

JONES LANG LASALLE INC  
Form 10-Q  
May 06, 2008

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United States  
Securities and Exchange Commission  
Washington, D.C. 20549

Form 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the quarterly period ended March 31, 2008

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 1-13145

Jones Lang LaSalle Incorporated  
(Exact name of registrant as specified in its charter)

Maryland  
(State or other jurisdiction of incorporation or  
organization)

36-4150422  
(I.R.S. Employer Identification No.)

200 East Randolph Drive, Chicago, IL  
(Address of principal executive offices)

60601  
(Zip Code)

Registrant's telephone number, including area code: 312-782-5800

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer

Accelerated filer

Non-accelerated filer

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

The number of shares outstanding of the registrant's common stock (par value \$0.01) as of the close of business on April 30, 2008 was 31,849,623.

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## Part I Financial Information

## Item 1. Financial Statements

## JONES LANG LASALLE INCORPORATED

## Consolidated Balance Sheets

March 31, 2008 and December 31, 2007

(\$ in thousands, except share data)

	March 31, 2008 (unaudited)	December 31, 2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 74,648	78,580
Trade receivables, net of allowances of \$21,904 and \$13,300	749,300	834,865
Notes and other receivables	68,642	52,695
Prepaid expenses	28,268	26,148
Deferred tax assets	64,999	64,872
Other	13,994	13,816
Total current assets	999,851	1,070,976
Property and equipment, net of accumulated depreciation of \$213,129 and \$198,169	200,909	193,329
Goodwill, with indefinite useful lives	731,501	694,004
Identified intangibles, with finite useful lives, net of accumulated amortization of \$71,878 and \$68,537	44,673	41,670
Investments in real estate ventures	164,042	151,800
Long-term receivables, net	42,733	33,219
Deferred tax assets	84,914	58,584
Other, net	47,051	48,292
Total assets	\$ 2,315,674	2,291,874
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 255,564	302,976
Accrued compensation	320,784	655,895
Short-term borrowings	29,698	14,385
Deferred tax liabilities	13,811	727
Deferred income	22,504	29,756
Deferred business acquisition obligations	44,542	45,363
Other	64,312	60,193
Total current liabilities	751,215	1,109,295
Noncurrent liabilities:		
Credit facilities	350,599	29,205
Deferred tax liabilities	1,910	6,577
Deferred compensation	41,468	46,423
Pension liabilities	1,096	1,096
Deferred business acquisition obligations	33,102	36,679
Other	50,484	43,794
Total liabilities	1,229,874	1,273,069
Commitments and contingencies	—	—
Minority interest	8,767	8,272

## Shareholders' equity:

Common stock, \$.01 par value per share, 100,000,000 shares authorized; 31,816,980 and 31,722,587 shares issued and outstanding	318	317
Additional paid-in capital	458,776	441,951
Retained earnings	487,679	484,840
Shares held in trust	(1,930)	(1,930)
Accumulated other comprehensive income	132,190	85,355
Total shareholders' equity	1,077,033	1,010,533
Total liabilities and shareholders' equity	\$ 2,315,674	2,291,874

See accompanying notes to consolidated financial statements.

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JONES LANG LASALLE INCORPORATED  
 Consolidated Statements of Earnings  
 For the Three Months Ended March 31, 2008 and 2007  
 (\$ in thousands, except share data) (unaudited)

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
Revenue	\$ 563,920	490,054
Operating expenses:		
Compensation and benefits	378,873	325,657
Operating, administrative and other	160,866	115,685
Depreciation and amortization	16,446	12,625
Restructuring credits	(188)	(411)
Operating expenses	555,997	453,556
Operating income	7,923	36,498
Interest expense, net of interest income	1,176	1,838
Gain on sale of available-for-sale securities	—	2,426
Equity in (losses) earnings from real estate ventures	(2,213)	134
Income before provision for income taxes	4,534	37,220
Provision for income taxes	1,143	9,924
Minority interest, net of tax	552	—
Net income	\$ 2,839	27,296
Basic earnings per common share	\$ 0.09	0.85
Basic weighted average shares outstanding	31,772,825	31,929,818
Diluted earnings per common share	\$ 0.09	0.81
Diluted weighted average shares outstanding	33,229,444	33,687,389

See accompanying notes to consolidated financial statements.

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JONES LANG LASALLE INCORPORATED  
 Consolidated Statement of Shareholders' Equity  
 For the Three Months Ended March 31, 2008  
 (\$ in thousands, except share data) (unaudited)

	Common Shares	Stock Amount	Additional Paid-In Capital	Retained Earnings	Shares Held in Trust	Accumulated Other Comprehensive Income	Total
Balances at December 31, 2007	31,722,587	\$ 317	441,951	484,840	(1,930)	85,355	\$ 1,010,533
Net income	—	—	—	2,839	—	—	2,839
Shares issued under stock compensation programs	94,393	1	931	—	—	—	932
Tax benefits of vestings and exercises	—	—	856	—	—	—	856
Amortization of stock compensation	—	—	15,038	—	—	—	15,038
Foreign currency translation adjustments	—	—	—	—	—	46,835	46,835
Balances at March 31, 2008	31,816,980	\$ 318	458,776	487,679	(1,930)	132,190	\$ 1,077,033

See accompanying notes to consolidated financial statements.

