

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 JUNE 30, 2002

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
(IRS Employer Identification No.)

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

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 the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

<u>Class</u>	<u>Outstanding at August 12, 2002</u>
Common Stock (\$0.01 par value)	30,765,596

TABLE OF CONTENTS

PART I	Financial Information	
Item 1.	Financial Statements	3
Item 2.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	25
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	35
PART II	Other Information	
Item 1.	Legal Proceedings	36
Item 4.	Submission of Matters to a Vote of Security Holders	36
Item 5.	Other Matters	37
Item 6.	Exhibits and Reports on Form 8-K	37

PART I. Financial Information
Item 1. Financial Statements

JONES LANG LASALLE INCORPORATED
Consolidated Balance Sheets

June 30, 2002 and December 31, 2001
(in thousands)
(Unaudited)

	<u>June 30,</u> <u>2002</u>	<u>December 31,</u> <u>2001</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 7,964	10,446
Trade receivables, net of allowances of \$8,149 and \$6,305 in 2002 and 2001, respectively	169,572	222,590
Notes receivable and advances to real estate ventures	3,808	3,847
Other receivables	10,380	9,553
Prepaid expenses	15,413	11,802
Deferred tax assets	17,579	16,935
Other assets	<u>15,045</u>	<u>11,340</u>
Total current assets	239,761	286,513
Property and equipment, at cost, less accumulated depreciation of \$116,920 and \$102,401 in 2002 and 2001, respectively	84,821	92,503
Goodwill, with indefinite useful lives, at cost, less accumulated amortization of \$36,020 and \$35,327 in 2002 and 2001, respectively	312,148	305,688
Negative goodwill, at cost, less accumulated amortization of (\$565) in 2001	--	(846)
Identified intangibles, with definite useful lives, at cost, less accumulated amortization of \$26,118 and \$23,195 in 2002 and 2001, respectively	20,896	23,327
Investments in real estate ventures	66,350	56,899
Long-term receivables, net	22,986	17,375
Prepaid pension asset	12,086	14,384
Deferred tax assets	24,066	25,770
Debt issuance costs	4,857	5,407
Other assets, net	<u>8,311</u>	<u>8,707</u>
	<u>\$ 796,282</u>	<u>835,727</u>
<u>Liabilities and Stockholders' Equity</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 91,051	116,968
Accrued compensation	59,874	131,680
Short-term borrowings	15,765	15,497
Deferred tax liabilities	206	23
Other liabilities	<u>18,384</u>	<u>23,467</u>
Total current liabilities	185,280	287,635
Long-term liabilities:		
Credit facilities	88,716	59,854
9% Senior Notes, due 2007	163,564	146,768
Deferred tax liabilities	4,827	6,567
Other	<u>24,701</u>	<u>19,733</u>
Total liabilities	467,088	520,557
Commitments and contingencies		
Minority interest in consolidated subsidiaries	2,266	789
Stockholders' equity:		
Common stock, \$.01 par value per share, 100,000,000 shares authorized; 30,386,902 and 30,183,450 shares issued and outstanding as of June 30, 2002 and December 31, 2001, respectively	304	302
Additional paid-in capital	474,478	463,926
Deferred stock compensation	(10,714)	(6,038)
Retained deficit	(123,050)	(122,521)
Stock held in trust	(460)	(1,658)
Accumulated other comprehensive loss	<u>(13,630)</u>	<u>(19,630)</u>
Total stockholders' equity	<u>326,928</u>	<u>314,381</u>
	<u>\$ 796,282</u>	<u>835,727</u>

See accompanying notes to consolidated financial statements.

