Italy	
Commercial Parts UK Holdco Limited (25% stake)	England & Wales	
CZ Aftermarket Holding GmbH (51.8% stake)	Germany	
Digraph Transport Supplies Limited (subsidiary of Commercial Parts UK Holdco Limited)	England & Wales	
Distribuidora Hermanos Copher Internacional, SA	Guatemala	
ECP France SAS	France	
ELIT CZ, Spol s.r.o.	Czech Republic	
Elit Group Ltd.	Switzerland	
Elit Kar OOD (20% stake)	Bulgaria	
ELIT Polska sp.z.o.o.	Poland	
ELIT Slovakia s.r.o.	Slovakia	
ELIT Ukraine LLC	Ukraine	
Era S.r.l.	Italy	
Euro Car Parts Ireland Limited	Ireland	
Euro Car Parts Limited	England & Wales	
Euro Car Parts Nordic AB	Sweden	
Euro Car Parts (Northern Ireland) Limited	Northern Ireland	
Euro Garage Solutions Ltd	England & Wales	
Fource Automotive BV	Netherlands	
Fource BV	Netherlands	
Fource Holding B.V.	Netherlands	
Fource Project B.V.	Netherlands	
Fource Services B.V.	Netherlands	
GHS Automotive B.V.	Netherlands	
Harrems Tools B.V.	Netherlands	
Harrems Tools N.V. (Harrems Tools B.V. 95% stake & Fource Services 5% stake)	Belgium	
Hartsant Crash Repair Bvba	Belgium	
heptus 292. GmbH	Germany	
Heuts Beheer B.V.	Netherlands	
Heuts DHZ B.V.	Netherlands	
HF Services B.V.	Netherlands	
HF Services BVBA (Van Heck Interpieces NV 99.9% share & Fource Holding B.V. 0.1%)	Belgium	
I4B Sp.z.o.o. (51.2% subsidary of Optimal AG & Co. KG)	Poland	
In2-Connect Platform Limited	England & Wales	
In2 Developments Limited	England & Wales	
In2 Management Group Limited	England & Wales	

Subsidiary	Jurisdiction	Assumed Names
IPAR Industrial Partners B.V.	Netherlands	
inSiamo Scarl (24.32% stake)	Italy	
J. Elmer s.r.o.	Czech Republic	
JCA Coatings Limited	England & Wales	
Karkraft (N.I.) Limited	Northern Ireland	
Karstorp Bildemontering AB	Sweden	
Keystone Automotive de Mexico, Sociedad de Responsabilidad Limitada de Capital Variable	Mexico	
Keystone Automotive Industries ON, Inc.	Canada (Federal)	
Klaus Autozubehor Grosshandel GmbH (30% stake)	Germany	
Láng Kft.	Hungary	
LKQ Belgium BVBA	Belgium	
LKQ Canada Auto Parts Inc.	Canada (Federal)	
LKQ Euro Limited	Ireland	
LKQ Europe GmbH	Switzerland	
LKQ European Holdings B.V.	Netherlands	
LKQ European Services B.V.	Netherlands	
LKQ German Holdings GmbH	Germany	
LKQ India Private Limited	India	
LKQ Italia S.r.l.	Italy	
LKQ Italia Bondco S.p.A.	Italy	
LKQ Netherlands B.V.	Netherlands	
LKQ Ontario LP	Ontario	
Marine Mart Limited	England & Wales	
Markesdemo AB (7.04% stake)	Sweden	
Matorit Data AB	Sweden	
Mekonomen AB (26.5% stake)	Sweden	
Messmer GmbH	Germany	
Midland Chandlers Limited	England & Wales	
Milano Distribuzione 2 S.r.l.	Italy	
Motorparts S.r.l.	Italy	
M.P.M. International Oil Company B.V.	Netherlands	
MTS Marken Technik Service GmbH & Co. KG (2.57% subsidary of PV Automotive GmbH)	Germany	
MTS Marken Technik Service Verwaltungs GmbH (subsidary of MTS Marken Technik Service GmbH & Co. KG)	Germany	
Neimke AT GmbH & Co. KG (subsidiary of Neimke GmbH & Co. KG)	Austria	
Neimke AT Verwaltungs GmbH (subsidiary of Neimke GmbH & Co. KG)	Austria	
Neimke Geschaftsfuhrungs-und Verwaltungs GmbH (74% stake)	Germany	