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## JONES LANG LASALLE INCORPORATED

Consolidated Statements of Cash Flows  
 For the Three Months Ended March 31, 2008 and 2007  
 (\$ in thousands) (unaudited)

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
Cash flows from operating activities:		
Net income	\$ 2,839	27,296
Reconciliation of net income to net cash used by operating activities:		
Depreciation and amortization	16,446	12,625
Equity in losses (earnings) from real estate ventures	2,213	(133)
Operating distributions from real estate ventures	59	469
Provision for loss on receivables and other assets	9,109	3,180
Minority interest, net of tax	552	—
Amortization of deferred compensation	15,955	12,603
Amortization of debt issuance costs	141	149
Change in:		
Receivables	52,071	49,006
Prepaid expenses and other assets	(2,001)	(8,287)
Deferred tax assets, net	(18,040)	1,205
Excess tax benefits from share-based payment arrangements	(856)	(4,506)
Accounts payable, accrued liabilities and accrued compensation	(350,338)	(276,024)
Net cash used in operating activities	(271,850)	(182,417)
Cash flows from investing activities:		
Net capital additions – property and equipment	(18,787)	(19,342)
Business acquisitions	(40,752)	(4,696)
Capital contributions and advances to real estate ventures	(10,400)	(9,972)
Distributions, repayments of advances and sale of investments	6	7,038
Sale of available-for-sale securities	—	2,425
Net cash used in investing activities	(69,933)	(24,547)
Cash flows from financing activities:		
Proceeds from borrowings under credit facilities	545,067	358,333
Repayments of borrowings under credit facilities	(209,006)	(142,680)
Shares repurchased for payment of employee taxes on stock awards	(1,650)	(1,657)
Shares repurchased under share repurchase program	—	(21,816)
Excess tax benefits from share-based payment arrangements	856	4,506
Common stock issued under stock option plan and stock purchase programs	2,584	2,919
Net cash provided by financing activities	337,851	199,605
Net decrease in cash and cash equivalents	(3,932)	(7,359)
Cash and cash equivalents, January 1	78,580	50,612
Cash and cash equivalents, March 31	\$ 74,648	43,253



Supplemental disclosure of cash flow information:

Cash paid during the period for:

Interest	\$ 780	1,901
Income taxes, net of refunds	45,836	7,942
Non-cash financing activities:		
Deferred business acquisition obligations	15,602	6,141

See accompanying notes to consolidated financial statements.

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JONES LANG LASALLE INCORPORATED

Notes to Consolidated Financial Statements (Unaudited)

Readers of this quarterly report should refer to the audited financial statements of Jones Lang LaSalle Incorporated (“Jones Lang LaSalle”, which may also be referred to as “the Company” or as “the Firm,” “we,” “us” or “our”) for the year ended December 31, 2007, which are included in Jones Lang LaSalle’s 2007 Annual Report on Form 10-K, filed with the United States Securities and Exchange Commission (“SEC”) and also available on our website ([www.joneslanglasalle.com](http://www.joneslanglasalle.com)), since we have omitted from this report certain footnote disclosures which would substantially duplicate those contained in such audited financial statements. You should also refer to the “Summary of Critical Accounting Policies and Estimates” section within Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations, contained herein, for further discussion of our accounting policies and estimates.

(1) Interim Information

Our consolidated financial statements as of March 31, 2008 and for the three months ended March 31, 2008 and 2007 are unaudited; however, in the opinion of management, all adjustments (consisting solely of normal recurring adjustments) necessary for a fair presentation of the consolidated financial statements for these interim periods have been included.

Historically, our revenue and profits have tended to be higher in the third and fourth quarters of each year than in the first two quarters. This is the result of a general focus in the real estate industry on completing or documenting transactions by calendar-year-end and the fact that certain expenses are constant throughout the year. Our Investment Management segment earns investment-generated performance fees on clients’ real estate investment returns and co-investment equity gains, generally when assets are sold, the timing of which is geared towards the benefit of our clients. Within our Investor and Occupier Services segments, expansion of capital markets activities has an increasing impact on comparability between reporting periods, as the timing of recognition of revenues relates to the size and timing of our clients’ transactions. Non-variable operating expenses, which are treated as expenses when they are incurred during the year, are relatively constant on a quarterly basis. As a result, the results for the periods ended March 31, 2008 and 2007 are not indicative of the results to be obtained for the full fiscal year.

(2) New Accounting Standards

Fair Value Measurements

In September 2006, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards (“SFAS”) 157, “Fair Value Measurements.” SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 applies to accounting pronouncements that require or permit fair value measurements, except for share-based payment transactions under SFAS 123R. In November 2007, the FASB deferred the implementation of SFAS 157 for non-financial assets and liabilities for one year. On January 1, 2008 the Company adopted SFAS 157 with respect to its financial assets and liabilities that are measured at fair value; the adoption of these provisions did not have a material impact on our consolidated financial statements.

SFAS 157 establishes a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value as follows:

- Level 1. Observable inputs such as quoted prices in active markets;

- Level 2. Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

We regularly use foreign currency forward contracts to manage our currency exchange rate risk related to intercompany lending and cash management practices. The fair value of these contracts is determined based on widely accepted valuation techniques. The inputs for these valuation techniques are Level 2 inputs in the hierarchy of SFAS 157. At March 31, 2008, we had forward exchange contracts in effect with a gross notional value of \$664.6 million and a net fair value loss of \$2.4 million, recorded as a current asset of \$0.1 million and a current liability of \$2.5 million. This net carrying loss is offset by a carrying gain in associated intercompany loans such that the net impact to earnings is not significant. At March 31, 2008, the Company has no recurring fair value measurements for financial assets and liabilities that are based on unobservable inputs or Level 3 inputs.

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Fair Value Option

In February 2007, the FASB issued SFAS 159, “The Fair Value Option for Financial Assets and Financial Liabilities.” SFAS 159 permits entities to choose to measure financial instruments and certain other items at fair value and establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. Under SFAS 159, the Company had the option of adopting fair value accounting for financial assets and liabilities starting on January 1, 2008. The adoption of SFAS 159 did not have a material effect on our consolidated financial statements since the Company did not elect to measure any of its financial assets or liabilities using the fair value option prescribed by SFAS 159.

Business Combinations

In December 2007, the FASB issued SFAS 141(revised), “Business Combinations” (“SFAS 141(R)”). SFAS 141(R) will change how identifiable assets acquired and the liabilities assumed in a business combination will be recorded in the financial statements. SFAS 141(R) requires the acquiring entity in a business combination to recognize the full fair value of assets acquired and liabilities assumed in the transaction (whether a full or partial acquisition); establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed; and requires expensing of most transaction and restructuring costs. SFAS 141(R) applies prospectively to business combinations for which the acquisition date is after December 31, 2008. Management has not yet determined what impact the application of SFAS 141(R) will have on our consolidated financial statements.