JONES LANG LASALLE INCORPORATED
Consolidated Statements of Earnings and Comprehensive Income

Three and Six Months Ended June 30, 2002 and 2001
(in thousands, except share data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
Revenue:				
Fee based services	\$ 189,549	198,597	349,824	394,085
Equity in earnings from unconsolidated ventures	659	1,341	501	3,857
Other income	726	1,038	2,411	1,883
Total revenue	190,934	200,976	352,736	399,825
Operating expenses:				
Compensation and benefits, excluding non-recurring charges	119,859	127,912	230,802	262,389
Operating, administrative and other, excluding non-recurring charges	49,166	54,585	94,666	107,500
Depreciation and amortization	9,350	12,091	18,821	23,422
Non-recurring charges:				
Compensation and benefits	--	1,307	--	1,307
Operating, administrative and other	--	1,288	--	2,343
Total operating expenses	178,375	197,183	344,289	396,961
Operating income	12,559	3,793	8,447	2,864
Interest expense, net of interest income	4,669	5,981	8,587	10,827
Income (loss) before provision (benefit) for income taxes and minority interest	7,890	(2,188)	(140)	(7,963)
Net provision (benefit) for income taxes	3,155	(831)	(57)	(3,026)
Minority interest in earnings of subsidiaries	1,229	565	1,292	531
Net income (loss) before cumulative effect of change in accounting principle	3,506	(1,922)	(1,375)	(5,468)
Cumulative effect of change in accounting principle	--	--	846	--
Net income (loss)	\$ 3,506	(1,922)	(529)	(5,468)
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	\$ 5,318	3,206	6,000	(2,681)
Comprehensive income (loss)	\$ 8,824	1,284	5,471	(8,149)
Basic earnings (loss) per common share before cumulative effect of change in accounting principle	\$ 0.12	(0.06)	(0.05)	(0.18)
Cumulative effect of change in accounting principle	--	--	0.03	--
Basic earnings (loss) per common share	\$ 0.12	(0.06)	(0.02)	(0.18)
Basic weighted average shares outstanding	30,278,032	29,775,259	30,244,245	29,946,909
Diluted earnings (loss) per common share before cumulative effect of change in accounting principle	\$ 0.11	(0.06)	(0.05)	(0.18)
Cumulative effect of change in accounting principle	--	--	0.03	--
Diluted earnings (loss) per common share	\$ 0.11	(0.06)	(0.02)	(0.18)
Diluted weighted average shares outstanding	31,871,256	29,775,259	30,244,245	29,946,909

See accompanying notes to consolidated financial statements.

JONES LANG LASALLE INCORPORATED
Consolidated Statements of Stockholders' Equity

Six Months Ended June 30, 2002
(in thousands, except share data)
(Unaudited)

	<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Deferred Stock Compensation</u>	<u>Retained Earnings (Deficit)</u>	<u>Shares Held in Trust</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>						
Balances at December 31, 2001	30,183,450	\$302	463,926	(6,038)	(122,521)	(1,658)	(19,630)	314,381
Net loss	--	--	--	--	(529)	--	--	(529)
Shares issued in connection with Stock option plan	106,804	1	1,871	--	--	--	--	1,872
Restricted stock grants	--	--	6,562	(6,562)	--	--	--	--
Amortization of shares issued in connection with restricted stock	--	--	--	1,095	--	--	--	1,095
Reduction in restricted stock compensation rights outstanding	--	--	(69)	69	--	--	--	--
Stock purchase program grants	--	--	458	(458)	--	--	--	--
Shares issued in connection with stock purchase programs	104,456	1	1,873	--	--	--	--	1,874
Amortization of shares issued in connection with stock purchase programs	--	--	--	1,180	--	--	(1)	1,179
Shares repurchased for payment of taxes on shares issued pursuant to stock purchase programs	(7,808)	--	(143)	--	--	--	--	(143)
Distribution of shares held in trust	--	--	--	--	--	1,198	--	1,198
Cumulative effect of foreign currency translation adjustments	--	--	--	--	--	--	6,001	6,001
Balances at June 30, 2002	<u>30,386,902</u>	<u>\$304</u>	<u>474,478</u>	<u>(10,714)</u>	<u>(123,050)</u>	<u>(460)</u>	<u>(13,630)</u>	<u>326,928</u>

See accompanying notes to consolidated financial statements.

