

LKQ CORPORATION AND SUBSIDIARIES

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

	Year Ended December 31,		
	2016	2015	2014
Revenue	\$ 8,584,031	\$ 7,192,633	\$ 6,740,064
Cost of goods sold	5,232,328	4,359,104	4,088,151
Gross margin	3,351,703	2,833,529	2,651,913
Facility and warehouse expenses	688,918	556,041	526,291
Distribution expenses	683,812	602,897	577,341
Selling, general and administrative expenses	986,380	828,333	762,888
Restructuring and acquisition related expenses	37,762	19,511	14,806
Depreciation and amortization	191,433	122,120	120,719
Operating income	763,398	704,627	649,868
Other expense (income):			
Interest expense	88,263	57,860	64,542
Loss on debt extinguishment	26,650	—	324
Gain on foreign exchange contracts - acquisition related	(18,342)	—	—
Gain on bargain purchase	(8,207)	—	—
Interest and other income, net	(2,247)	(2,263)	(2,886)
Total other expense, net	86,117	55,597	61,980
Income from continuing operations before provision for income taxes	677,281	649,030	587,888
Provision for income taxes	220,566	219,703	204,264
Equity in earnings (loss) of unconsolidated subsidiaries	(592)	(6,104)	(2,105)
Income from continuing operations	456,123	423,223	381,519
Income from discontinued operations, net of tax	7,852	—	—
Net income	\$ 463,975	\$ 423,223	\$ 381,519
Basic earnings per share:			
Income from continuing operations	\$ 1.49	\$ 1.39	\$ 1.26
Income from discontinued operations	0.03	—	—
Net income ⁽¹⁾	\$ 1.51	\$ 1.39	\$ 1.26
Diluted earnings per share:			
Income from continuing operations	\$ 1.47	\$ 1.38	\$ 1.25
Income from discontinued operations	0.03	—	—
Net income ⁽¹⁾	\$ 1.50	\$ 1.38	\$ 1.25

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

Consolidated Statements of Comprehensive Income
(In thousands)

	Year Ended December 31,		
	2016	2015	2014
Net income	\$ 463,975	\$ 423,223	\$ 381,519
Other comprehensive (loss) income:			
Foreign currency translation	(175,639)	(69,817)	(51,979)
Net change in unrecognized gains/losses on derivative instruments, net of tax	9,023	2,469	2,195
Net change in unrealized gains/losses on pension plans, net of tax	4,911	2,103	(10,452)
Total other comprehensive loss	(161,705)	(65,245)	(60,236)
Total comprehensive income	\$ 302,270	\$ 357,978	\$ 321,283

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,	
	2016	2015
Assets		
Current Assets:		
Cash and equivalents	\$ 227,400	\$ 87,397
Receivables, net	860,549	590,160
Inventories	1,935,237	1,556,552
Prepaid expenses and other current assets	87,768	106,603
Assets of discontinued operations	456,640	—
Total Current Assets	3,567,594	2,340,712
Property and Equipment, net	811,576	696,567
Intangible Assets:		
Goodwill	3,054,769	2,319,246
Other intangibles, net	584,231	215,117
Equity Method Investments	183,467	2,755
Other Assets	101,562	73,440
Total Assets	\$ 8,303,199	\$ 5,647,837
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	\$ 633,773	\$ 415,588
Accrued expenses:		
Accrued payroll-related liabilities	118,755	86,527
Self-insurance reserves	39,548	37,759
Other accrued expenses	169,553	124,466
Other current liabilities	37,943	31,596
Current portion of long-term obligations	66,109	56,034
Liabilities of discontinued operations	145,104	—
Total Current Liabilities	1,210,785	751,970
Long-Term Obligations, Excluding Current Portion	3,275,662	1,528,668
Deferred Income Taxes	199,657	127,239
Other Noncurrent Liabilities	174,146	125,278
Commitments and Contingencies		
Stockholders' Equity:		
Common stock, \$0.01 par value, 1,000,000,000 shares authorized, 307,544,759 and 305,574,384 shares issued and outstanding at December 31, 2016 and 2015, respectively	3,075	3,055
Additional paid-in capital	1,116,690	1,090,713
Retained earnings	2,590,359	2,126,384
Accumulated other comprehensive loss	(267,175)	(105,470)
Total Stockholders' Equity	3,442,949	3,114,682
Total Liabilities and Stockholders' Equity	\$ 8,303,199	\$ 5,647,837