Noncontrolling Interests

In December 2007, the FASB issued SFAS 160, “Noncontrolling Interests in Consolidated Financial Statements—an amendment of Accounting Research Bulletin No. 51” (“SFAS 160”). SFAS 160 requires reporting entities to present noncontrolling (minority) interests as equity (as opposed to a liability or mezzanine equity) and provides guidance on the accounting for transactions between an entity and noncontrolling interests. SFAS 160 applies prospectively as of January 1, 2009. Management has not yet determined what impact the application of SFAS 160 will have on our consolidated financial statements.

Disclosures about Derivative Instruments and Hedging Activities

In March 2008, the FASB issued SFAS 161, “Disclosures about Derivative Instruments and Hedging Activities” (“SFAS 161”). SFAS 161 requires enhanced disclosures about an entity’s derivative and hedging activities. SFAS 161 requires enhanced disclosures about how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations, and how derivative instruments and related hedged items affect an entity’s financial position, financial performance, and cash flows. SFAS 161 is effective for fiscal years beginning after November 15, 2008. Management has not yet determined what impact the application of SFAS 161 will have on our consolidated financial statement disclosures.

(3) Revenue Recognition

We categorize our revenues as:

- Transaction commissions;
- Advisory and management fees;
- Incentive fees;
- Project and development management fees; and
- Construction management fees.

We recognize transaction commissions related to agency leasing services, capital markets services and tenant representation services as income when we provide the related service unless future contingencies exist. If future

contingencies exist, we defer recognition of this revenue until the respective contingencies have been satisfied.

We recognize advisory and management fees related to property management services, valuation services, corporate property services, strategic consulting and money management as income in the period in which we perform the related services.

We recognize incentive fees based on the performance of underlying funds and separate account investments, and the contractual benchmarks, formulas and timing of the measurement period with clients.

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We recognize project and development management and construction management fees by applying the “percentage of completion” method of accounting. We use the efforts expended method to determine the extent of progress towards completion for project and development management fees and costs incurred to total estimated costs for construction management fees.

Construction management fees, which are gross construction services revenues net of subcontract costs, were \$3.7 million and \$1.9 million for the three months ended March 31, 2008 and 2007, respectively. Gross construction services revenues totaled \$56.7 million and \$38.2 million for the three months ended March 31, 2008 and 2007, respectively. Subcontract costs totaled \$53.0 million and \$36.3 million for the three months ended March 31, 2008 and 2007, respectively.

We include costs in excess of billings on uncompleted construction contracts of \$6.0 million and \$4.8 million in “Trade receivables,” and billings in excess of costs on uncompleted construction contracts of \$16.9 million and \$12.9 million in “Deferred income,” respectively, in our March 31, 2008 and December 31, 2007 consolidated balance sheets.

In certain of our businesses, primarily those involving management services, our clients reimburse us for expenses incurred on their behalf. We base the treatment of reimbursable expenses for financial reporting purposes upon the fee structure of the underlying contracts. We follow the guidance of EITF 99-19, “Reporting Revenue Gross as a Principal versus Net as an Agent,” when accounting for reimbursable personnel and other costs. We report a contract that provides a fixed fee billing, fully inclusive of all personnel or other recoverable expenses incurred but not separately scheduled, on a gross basis. When accounting on a gross basis, our reported revenues include the full billing to our client and our reported expenses include all costs associated with the client.

We account for a contract on a net basis when the fee structure is comprised of at least two distinct elements, namely (i) a fixed management fee and (ii) a separate component that allows for scheduled reimbursable personnel costs or other expenses to be billed directly to the client. When accounting on a net basis, we include the fixed management fee in reported revenues and net the reimbursement against expenses. We base this accounting on the following factors, which define us as an agent rather than a principal:

- The property owner, with ultimate approval rights relating to the employment and compensation of on-site personnel, and bearing all of the economic costs of such personnel, is determined to be the primary obligor in the arrangement;
- Reimbursement to Jones Lang LaSalle is generally completed simultaneously with payment of payroll or soon thereafter;
- Because the property owner is contractually obligated to fund all operating costs of the property from existing cash flow or direct funding from its building operating account, Jones Lang LaSalle bears little or no credit risk; and
- Jones Lang LaSalle generally earns no margin in the reimbursement aspect of the arrangement, obtaining reimbursement only for actual costs incurred.

Most of our service contracts use the latter structure and are accounted for on a net basis. We have always presented the above reimbursable contract costs on a net basis in accordance with U.S. GAAP. These costs aggregated approximately \$282.0 million and \$185.4 million for the three months ended March 31, 2008 and 2007, respectively. This treatment has no impact on operating income, net income or cash flows.

## (4) Business Segments

We manage and report our operations as four business segments:

- (i) Investment Management, which offers money management services on a global basis, and

The three geographic regions of Investor and Occupier Services ("IOS"):

- (ii) Americas,
- (iii) Europe, Middle East and Africa ("EMEA") and
- (iv) Asia Pacific.

The Investment Management segment provides money management services to institutional investors and high-net-worth individuals. Each geographic region offers our full range of Investor Services, Capital Markets and Occupier Services. The IOS business consists primarily of tenant representation and agency leasing, capital markets and valuation services (collectively "transaction services") and property management, facilities management, project and development management, energy management and sustainability and construction management services (collectively "management services").

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Total revenue by industry segment includes revenue derived from services provided to other segments. Operating income represents total revenue less direct and indirect allocable expenses. Allocated expenses primarily consist of corporate global overhead. We allocate these corporate global overhead expenses to the business segments based on the relative operating income of each segment.

For segment reporting we show equity in earnings (losses) from real estate ventures within our revenue line, especially since it is an integral part of our Investment Management segment. Our measure of segment reporting results also excludes restructuring charges. The Chief Operating Decision Maker of Jones Lang LaSalle measures the segment results with "Equity in earnings (losses) from real estate ventures," and without restructuring charges. We define the Chief Operating Decision Maker collectively as our Global Executive Committee, which is comprised of our Global Chief Executive Officer, Global Chief Operating and Financial Officer and the Chief Executive Officers of each of our four reporting segments.

We have reclassified certain prior year amounts to conform to the current presentation.