JONES LANG LASALLE INCORPORATED
Consolidated Statements of Cash Flows

Six Months Ended June 30, 2002 and 2001
(in thousands)
(Unaudited)

	2002	2001
Cash flows used in operating activities:		
Cash flows from earnings:		
Net loss	\$ (529)	(5,468)
Reconciliation of net loss to net cash provided by earnings:		
Cumulative effect of change in accounting principle	(846)	--
Minority interest	1,292	531
Depreciation and amortization	18,821	23,422
Equity in earnings and gain on sale from unconsolidated ventures	(501)	(3,857)
Operating distributions from real estate ventures	1,572	4,442
Provision for loss on receivables and other assets	2,820	8,478
Stock compensation expense	139	--
Amortization of deferred compensation	4,178	3,077
Amortization of debt issuance costs	645	595
Net cash provided by earnings	27,591	31,220
Cash flows from changes in working capital:		
Receivables	41,136	54,205
Prepaid expenses and other assets	2,321	(10,254)
Deferred tax assets	(497)	(10)
Accounts payable, accrued liabilities and accrued compensation	(89,995)	(141,193)
Net cash flows from changes in working capital	(47,035)	(97,252)
Net cash used in operating activities	(19,444)	(66,032)
Cash flows used in investing activities:		
Net capital additions - property and equipment	(5,360)	(17,657)
Investments in e-commerce ventures	(224)	(2,983)
Investments in real estate ventures:		
Capital contributions and advances to real estate ventures	(15,688)	(3,154)
Distributions, repayments of advances and sale of investments	6,244	19,773
Net cash used in investing activities	(15,028)	(4,021)
Cash flows provided by financing activities:		
Proceeds from borrowings under credit facilities	218,892	228,109
Repayments of borrowings under credit facilities	(189,762)	(157,935)
Shares repurchased for payment of taxes on stock awards	--	(3,114)
Shares repurchased under share repurchase program	--	(6,942)
Common stock issued under stock option plan and stock purchase programs	2,860	1,167
Net cash provided by financing activities	31,990	61,285
Net decrease in cash and cash equivalents	(2,482)	(8,768)
Cash and cash equivalents, beginning of period	10,446	18,843
Cash and cash equivalents, end of period	\$ 7,964	10,075
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	\$ 9,465	10,746
Taxes, net of refunds	4,579	16,367

See accompanying notes to consolidated financial statements.

JONES LANG LASALLE INCORPORATED
Notes to Consolidated Financial Statements

(Unaudited)

Readers of this quarterly report should refer to Jones Lang LaSalle Incorporated's ("Jones Lang LaSalle", which may be referred to as we, us, our or the Company) audited financial statements for the year ended December 31, 2001, which are included in Jones Lang LaSalle's 2001 Form 10-K, filed with the Securities and Exchange Commission, as certain footnote disclosures which would substantially duplicate those contained in such audited financial statements have been omitted from this report. Readers of this quarterly report should also refer to the "Summary of Critical Accounting Policies" 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.

(1) Accounting Policies

Interim Information

Our consolidated financial statements as of June 30, 2002 and for the three and six month ended June 30, 2002 and 2001 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. The results for the periods ended June 30, 2002 and 2001 are not necessarily indicative of the results to be obtained for the full fiscal year.

Certain prior year amounts have been reclassified to conform with the current presentation.

Earnings Per Share

For the three months ended June 30, 2002, basic earnings per share were calculated based on basic weighted average shares outstanding of 30.3 million, and diluted earnings per share were calculated based on diluted weighted average shares outstanding of 31.9 million. The increase of 1.6 million in weighted average shares outstanding reflects the dilutive effect of shares to be issued under employee stock compensation programs and outstanding stock options whose exercise price was less than the average market price of our stock during this period.

For the six months ended June 30, 2002, the basic and diluted loss per common share was calculated based on basic weighted average shares outstanding of 30.2 million. For the three and six month periods ended June 30, 2001, basic and diluted losses per common share were calculated based on basic weighted average shares outstanding of 29.8 million and 29.9 million, respectively. As a result of the net losses incurred for these periods, diluted weighted average shares outstanding do not give effect to common stock equivalents, as to do so would be anti-dilutive. These common stock equivalents consist principally of shares to be issued under employee stock compensation programs and outstanding stock options whose exercise price was less than the average market price of our stock during these periods.