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,		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 463,975	\$ 423,223	\$ 381,519
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	206,086	128,192	125,437
Stock-based compensation expense	22,472	21,336	22,021
Loss on debt extinguishment	26,650	—	324
Impairment on net assets of discontinued operations	26,677	—	—
Gain on foreign exchange contracts - acquisition related	(18,342)	—	—
Gain on bargain purchase	(8,207)	—	—
Deferred income taxes	(16,162)	22,388	6,242
Other	19,550	7,348	6,269
Changes in operating assets and liabilities, net of effects from acquisitions:			
Receivables, net	(50,801)	14,704	(61,739)
Inventories	(64,114)	(83,188)	(122,590)
Prepaid income taxes/income taxes payable	14,944	17,474	18,428
Accounts payable	18,577	(4,222)	(5,474)
Other operating assets and liabilities	(6,291)	(2,973)	18,274
Net cash provided by operating activities	635,014	544,282	388,711
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	(207,074)	(170,490)	(140,950)
Acquisitions, net of cash acquired	(1,349,339)	(160,517)	(775,921)
Investments in unconsolidated subsidiaries	(185,671)	(9,682)	(2,240)
Proceeds from foreign exchange contracts	18,342	—	—
Other investing activities, net	13,814	10,696	(1,883)
Net cash used in investing activities	(1,709,928)	(329,993)	(920,994)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from exercise of stock options	7,963	8,168	9,324
Taxes paid related to net share settlements of stock-based compensation awards	(4,438)	(7,581)	(443)
Debt issuance costs	(16,554)	(97)	(3,750)
Proceeds from issuance of Euro notes	563,450	—	—
Borrowings under revolving credit facilities	2,636,596	313,142	1,587,644
Repayments under revolving credit facilities	(1,748,664)	(445,282)	(1,098,518)
Borrowings under term loans	582,115	—	11,250
Repayments under term loans	(255,792)	(22,500)	(16,875)
Borrowings under receivables securitization facility	106,400	3,858	95,050
Repayments under receivables securitization facility	(69,400)	(35,758)	(150)
Repayments of other debt, net	(31,156)	(29,696)	(40,051)
Payments of Rhiag debt and related payments	(543,347)	—	—
Payments of other obligations	(1,436)	(22,791)	(41,992)
Other financing activities, net	—	—	(300)
Net cash provided by (used in) financing activities	1,225,737	(238,537)	501,189
Effect of exchange rate changes on cash and equivalents	(3,704)	(2,960)	(4,789)
Net increase (decrease) in cash and equivalents	147,119	(27,208)	(35,883)
Cash and equivalents, beginning of period	87,397	114,605	150,488
Cash and equivalents of continuing and discontinued operations, end of period	234,516	87,397	114,605
Less: Cash and equivalents of discontinued operations, end of period	(7,116)	—	—
Cash and equivalents, end of period	\$ 227,400	\$ 87,397	\$ 114,605
Supplemental disclosure of cash paid for:			
Income taxes, net of refunds	\$ 230,036	\$ 180,126	\$ 176,955
Interest	86,021	54,917	59,678
Supplemental disclosure of noncash investing and financing activities:			
Notes payable and other financing obligations, including notes issued and debt assumed in connection with business acquisitions	568,032	\$ 28,348	\$ 96,258
Non-cash property and equipment additions	10,715	8,846	2,293
Contingent consideration liabilities	—	—	5,854

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