Summarized unaudited financial information by business segment for the three months ended March 31, 2008 and 2007 are as follows (\$ in thousands):

Investor and Occupier Services	2008	2007
Americas		
Revenue:		
Transaction services	\$ 79,360	72,690
Management services	88,748	70,933
Equity earnings	—	150
Other services	5,757	4,496
	173,865	148,269
Operating expenses:		
Compensation, operating and administrative expenses	166,569	135,886
Depreciation and amortization	7,048	5,922
Operating income	\$ 248	6,461
EMEA		
Revenue:		
Transaction services	\$ 132,414	142,138
Management services	48,177	32,082
Equity earnings (losses)	16	(367)
Other services	2,455	3,037
	183,062	176,890
Operating expenses:		
Compensation, operating and administrative expenses	184,060	157,725
Depreciation and amortization	6,021	4,515
Operating (loss) income	\$ (7,019)	14,650
Asia Pacific		
Revenue:		
Transaction services	\$ 58,883	39,596
Management services	57,073	45,059
Equity (losses) earnings	(62)	21



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Other services	1,504	1,719
	117,398	86,395
Operating expenses:		
Compensation, operating and administrative expenses	122,407	87,468
Depreciation and amortization	2,877	1,773
Operating loss	\$ (7,886)	(2,846)

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	2008	2007
Investment Management		
Revenue:		
Transaction and other services	\$ 4,225	2,519
Advisory fees	72,130	53,919
Incentive fees	13,194	21,866
Equity (losses) earnings	(2,167)	330
	87,382	78,634
Operating expenses:		
Compensation, operating and administrative expenses	66,703	60,263
Depreciation and amortization	500	415
Operating income	\$ 20,179	17,956
Segment Reconciling Items:		
Total segment revenue	\$ 561,707	490,188
Reclassification of equity (losses) earnings	(2,213)	134
Total revenue	563,920	490,054
Total operating expenses before restructuring credits	556,185	453,967
Restructuring credits	(188)	(411)
Operating income	\$ 7,923	36,498

## (5) Business Combinations, Goodwill and Other Intangible Assets

## 2008 Business Combinations

In the first quarter of 2008 we completed the following seven acquisitions:

1. The Standard Group LLC, a Chicago-based retail transaction management firm;
2. Creevy LLH Ltd, a Scotland-based firm that provides investment, leasing and valuation services for leisure and hotels properties;
3. Brune Consulting Management GmbH, a Germany-based retail management firm;
4. Creer & Berkeley Pty Ltd., an Australian property sales, leasing, management, valuation and consultancy firm;
5. Shore Industrial, an Australian commercial real estate agency in Sydney's northern suburbs;
6. Sallmanns Holdings Ltd, a valuation business based in Hong Kong; and
7. The remaining 60% of a commercial real estate firm formed by the Company and Ray L. Davis, based in Canberra, Australia

Terms for these transactions included (i) cash paid at closing and capitalized costs totaling approximately \$20.8 million, (ii) consideration subject only to the passage of time recorded in "Deferred business acquisition obligations" on our balance sheet at a current fair value of \$13.1 million, and (iii) additional consideration subject to earn-out

provisions that will be paid only if the related conditions are achieved.

#### Earn-out payments

At March 31, 2008 we had the potential to make earn-out payments on 19 acquisitions that are subject to the achievement of certain performance conditions. The maximum amount of the potential earn-out payments of 17 of these acquisitions was \$61.9 million at March 31, 2008. We expect these amounts will come due at various times over the next six years. For two acquisitions, the amounts of the earn-out payments are based on formulas and are not quantifiable at this time.

#### Goodwill and Other Intangible Assets

We have \$776.2 million of unamortized intangibles and goodwill as of March 31, 2008 that are subject to the provisions of SFAS 142, "Goodwill and Other Intangible Assets." A significant portion of these unamortized intangibles and goodwill are denominated in currencies other than U.S. dollars, which means that a portion of the movements in the reported book value of these balances are attributable to movements in foreign currency exchange rates. The tables below set forth further details on the foreign exchange impact on intangible and goodwill balances. Of the \$776.2 million of unamortized intangibles and goodwill, \$731.5 million represents goodwill with indefinite useful lives, which is not amortized. The remaining \$44.7 million of identifiable intangibles are amortized over their remaining finite useful lives.

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The following table sets forth, by reporting segment, the current year movements in goodwill with indefinite useful lives (\$ in thousands):

	Investor and Occupier Services				
	Americas	EMEA	Asia Pacific	Investment Management	Consolidated
<b>Gross Carrying Amount</b>					
Balance as of January 1, 2008	\$ 357,606	192,238	122,356	21,804	694,004
Additions	3,630	4,707	19,015	—	27,352
Impact of exchange rate movements	—	7,727	2,341	77	10,145
<b>Balance as of March 31, 2008</b>	<b>\$ 361,236</b>	<b>204,672</b>	<b>143,712</b>	<b>21,881</b>	<b>731,501</b>

The following table sets forth, by reporting segment, the current year movements in the gross carrying amount and accumulated amortization of our intangibles with finite useful lives (\$ in thousands):

	Investor and Occupier Services				
	Americas	EMEA	Asia Pacific	Investment Management	Consolidated
<b>Gross Carrying Amount</b>					
Balance as of January 1, 2008	\$ 85,986	10,508	7,701	6,012	110,207
Additions	410	787	4,238	—	5,435
Impact of exchange rate movements	—	661	240	8	909
<b>Balance as of March 31, 2008</b>	<b>\$ 86,396</b>	<b>11,956</b>	<b>12,179</b>	<b>6,020</b>	<b>116,551</b>
<b>Accumulated Amortization</b>					
Balance as of January 1, 2008	\$ (53,367)	(4,792)	(4,459)	(5,919)	(68,537)
Amortization expense	(1,557)	(1,106)	(190)	—	(2,853)
Impact of exchange rate movements	—	(298)	(178)	(12)	(488)
<b>Balance as of March 31, 2008</b>	<b>(54,924)</b>	<b>(6,196)</b>	<b>(4,827)</b>	<b>(5,931)</b>	<b>(71,878)</b>
<b>Net book value as of March 31, 2008</b>	<b>\$ 31,472</b>	<b>5,760</b>	<b>7,352</b>	<b>89</b>	<b>44,673</b>

Remaining estimated future amortization expense for our intangibles with finite useful lives (\$ in millions):

2008	\$ 9.7
2009	9.9

2010	6.7
2011	4.7
2012	4.1
Thereafter	9.6
Total	\$ 44.7

(6) Investments in Real Estate Ventures

As of March 31, 2008, we had total investments and loans of \$164.0 million in approximately 40 separate property or fund co-investments. Within this \$164.0 million are loans of \$3.6 million to real estate ventures which bear an 8.0% interest rate and are to be repaid in 2008.