Statement of Cash Flows

The effects of foreign currency translation on cash balances are reflected in cash flows from operating activities on the Consolidated Statements of Cash Flows.

Income Tax Provision

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 2002 forecasted results and actions we have implemented to date we have estimated an effective tax rate of 40% for 2002. We believe that this is an achievable effective tax rate, particularly in light of the effective tax rate benefit provided by SFAS 142, which is discussed further in Note 6. For the three and six months ended June 30, 2001, we used an effective tax rate of 38% for recurring operations. The use of an effective tax rate of 38% was based on plans existing at the time and the effective tax rate historically achieved. As a result of a shift in income mix (such that a greater proportion of income forecasted for the remainder of 2001 was anticipated to be in jurisdictions with high tax rates), in the third quarter of 2001 we revised our estimated year-to-date tax rate on recurring operations from 38% to 42%. An effective tax rate of 42% on recurring operations was achieved for the full year of 2001. The non-recurring and restructuring charges incurred in 2001 have been separately tax-effected based on the projected tax deductibility of those items.

(2) Business Segments

We manage our business along a combination of geographic and functional lines. Operations are reported as four business segments: the three geographic regions of Owner and Occupier Services ("OOS"), (i) Americas, (ii) Europe and (iii) Asia Pacific, which offer our full range of corporate, investor, and capital markets services; and (iv) Investment Management, which offers investment management services on a global basis. The OOS business consists primarily of tenant representation and agency leasing, capital markets and valuation services (collectively, "implementation services") and property management, corporate property services, project and development management services (collectively, "management services"). The Investment Management segment provides real estate investment management services to institutional investors, corporations, and high net worth individuals.

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. We allocate all expenses, other than interest and income taxes, as nearly all expenses incurred benefit one or more of the segments. Allocated expenses primarily consist of corporate global overhead, including certain globally managed stock compensation programs. These corporate global overhead expenses are allocated to the business segments based on the relative revenue of each segment.

During the third quarter of 2001, we changed our measure of segment operating results to exclude non-recurring and restructuring charges. Amounts reported for the first six months of 2001 have been reclassified to conform to the current period measure. Prior year results were not materially impacted by this change. See Note 3 for a detailed discussion of these non-recurring and restructuring charges. We have determined that it is not meaningful to investors to allocate these non-recurring and restructuring charges to our segments. In addition, the chief operating decision maker of Jones Lang LaSalle measures the segment results without these charges allocated.

Summarized unaudited financial information by business segment for the three and six months ended June 30, 2002 and 2001 is as follows (\$ in thousands):

	Segment Operating Results			
	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2002	2001	2002	2001
Owner and Occupier Services - Americas				
Revenue:				
Implementation services	\$ 26,482	38,301	47,063	63,797
Management services	31,847	35,913	63,082	70,930
Equity earnings (losses)	(472)	335	(482)	335
Other services	310	437	667	723
Intersegment revenue	<u>85</u>	<u>550</u>	<u>202</u>	<u>710</u>
	58,252	75,536	110,532	136,495
Operating expenses:				
Compensation, operating and administrative expenses	50,466	65,678	99,976	131,663
Depreciation and amortization	<u>4,739</u>	<u>6,300</u>	<u>9,632</u>	<u>11,990</u>
Operating income (loss)	<u>\$ 3,047</u>	<u>3,558</u>	<u>924</u>	<u>(7,158)</u>
Europe				
Revenue:				
Implementation services	\$ 58,193	56,046	103,339	121,281
Management services	20,803	21,304	39,147	41,570
Other services	<u>155</u>	<u>249</u>	<u>1,002</u>	<u>436</u>
	79,151	77,599	143,488	163,287
Operating expenses:				
Compensation, operating and administrative expenses	70,473	68,771	131,984	142,786
Depreciation and amortization	<u>2,712</u>	<u>3,128</u>	<u>5,268</u>	<u>6,185</u>
Operating income	<u>\$ 5,966</u>	<u>5,700</u>	<u>6,236</u>	<u>14,316</u>
Asia Pacific				
Revenue:				
Implementation services	\$ 19,685	16,766	34,577	33,154
Management services	12,030	11,539	22,957	22,694
Other services	<u>253</u>	<u>354</u>	<u>658</u>	<u>697</u>
	31,968	28,659	58,192	56,545
Operating expenses:				
Compensation, operating and administrative expenses	29,106	29,365	56,640	58,204
Depreciation and amortization	<u>1,587</u>	<u>1,681</u>	<u>3,306</u>	<u>3,275</u>
Operating income (loss)	<u>\$ 1,275</u>	<u>(2,387)</u>	<u>(1,754)</u>	<u>(4,934)</u>