Subsidiary	Jurisdiction	Assumed Names
Neimke GmbH & Co. KG (74% stake)	Germany	
Neimke Holding GmbH (subsidiary of Neimke GmbH & Co. KG)	Germany	
Nipparts B.V.	Netherlands	
Nipparts Deutschland GmbH	Germany	
Nova Leisure Limited	England & Wales	
NPR Auto Trading Limited	Ireland	
NTP/Stag Canada Inc.	Canada (Federal)	
Obdo Forvaltning AB	Sweden	
Orebro Bildemontering AB	Sweden	
Optimal AG & Co. KG	Germany	
Optimal Asia Ltd. (60% subsidary of Optimal AG & Co. KG)	Hong Kong	
Optimal Benelux Bvba (60.75% subsidary of Optimal AG & Co. KG)	Belgium	
Optimal France S.a.r.l. (subsidary of Optimal AG & Co. KG)	France	
Optimal Istanbul Yedek Parca Otomotiv Sanayi Ve Ticaret A.S. (95% subsidary of Optimal AG & Co. KG)	Turkey	
Optimal Otomotiv Dis Ticaret A.S. (subsidary of Optimal AG & Co. KG)	Turkey	
Optimal Polska Sp.z.o.o. (51% subsidary of Optimal AG & Co. KG)	Poland	
Optimalrecambio Cia Ltda. (51% subsidary of Optimal Recambios S.L)	Ecuador	
Optimal Recambios S.L. (26.4% subsidary of Optimal AG & Co. KG)	Spain	
Optimal UK Distribution Limited (80% subsidary of Optimal AG & Co. KG)	England & Wales	
Optimal Verwaltungs AG (subsidary of Optimal AG & Co. KG)	Germany	
Pala Holding, B.V.	Netherlands	
Partslife GmbH (2.27% subsidary of PV Automotive GmbH)	Germany	
PGW Auto Glass, ULC	Nova Scotia	
Pika Autoteile GmbH	Germany	
PV Automotive GmbH (66.67% stake)	Germany	
PV Technik GmbH (subsidary of PV Automotive GmbH)	Germany	
Q-Parts24 GmbH & Co. KG (51% subsidary of Optimal AG & Co. KG)	Germany	
Q-Parts24 Verwaltstungs GmbH (subsidary of Q-Parts24 GmbH & Co. KG)	Germany	
Recopart AB	Sweden	
Rhiag Group Ltd.	Switzerland	
Rhiag-Inter Auto Parts Italia S.r.l.	Italy	
Rhiag Services Slovakia s.r.o.	Slovakia	
Rhino BidCo S.r.l.	Italy	

Subsidiary	Jurisdiction	Assumed Names
Rijsbergen Automotive BV	Netherlands	
Rijsbergen CarTAL Beheer B.V.	Netherlands	
S.C. ELIT Romania S.r.l.	Romania	
SiM Impex d.o.o.	Bosnia and Herzegovina	
Spectrum Verf B.V.	Netherlands	
Stahlgruber Beteilligungsgesellschaft mbH	Germany	
Stahlgruber Communication Center GmbH	Germany	
Stahlgruber d.o.o.	Croatia	
Stahlgruber S.r.l.	Italy	
Stahlgruber Gesellschaft m.b.H.	Austria	
Stahlgruber GmbH	Germany	
Stahlgruber Holding GmbH	Germany	
Stahlgruber trgovina d.o.o. (51% stake)	Croatia	
Stahlgruber trgovina d.o.o.	Slovenia	
Stahlgruber CZ s.r.o.	Czech Republic	
Starmann Sp.z.o.o. Kolobrzeg (51% subsidary of Optimal AG & Co. KG)	Poland	
Sztarman Ukraine Sp.z.o.o. (67% subsidary of Starmann Sp.z.o.o. Kolobrzeg)	Ukraine	
Upplands Bildemontering AB	Sweden	
Valla Bildemontering AB	Sweden	
Vanesch Verf Belgie B.V.	Belgium	
Vanesch Verf Groep B.V.	Netherlands	
Vanesch Verf Nederland B.V.	Netherlands	
Van Heck Interpieces N.V. (71% Fource Holding B.V & 29% Fouce Services B.V.)	Belgium	
Van Heck Interpieces France S.A.S.	France	
Van Heck Vastgoed B.V.	Netherlands	
Vaxjo Lackcenter AB	Sweden	
VEGE AUTOMOTIVE SPAIN, S.L.U.	Spain	
VEGECOM S.A.R.L. (subsidary of VEGE Moteurs S.A.)	Tunisia	
Vége de Mexico S.A. de C.V.	Mexico	
VEGE Moteurs S.A. (subsidary of Intermotor B.V.)	Tunisia	
Vege-Motodis S.A. de C.V.	Mexico	
Vehicle Data Services Limited	England & Wales	
Verfhandel Willy Pijnenborg B.V.	Netherlands	
Widells Bilplat Eftr AB	Sweden	
WJCM de Mexico, Sociedad de Responsabilidad Limitada de Capital Variable	Mexico	

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-110149, 333-128151, and 333-174450 on Form S-8, Registration Statement No. 333-226148 on Form S-3, and Registration Statement Nos. 333-193585, 333-133911 and 333-160395 on Form S-4 of our reports dated February 27, 2020, relating to the consolidated financial statements and financial statement schedule of LKQ Corporation and subsidiaries, and the effectiveness of LKQ Corporation and subsidiaries' internal control over financial reporting, appearing in this Annual Report on Form 10-K of LKQ Corporation for the year ended December 31, 2019.

/s/ DELOITTE & TOUCHE LLP

Chicago, Illinois
February 27, 2020

Exhibit 31.1

CERTIFICATION

I, Dominick Zarcone, certify that:

1. I have reviewed this annual report on Form 10-K of LKQ Corporation;

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

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

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

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

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

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

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

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

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

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

February 27, 2020

/s/ DOMINICK ZARCONE

Dominick Zarcone

President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Varun Laroyia, certify that:

1. I have reviewed this annual report on Form 10-K of LKQ Corporation;

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

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

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

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

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

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

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

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

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

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

February 27, 2020

/S/ VARUN LAROYIA

Varun Laroyia

Executive Vice President and Chief Financial Officer

Exhibit 32.1

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

In connection with the Annual Report of LKQ Corporation (the "Company") on Form 10-K for the fiscal year ended December 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, as President and Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 27, 2020

/S/ DOMINICK ZARCONE

Dominick Zarcone

President and Chief Executive Officer

Exhibit 32.2

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

In connection with the Annual Report of LKQ Corporation (the “Company”) on Form 10-K for the fiscal year ended December 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, as Executive Vice President and Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 27, 2020

/S/ VARUN LAROYIA

Varun Laroyia

Executive Vice President and Chief Financial Officer