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We utilize two investment vehicles to facilitate the majority of our co-investment activity. LaSalle Investment Company I ("LIC I") is a series of four parallel limited partnerships which serve as our investment vehicle for substantially all co-investment commitments made through December 31, 2005. LIC I is fully committed to underlying real estate ventures. At March 31, 2008, our maximum potential unfunded commitment to LIC I was euro 27.6 million (\$43.6 million). LaSalle Investment Company II ("LIC II"), formed in January 2006, is comprised of two parallel limited partnerships which serve as our investment vehicle for most new co-investments. At March 31, 2008, LIC II has unfunded capital commitments for future fundings of co-investments of \$344.0 million, of which our 48.78% share is \$167.8 million. The \$167.8 million commitment is part of our maximum potential unfunded commitment to LIC II at March 31, 2008 of \$423.3 million.

LIC I and LIC II invest in certain real estate ventures that own and operate commercial real estate. We have an effective 47.85% ownership interest in LIC I, and an effective 48.78% ownership interest in LIC II; primarily institutional investors hold the remaining 52.15% and 51.22% interests in LIC I and LIC II, respectively. We account for our investments in LIC I and LIC II under the equity method of accounting in the accompanying consolidated financial statements. Additionally, a non-executive Director of Jones Lang LaSalle is an investor in LIC I on equivalent terms to other investors.

LIC I's and LIC II's exposures to liabilities and losses of the ventures are limited to their existing capital contributions and remaining capital commitments. We expect that LIC I will draw down on our commitment over the next three to five years to satisfy its existing commitments to underlying funds, and we expect that LIC II will draw down on our commitment over the next four to eight years as it enters into new commitments. Our Board of Directors has endorsed the use of our co-investment capital in particular situations to control or bridge finance existing real estate assets or portfolios to seed future investments within LIC II. The purpose is to accelerate capital raising and growth in assets under management. Approvals for such activity are handled consistently with those of the Firm's co-investment capital. At March 31, 2008, no bridge financing arrangements were outstanding.

As of March 31, 2008, LIC I maintains a euro 10.0 million (\$15.8 million) revolving credit facility (the "LIC I Facility"), and LIC II maintains a \$200.0 million revolving credit facility (the "LIC II Facility"), principally for their working capital needs. The capacity in the LIC II Facility contemplates potential bridge financing opportunities. Each facility contains a credit rating trigger and a material adverse condition clause. If either of the credit rating trigger or the material adverse condition clauses becomes triggered, the facility to which that condition relates would be in default and outstanding borrowings would need to be repaid. Such a condition would require us to fund our pro-rata share of the then outstanding balance on the related facility, which is the limit of our liability. The maximum exposure to Jones Lang LaSalle, assuming that the LIC I Facility were fully drawn, would be euro 4.8 million (\$7.6 million); assuming that the LIC II Facility were fully drawn, the maximum exposure to Jones Lang LaSalle would be \$97.6 million. Each exposure is included within and cannot exceed our maximum potential unfunded commitments to LIC I of euro 27.6 million (\$43.6 million) and to LIC II of \$423.3 million. As of March 31, 2008, LIC I had euro 3.1 million (\$4.9 million) of outstanding borrowings on the LIC I Facility, and LIC II had \$23.6 million of outstanding borrowings on the LIC II Facility.

Exclusive of our LIC I and LIC II commitment structures, we have potential obligations related to unfunded commitments to other real estate ventures, the maximum of which is \$9.9 million at March 31, 2008.

We apply the provisions of APB 18, SAB 59, and SFAS 144 when evaluating investments in real estate ventures for impairment, including impairment evaluations of the individual assets underlying our investments. We recorded no impairment charges in the first three months of 2008 or 2007.

## (7) Stock-based Compensation

We adopted SFAS 123 (revised 2004), “Share-Based Payment” (“SFAS 123R”) as of January 1, 2006, using the modified prospective approach. The adoption of SFAS 123R primarily impacts “Compensation and benefits” expense in our consolidated statement of earnings by changing prospectively our method of measuring and recognizing compensation expense on share-based awards from recognizing forfeitures as incurred to estimating forfeitures, and accelerating expense recognition for share-based awards to employees who are or will become retirement-eligible prior to the stated vesting period of the award.

#### Restricted Stock Unit Awards

Along with cash base salaries and performance-based annual cash incentive awards, restricted stock unit awards represent a primary element of our compensation program for Company officers, managers and professionals.

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Restricted stock unit activity for the three months ended March 31, 2008 is as follows:

	Shares (thousands)	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value (\$ in millions)
Unvested at January 1, 2008	1,781.5	\$ 61.58		
Granted	1,036.9	71.46		
Vested	(66.3)	53.28		
Forfeited	(21.7)	65.40		
Unvested at March 31, 2008	2,730.4	\$ 65.50	1.67 years	\$ 32.3
Unvested shares expected to vest	2,576.5	\$ 65.04	1.61 years	\$ 31.7

As of March 31, 2008, there was \$108.9 million of remaining unamortized deferred compensation related to unvested restricted stock units. We expect the cost to be recognized over the remaining weighted average contractual life of the awards.

Approximately 66,300 restricted stock unit awards vested during the first quarter of 2008, having an aggregate fair value of \$4.7 million and an intrinsic value of \$1.2 million. For the same period in 2007, approximately 34,100 restricted stock unit awards vested, having an aggregate fair value of \$3.2 million and an intrinsic value of \$2.1 million. As a result of these vesting events, we recognized tax benefits of \$0.4 million and \$1.1 million for the three months ending March 31, 2008 and 2007, respectively.

#### Stock Option Awards

We have granted stock options at the market value of our common stock at the date of grant. Our options vest at such times and conditions as the Compensation Committee of our Board of Directors determined and set forth in the award agreement; the most recent options, granted in 2003, vest over periods of up to five years. As a result of a change in compensation strategy, we do not currently use stock option grants as part of our employee compensation program.