	Segment Operating Results			
	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2002	2001	2002	2001
Investment Management -				
Revenue:				
Implementation services	\$ --	1,044	353	1,839
Advisory fees	20,517	17,663	39,308	38,768
Equity earnings	1,131	1,006	983	3,522
Other services	<u>--</u>	<u>19</u>	<u>82</u>	<u>79</u>
	21,648	19,732	40,726	44,208
Operating expenses:				
Compensation, operating and administrative expenses	19,065	19,233	37,070	37,946
Depreciation and amortization	<u>312</u>	<u>982</u>	<u>615</u>	<u>1,972</u>
Operating income (loss)	<u>\$ 2,271</u>	<u>(483)</u>	<u>3,041</u>	<u>4,290</u>
Total segment revenue	\$ 191,019	201,526	352,938	400,535
Intersegment revenue eliminations	<u>(85)</u>	<u>(550)</u>	<u>(202)</u>	<u>(710)</u>
Total revenue	<u>\$ 190,934</u>	<u>200,976</u>	<u>352,736</u>	<u>399,825</u>
Total segment operating expenses	\$ 178,460	195,138	344,491	394,021
Intersegment operating expense eliminations	<u>(85)</u>	<u>(550)</u>	<u>(202)</u>	<u>(710)</u>
Total operating expenses before non-recurring charges	<u>\$ 178,375</u>	<u>194,588</u>	<u>344,289</u>	<u>393,311</u>
Operating income before non-recurring charges	<u>\$ 12,559</u>	<u>6,388</u>	<u>8,447</u>	<u>6,514</u>
Non-recurring charges	<u>\$ --</u>	<u>2,595</u>	<u>--</u>	<u>3,650</u>
Operating income	<u>\$ 12,559</u>	<u>3,793</u>	<u>8,447</u>	<u>2,864</u>

(3) Non-Recurring and Restructuring Charges

For the three and six months ended June 30, 2001 we incurred non-recurring and restructuring charges of \$2.6 million and \$3.7 million, respectively.

Non-recurring charges include the write-down of our investments in e-commerce ventures. In 2001, we reviewed our e-commerce investments on an investment by investment basis, evaluating actual business performance against original expectations, projected future performance and associated cash flows, and capital needs and availability. By the end of 2001, we had written off all of our investments in e-commerce ventures. It is currently our policy to expense any additional investments, primarily contractual commitments to fund operating expenses of existing investments, which are made into these ventures in the period they are made. These charges are booked as ordinary recurring charges. In the six months ended June 30, 2002, the Americas OOS segment expensed a total of \$224,000 of such investments.

Restructuring charges include severance and professional fees associated with the realignment of our business. The Asia Pacific business underwent a realignment from a traditional geographic structure to one that is managed according to business lines. In addition, in the second half of 2001 we implemented a broad based restructuring of our business that reduced headcount by approximately 9%.

The following table details the consolidated non-recurring and restructuring charges by segment (amounts in millions):

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 30, 2001</u>		<u>June 30, 2001</u>	
	<u>Non-</u>	<u>Restruc-</u>	<u>Non-</u>	<u>Restruc-</u>
	<u>Recurring</u>	<u>turing</u>	<u>Recurring</u>	<u>turing</u>
Owner & Occupier Services				
Americas	0.9	1.1	2.0	1.1
Europe	0.1	0.1	0.1	0.1
Asia Pacific	--	<u>0.4</u>	--	<u>0.4</u>
Consolidated	<u>1.0</u>	<u>1.6</u>	<u>2.1</u>	<u>1.6</u>

The total charge for the full year of 2001 for severance and related costs was \$43.9 million. Of these costs, \$9.9 million had been paid at December 31, 2001; \$16.4 million was paid in the first quarter of 2002, and \$8.3 million was paid in the second quarter of 2002, with the balance of \$9.3 million to be paid out during the remainder of 2002. Included in the \$43.9 million was \$40 million of severance costs and approximately \$3 million of professional fees. The balance of the expenses included relocation and other severance related expenses.

(4) Implementation of SAB 101

Effective January 1, 2000, as a result of the implementation of Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB 101"), we recorded a one-time, non-cash, after-tax cumulative effect of change in accounting principle of \$14.2 million, net of taxes of \$8.7 million. This adjustment represented revenues of \$22.9 million that had been recognized prior to January 1, 2000 that would not have been recognized if the new accounting policy had been in effect in the years prior to 2000. These revenues are now recognized as the underlying contingencies are satisfied. We recognized \$5.8 million and \$16.2 million of these revenues in the twelve months ended December 31, 2001 and 2000, respectively, and none and \$0.1 million of these revenues in the three and six months ended June 30, 2002, respectively. The balance of \$0.8 million is expected to be recognized over the remainder of 2002.

(5) Derivatives and Hedging Activities

On January 1, 2001, we adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities." SFAS No. 133, as amended, establishes accounting and reporting standards for derivative instruments. Specifically, SFAS No. 133 requires an entity to recognize all derivatives as either assets or liabilities in the consolidated balance sheet and to measure those instruments at fair value. Additionally, the fair value adjustments will affect either stockholders' equity or net income depending on whether the derivative instrument qualifies as a hedge for accounting purposes and, if so, the nature of the hedging activity.

In the normal course of business, we use derivative financial instruments to manage foreign currency risk. At June 30, 2002, we had forward exchange contracts in effect with a notional value of \$73.7 million and a market and carrying gain of \$6.1 million. We have used interest rate swap agreements to limit the impact of changes in interest rates on earnings and cash flows. We did not enter into any interest rate swap agreements during 2002 or 2001, and there were no such agreements outstanding as of June 30, 2002.

We require that hedging derivative instruments be effective in reducing the exposure that they are designated to hedge. This effectiveness is essential to qualify for hedge accounting treatment. Any derivative instrument used for risk management that does not meet the hedging criteria is marked-to-market each period with changes in unrealized gains or losses recognized currently in earnings.

As a firm, we do not enter into derivative financial instruments for trading or speculative purposes. We hedge any foreign exchange risk resulting from intercompany loans through the use of foreign currency forward contracts. SFAS 133 requires that unrealized gains and losses on these derivatives be recognized currently in earnings. The gain or loss on the re-measurement of the foreign currency transactions being hedged is also recognized in earnings. The net impact on our earnings during the six months ended June 30, 2002 of the unrealized gain on foreign currency contracts, offset by the loss resulting from re-measurement of foreign currency transactions, was a loss of \$39,000.

The effect of implementing SFAS 133 did not have a material impact on our consolidated financial statements.

(6) Accounting for Business Combinations, Goodwill and Other Intangible Assets

Effective July 2001, we adopted SFAS No. 141, Business Combinations, ("SFAS 141"). SFAS 141 requires that the purchase method of accounting be used for all business combinations completed after June 30, 2001. SFAS 141 also specifies that intangible assets acquired in a purchase method business combination must meet certain criteria to be recognized and reported apart from goodwill. We have not completed any purchase business combinations after June 30, 2001.

Effective January 1, 2002, we adopted SFAS No. 142, Goodwill and Other Intangible Assets ("SFAS 142"). SFAS 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead they must be tested for impairment at least annually in accordance with the provisions of SFAS 142. SFAS 142 also requires that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values and reviewed for impairment in accordance with SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of ("SFAS 121").