Stock option activity for the three months ended March 31, 2008 is as follows:

	Options (thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value (\$ in millions)
Outstanding at January 1, 2008	183.0	\$ 19.18		
Exercised	(20.5)	16.82		
Forfeited	—	—		
Outstanding at March 31, 2008	162.5	\$ 19.47	2.05 years	\$ 9.4
Exercisable at March 31, 2008	162.2	\$ 19.48	2.04 years	\$ 9.4

As of March 31, 2008, we have approximately 162,200 options outstanding, of which approximately 300 options were unvested. We recognized less than \$0.01 million in compensation expense related to the unvested options for the first three months of 2008. Less than \$0.01 million of compensation cost remains to be recognized on unvested options



through 2008.

The following table summarizes information about options exercises occurring during the three months ended March 31, 2008 and 2007 (\$ in millions):

	2008	2007
Number of options exercised	20,500	74,500
Intrinsic value	\$ 1.2	6.6
Cash received from option exercises	0.8	3.0
Tax benefit realized from option exercises	0.4	2.2

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## Other Stock Compensation Programs

U.S. Employee Stock Purchase Plan - In 1998, we adopted an Employee Stock Purchase Plan ("ESPP") for eligible U.S.-based employees. Under the current plan, we enhance employee contributions for stock purchases through an additional contribution of a 5% discount on the purchase price as of the end of a program period; program periods are now three months each. Employee contributions and our contributions vest immediately. Since its inception, 1,413,512 shares have been purchased under the program through March 31, 2008. In the first quarter of 2008, 29,030 shares having a grant date market value of \$77.34 were purchased under the program. We do not record any compensation expense with respect to this program.

UK SAYE - In November 2001, we adopted the Jones Lang LaSalle Savings Related Share Option (UK) Plan ("Save As You Earn" or "SAYE") for eligible employees of our UK based operations. In November 2006, we extended the SAYE plan to employees in our Ireland operations. Under this plan, employees make an election to contribute to the plan in order that their savings might be used to purchase stock at a 15% discount provided by the Company. The options to purchase stock with such savings vest over a period of three or five years. In the first quarter of 2008, the Company issued approximately 85,000 options at an exercise price of \$60.66 under the SAYE plan. The fair values of the options are being amortized over their respective vesting periods. At March 31, 2008, there were approximately 229,000 options outstanding under the SAYE plan.

## (8) Retirement Plans

We maintain contributory defined benefit pension plans in the United Kingdom, Ireland and Holland to provide retirement benefits to eligible employees. It is our policy to fund the minimum annual contributions required by applicable regulations. We use a December 31 measurement date for our plans.

Net periodic pension cost consisted of the following for the three months ended March 31, 2008 and 2007 (\$ in thousands):

	2008	2007
Employer service cost - benefits earned during the period	\$ 988	990
Interest cost on projected benefit obligation	3,032	2,580
Expected return on plan assets	(3,496)	(3,086)
Net amortization/deferrals	55	486
Recognized actual loss	42	18
Net periodic pension cost	\$ 621	988

In the three months ended March 31, 2008, we have made \$2.5 million in payments to our defined benefit pension plans. We expect to contribute a total of \$8.5 million to our defined benefit pension plans in 2008. We made \$7.9 million of contributions to these plans in the twelve months ended December 31, 2007.

## (9) Comprehensive Income

For the three months ended March 31, 2008 and 2007, comprehensive income was as follows (\$ in thousands):

2008	2007
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Net income	\$	2,839	27,296
Other comprehensive income:			
Reclassification adjustment for gain on sale of available-for-sale securities realized in net income		—	(2,256)
Foreign currency translation adjustments		46,835	6,015
Comprehensive income	\$	49,674	31,055

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(10) Commitments and Contingencies

We are a defendant in various litigation matters arising in the ordinary course of business, some of which involve claims for damages that are substantial in amount. Many of these litigation matters are covered by insurance (including insurance provided through a captive insurance company), although they may nevertheless be subject to large deductibles or retentions and the amounts being claimed may exceed the available insurance. Although the ultimate liability for these matters cannot be determined, based upon information currently available, we believe the ultimate resolution of such claims and litigation will not have a material adverse effect on our financial position, results of operations or liquidity.

(11) Subsequent Events

The Company announced on April 29, 2008 that its Board of Directors has declared a semi-annual cash dividend of \$0.50 per share of its Common Stock. The dividend payment will be made on June 13, 2008 to holders of record at the close of business on May 15, 2008. A dividend-equivalent in the same amount also will be paid simultaneously on outstanding but unvested shares of restricted stock units granted under the Company's Stock Award and Incentive Plan. The current dividend plan approved by the Board anticipates a total annual dividend of \$1.00 per common share, however there can be no assurance that future dividends will be declared since the actual declaration of future dividends, and the establishment of record and payment dates, remains subject to final determination by the Company's Board of Directors.

In January 2008, we signed an agreement to acquire Kemper's Holding GmbH, a Germany-based retail specialist, and in May 2008 we closed this acquisition, which makes us the largest property advisory business in Germany and provides us with new offices in Leipzig, Cologne and Hannover. In April 2008, we acquired Leechiu & Associates, an agency business in the Philippines, and a 10% interest in Alkas, a Turkish based commercial real estate firm. Terms for these three transactions included cash paid at closing totaling approximately \$134.2 million, and consideration subject only to the passage of time of approximately \$3.4 million.

In April 2008, we entered into an unconsolidated joint venture with Australia's Colonial First State Property Management to create Sandalwood, which will be the first integrated retail development and management service provider to operate across all of Asia.

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

The following discussion and analysis should be read in conjunction with the consolidated financial statements, including the notes thereto, for the three months ended March 31, 2008, included herein, and Jones Lang LaSalle's audited consolidated financial statements and notes thereto for the fiscal year ended December 31, 2007, which have been filed with the SEC as part of our 2007 Annual Report on Form 10-K and are also available on our website ([www.joneslanglasalle.com](http://www.joneslanglasalle.com)).