In connection with the transitional goodwill impairment evaluation, SFAS 142 required us to perform an assessment of whether there was an indication that goodwill was impaired as of the date of adoption. To accomplish this evaluation, we determined the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units as of the date of adoption. We have determined the fair value of each reporting unit on the basis of a discounted cash flow methodology and compared it to the reporting unit's carrying amount. In all cases, the fair value of each reporting unit exceeded its carrying amount, and therefore no impairment loss has been recognized on our goodwill. Also, unamortized negative goodwill of \$846,000 which existed at the date we adopted SFAS 142, has been credited to the income statement as the cumulative effect of a change in accounting principle.

We have \$333.0 million of unamortized intangibles as of June 30, 2002, which are subject to the provisions of SFAS 142. A significant portion of these unamortized intangibles 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 is attributable to movements in currency exchange rates. \$312.1 million of these intangibles represent goodwill with an indefinite useful life and have ceased to be amortized beginning January 1, 2002. The amortization savings in the three and six months ended June 30, 2002 were \$2.4 million and \$4.8 million, respectively. As a result of adopting SFAS 142, on January 1, 2002 we credited to the income statement, as the cumulative effect of a change in accounting principle, \$846,000, which represented our negative goodwill balance at January 1, 2002. The gross carrying amount of this negative goodwill (which related to the Americas OOS reporting segment) at January 1, 2002 was \$1,410,000 with accumulated amortization of \$565,000. The remaining \$20.9 million of identified intangibles (principally representing management contracts acquired) will be amortized over their remaining definite useful lives. Other than the prospective non-amortization of goodwill, which results in a non-cash improvement in our operating results, we do not expect the adoption to have a material effect on our revenue, operating results or liquidity.

In accordance with SFAS 142, the effect of this accounting change is applied prospectively. Supplemental comparative disclosure as if the change had been retroactively applied to the prior period is as follows (in thousands, except share data):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Reported net income (loss)	\$ 3,506	(1,922)	(529)	(5,468)
Add back: Cumulative effect of change in accounting principle	--	--	(846)	--
Add back: Amortization of Goodwill with indefinite useful lives, net of tax	<u>--</u>	<u>1,587</u>	<u>--</u>	<u>3,079</u>
Adjusted net income (loss)	<u>\$ 3,506</u>	<u>(335)</u>	<u>(1,375)</u>	<u>(2,389)</u>
Basic earnings (loss) per common share .	\$ 0.12	(0.06)	(0.02)	(0.18)
Cumulative effect of change in accounting principle	--	--	(0.03)	--
Amortization of Goodwill with indefinite useful lives, net of tax	<u>--</u>	<u>0.05</u>	<u>--</u>	<u>0.10</u>
Adjusted basic earnings (loss) per common share	<u>\$ 0.12</u>	<u>(0.01)</u>	<u>(0.05)</u>	<u>(0.08)</u>
Diluted earnings (loss) per common share	\$ 0.11	(0.06)	(0.02)	(0.18)
Cumulative effect of change in accounting principle	--	--	(0.03)	--
Amortization of Goodwill with indefinite useful lives, net of tax	<u>--</u>	<u>0.05</u>	<u>--</u>	<u>0.10</u>
Adjusted diluted earnings (loss) per common share	<u>\$ 0.11</u>	<u>(0.01)</u>	<u>(0.05)</u>	<u>(0.08)</u>

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

	<u>Owner and Occupier Services</u>			<u>Investment</u>	<u>Consol-</u>
	<u>Americas</u>	<u>Europe</u>	<u>Asia</u>	<u>Management</u>	<u>idated</u>
<u>Gross Carrying Amount</u>					
Balance as of January 1, 2002	\$179,263	62,382	79,603	19,767	341,015
Impact of exchange rate movements	<u>32</u>	<u>3,441</u>	<u>3,125</u>	<u>555</u>	<u>7,153</u>
Balance as of June 30, 2002	\$179,295	65,823	82,728	20,322	348,168
<u>Accumulated Amortization</u>					
Balance as of January 1, 2002	\$(15,516)	(4,901)	(5,607)	(9,303)	(35,327)
Impact of exchange rate movements	<u>(22)</u>	<u>(305)</u>	<u>(224)</u>	<u>(142)</u>	<u>(693)</u>
Balance as of June 30, 2002	\$(15,538)	(5,206)	(5,831)	(9,445)	(36,020)
Net book value	<u>\$163,757</u>	<u>60,617</u>	<u>76,897</u>	<u>10,877</u>	<u>312,148</u>

The following table sets forth, by reporting segment, the current year movements in the gross carrying amount and accumulated amortization of our goodwill with definite useful lives as well as estimated future amortization expense (amounts in thousands, unless otherwise noted).