The following discussion and analysis contains certain forward-looking statements which are generally identified by the words anticipates, believes, estimates, expects, plans, intends and other similar expressions. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause Jones Lang LaSalle's actual results, performance, achievements, plans and objectives to be materially different from any future results, performance, achievements, plans and objectives expressed or implied by such forward-looking statements. See the Cautionary Note Regarding Forward-Looking Statements in Part II, Item 5. Other Information.

We present our quarterly Management's Discussion and Analysis in five sections, as follows:

- (1) A summary of our critical accounting policies and estimates,
- (2) Certain items affecting the comparability of results and certain market and other risks that we face,
- (3) The results of our operations, first on a consolidated basis and then for each of our business segments,
- (4) Consolidated cash flows, and
- (5) Liquidity and capital resources.

#### Summary of Critical Accounting Policies and Estimates

An understanding of our accounting policies is necessary for a complete analysis of our results, financial position, liquidity and trends. See Note 2 of notes to consolidated financial statements in our 2007 Annual Report of Form 10-K for a summary of our significant accounting policies.

The preparation of our financial statements requires management to make certain critical accounting estimates that impact the stated amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting periods. These accounting estimates are based on management's judgment and are considered to be critical because of their significance to the financial statements and the possibility that future events may differ from current judgments, or that the use of different assumptions could result in materially different estimates. We review these estimates on a periodic basis to ensure reasonableness. Although actual amounts likely differ from such estimated amounts, we believe such differences are not likely to be material.

#### Interim Period Accounting for Incentive Compensation

An important part of our overall compensation package is incentive compensation, which we typically pay to our employees in the first quarter of the year after it is earned. In our interim financial statements, we accrue for most incentive compensation based on (1) a percentage of compensation costs and (2) an adjusted operating income recorded to date, relative to forecasted compensation costs and adjusted operating income for the full year, as substantially all incentive compensation pools are based upon full year results. As noted in "Interim Information" of Note 1 of the notes to consolidated financial statements, quarterly revenues and profits have historically tended to be higher in the third and fourth quarters of each year than in the first two quarters. The impact of this incentive compensation accrual methodology is that we accrue smaller percentages of incentive compensation in the first half of the year, compared to the percentage of our incentive compensation we accrue in the third and fourth quarters. We

adjust the incentive compensation accrual in those unusual cases where we have paid earned incentive compensation to employees. We exclude incentive compensation pools that are not subject to the normal performance criteria from the standard accrual methodology and accrue for them on a straight-line basis.

Certain employees receive a portion of their incentive compensation in the form of restricted stock units of our common stock. We recognize this compensation over the vesting period of these restricted stock units, which has the effect of deferring a portion of incentive compensation to later years. We recognize the benefit of deferring certain compensation under the stock ownership program in a manner consistent with the accrual of the underlying incentive compensation expense.

Given that we do not finalize individual incentive compensation awards until after year-end, we must estimate the portion of the overall incentive compensation pool that will qualify for this restricted stock program. This estimation factors in the performance of the Company and individual business units, together with the target bonuses for qualified individuals. Then, when we determine, announce and pay incentive compensation in the first quarter of the year following that to which the incentive compensation relates, we true-up the estimated stock ownership program deferral and related amortization.

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The table below sets forth the deferral estimated at year end, and the adjustment made in the first quarter of the following year to true-up the deferral and related amortization (\$ in millions):

	December 31, 2007	December 31, 2006
Deferral of compensation, net of related amortization expense	\$ 26.2	24.7
Increase to deferred compensation in the first quarter of the following year	0.3	1.6

The table below sets forth the amortization expense related to the stock ownership program for the three months ended March 31, 2008 and 2007 (\$ in millions):

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
Current compensation expense amortization for prior year programs	\$ 8.0	7.9
Current deferral net of related amortization	(3.2)	(7.3)

**Self-insurance Programs**

In our Americas business, and in common with many other American companies, we have chosen to retain certain risks regarding health insurance and workers' compensation rather than purchase third-party insurance. Estimating our exposure to such risks involves subjective judgments about future developments. We supplement our traditional global insurance program by the use of a captive insurance company to provide professional indemnity and employment practices insurance on a "claims made" basis. As professional indemnity claims can be complex and take a number of years to resolve, we are required to estimate the ultimate cost of claims.

- **Health Insurance** – We self-insure our health benefits for all U.S.-based employees, although we purchase stop loss coverage on an annual basis to limit our exposure. We self-insure because we believe that on the basis of our historic claims experience, the demographics of our workforce and trends in the health insurance industry, we incur reduced expense by self-insuring our health benefits as opposed to purchasing health insurance through a third party. We estimate our likely full-year health costs at the beginning of the year and expense this cost on a straight-line basis throughout the year. In the fourth quarter, we estimate the required reserve for unpaid health costs required at year-end.

Given the nature of medical claims, it may take up to 24 months for claims to be processed and recorded. The reserve balances for the programs related to 2008 and 2007 are \$4.4 million and \$2.6 million, respectively, at March 31, 2008.

The table below sets out certain information related to the cost of this program for the three months ended March 31, 2008 and 2007 (\$ in millions):

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
Expense to Company	\$ 4.9	3.8

Employee contributions		1.2	0.9
Adjustment to prior year reserve		(0.9)	(0.7)
Total program cost	\$	5.2	4.0

- Workers' Compensation Insurance – Given our belief, based on historical experience, that our workforce has experienced lower costs than is normal for our industry, we have been self-insured for workers' compensation insurance for a number of years. We purchase stop loss coverage to limit our exposure to large, individual claims. On a periodic basis we accrue using various state rates based on job classifications. On an annual basis in the third quarter, we engage in a comprehensive analysis to develop a range of potential exposure, and considering actual experience, we reserve within that range. We accrue the estimated adjustment to income for the differences between this estimate and our reserve. The credits taken to revenue for the three months ended March 31, 2008 and 2007 were \$0.8 million and \$0.7 million, respectively.

The reserves, which can relate to multiple years, were \$10.4 million and \$9.8 million, as of March 31, 2008 and December 31, 2007, respectively.

- Captive Insurance Company – In order to better manage our global insurance program and support our risk management efforts, we supplement our traditional insurance program by the use of a wholly-owned captive insurance company to provide professional indemnity and employment practices liability insurance coverage on a "claims made" basis. The level of risk retained by our captive is up to \$2.5 million per claim (depending upon the location of the claim) and up to \$12.5 million in the aggregate.



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Professional indemnity insurance claims can be complex and take a number of years to resolve. Within our captive insurance company, we estimate the ultimate cost of these claims by way of specific claim reserves developed through periodic reviews of the circumstances of individual claims, as well as reserves against current year exposures on the basis of our historic loss ratio. The increase in the level of risk retained by the captive means we would expect that the amount and the volatility of our estimate of reserves will be increased over time. With respect to the consolidated financial statements, when a potential loss event occurs, management estimates the ultimate cost of the claims and accrues the related cost in accordance with SFAS 5, "Accounting for Contingencies."

The reserves estimated and accrued in accordance with SFAS 5, which relate to multiple years, were \$6.8 million and \$7.1 million, net of receivables from third party insurers, as of March 31, 2008 and December 31, 2007, respectively.

Income Taxes

We account for income taxes under the asset and liability method. We recognize deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. We also recognize deferred tax assets and liabilities for the future tax consequences attributable to operating loss and tax credit carryforwards. We measure deferred tax assets and liabilities using enacted tax rates expected to apply to taxable income in the years in which we expect those temporary differences to be recovered or settled. We recognize the effect on deferred tax assets and liabilities of a change in tax rates in income in the period that includes the enactment date.

Because of the global and cross border nature of our business, our corporate tax position is complex. We generally provide for taxes in each tax jurisdiction in which we operate based on local tax regulations and rules. Such taxes are provided on net earnings and include the provision of taxes on substantively all differences between financial statement amounts and amounts used in tax returns, excluding certain non-deductible items and permanent differences.

Our global effective tax rate is sensitive to the complexity of our operations as well as to changes in the mix of our geographic profitability, as local statutory tax rates range from 10% to 42% in the countries in which we have significant operations. We evaluate our estimated effective tax rate on a quarterly basis to reflect forecasted changes in:

- (i) Our geographic mix of income,
- (ii) Legislative actions on statutory tax rates,
- (iii) The impact of tax planning to reduce losses in jurisdictions where we cannot recognize the tax benefit of those losses, and
- (iv) Tax planning for jurisdictions affected by double taxation.

We continuously seek to develop and implement potential strategies and/or actions that would reduce our overall effective tax rate. We reflect the benefit from tax planning actions when we believe that they meet the recognition criteria under FIN 48, which usually requires that certain actions have been initiated. We provide for the effects of income taxes on interim financial statements based on our estimate of the effective tax rate for the full year.

Based on our forecasted results for the full year, we have estimated an effective tax rate of 25.2% for 2008. We believe that this is an achievable rate due to the mix of our income and the impact of tax planning activities. For the three months ended March 31, 2008, we used an effective tax rate of 25.2%; we ultimately achieved an effective tax rate of 25.2% for the year ended December 31, 2007.

Items Affecting Comparability

#### LaSalle Investment Management Revenues

Our money management business is in part compensated through the receipt of incentive fees where performance of underlying funds and separate account investments exceeds agreed-to benchmark levels. Depending upon performance and the contractual timing of measurement periods with clients, these fees can be significant and vary substantially from period to period.

“Equity in earnings (losses) from real estate ventures” may also vary substantially from period to period for a variety of reasons, including as a result of: (i) impairment charges, (ii) realized gains on asset dispositions, or (iii) incentive fees recorded as equity earnings. The timing of recognition of these items may impact comparability between quarters, in any one year, or compared to a prior year.

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The comparability of these items can be seen in Note 4 of the notes to consolidated financial statements and is discussed further in Segment Operating Results included herein.

### IOS Revenues

As we attempt to further expand our real estate investment banking activities within our Investor and Occupier Services businesses, which will tend to increase the revenues we receive that relate to the size and timing of our clients' transactions, we would also expect the timing of recognition of these items to increasingly impact comparability between quarters, in any one year, or compared to a prior year.

### Foreign Currency

We conduct business using a variety of currencies, but report our results in U.S. dollars, as a result of which our reported results may be positively or negatively impacted by the volatility of currencies against the U.S. dollar. This volatility can make it more difficult to perform period-to-period comparisons of the reported U.S. dollar results of operations, as such results demonstrate a growth rate that might not have been consistent with the real underlying growth rate in the local operations. As a result, we provide information about the impact of foreign currencies in the period-to-period comparisons of the reported results of operations in our discussion and analysis of financial condition in the Results of Operations section below.

### Seasonality

Historically, our revenue and profits have tended to be higher in the third and fourth quarters of each year than in the first two quarters. This is the result of a general focus in the real estate industry on completing or documenting transactions by calendar-year-end and the fact that certain expenses are constant throughout the year.

Our Investment Management segment generally earns investment-generated performance fees on clients' real estate investment returns and co-investment equity gains when assets are sold, the timing of which is geared towards the benefit of our clients.

Within our Investor and Occupier Services segments, expansion of capital markets activities has an increasing impact on comparability between reporting periods, as the timing of recognition of revenues relates to the size and timing of our clients' transactions. Non-variable operating expenses, which we treat as expenses when they are incurred during the year, are relatively constant on a quarterly basis. Consequently, the results for the periods ended March 31, 2008 and 2007 are not indicative of the results to be obtained for the full fiscal year.

## Results of Operations

### Reclassifications

We report "Equity in earnings (losses) from real estate ventures" in the consolidated statement of earnings after "Operating income (loss)." However, for segment reporting we reflect "Equity in earnings (losses) from real estate ventures" within "Total revenue." See Note 4 of the notes to consolidated financial statements for "Equity in earnings (losses) from real estate ventures" reflected within segment revenues, as well as discussion of how the Chief Operating Decision Maker (as defined in Note 4) measures segment results with "Equity in earnings (losses) from real estate ventures" included in segment revenues.

Three Months Ended March 31, 2008 Compared to Three Months Ended March 31, 2007

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In order to provide more meaningful year-to-year comparisons of our reported results, we have included in the table below the U.S. dollar and local currency movements in the consolidated statements of earnings (\$ in millions).

2008	2007	Increase (Decrease) in U.S. Dollars	% Change in Local Currency
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