	<u>Owner and Occupier Services</u>			<u>Investment Management</u>	<u>Consolidated</u>
	<u>Americas</u>	<u>Europe</u>	<u>Asia Pacific</u>		
<u>Gross Carrying Amount</u>					
Balance as of January 1, 2002	\$ 39,377	742	2,071	4,332	46,522
Impact of exchange rate movements	<u>--</u>	<u>41</u>	<u>220</u>	<u>231</u>	<u>492</u>
Balance as of June 30, 2002	\$ 39,377	783	2,291	4,563	47,014
<u>Accumulated Amortization</u>					
Balance as of January 1, 2002	\$(17,720)	(302)	(841)	(4,332)	(23,195)
Amortization expense - Q1 . . .	(1,207)	(23)	(66)	--	(1,296)
Amortization expense - Q2 . . .	(1,207)	(23)	(72)	--	(1,302)
Impact of exchange rate movements	<u>20</u>	<u>(19)</u>	<u>(95)</u>	<u>(231)</u>	<u>(325)</u>
Balance as of June 30, 2002	\$(20,114)	(367)	(1,074)	(4,563)	(26,118)
Net book value	<u>\$ 19,263</u>	<u>416</u>	<u>1,217</u>	<u>--</u>	<u>20,896</u>

Estimated Annual Amortization Expense

Remaining 2002 Amortization	\$2.6 million
For Year Ended 12/31/03	\$5.2 million
For Year Ended 12/31/04	\$5.2 million
For Year Ended 12/31/05	\$4.7 million
For Year Ended 12/31/06	\$3.2 million
For Year Ended 12/31/07	None

(7) Supplemental Condensed Consolidating Financial Statements

On July 26, 2000, Jones Lang LaSalle Finance B.V. ("JLL Finance"), a wholly-owned subsidiary of Jones Lang LaSalle, issued 9% Senior Notes with an aggregate principal amount of euro 165 million, due 2007 (the "Euro Notes"). The payment obligations under the Euro Notes are fully and unconditionally guaranteed by Jones Lang LaSalle Incorporated and certain of its wholly-owned subsidiaries: Jones Lang LaSalle Americas, Inc.; LaSalle Investment Management, Inc.; Jones Lang LaSalle International, Inc.; Jones Lang LaSalle Co-Investment, Inc.; and Jones Lang LaSalle Ltd. (the "Guarantor Subsidiaries"). All of Jones Lang LaSalle Incorporated's remaining subsidiaries (the "Non-Guarantor Subsidiaries") are owned by the Guarantor Subsidiaries. The following supplemental Condensed Consolidating Balance Sheets as of June 30, 2002 and December 31, 2001, Condensed Consolidating Statement of Earnings for the three and six months ended June 30, 2002 and 2001, and Condensed Consolidating Statement of Cash Flows for the six months ended June 30, 2002 and 2001 present financial information for (i) Jones Lang LaSalle Incorporated (carrying any investment in subsidiaries under the equity method), (ii) Jones Lang LaSalle Finance B.V. (the issuer of the Euro Notes), (iii) on a combined basis the Guarantor Subsidiaries (carrying any investment in Non-Guarantor subsidiaries under the equity method) and (iv) on a combined basis the Non-Guarantor Subsidiaries (carrying their investment in JLL Finance under the equity method). Separate financial statements of the Guarantor Subsidiaries are not presented because the guarantors are jointly, severally, and unconditionally liable under the guarantees, and Jones Lang LaSalle Incorporated believes that separate financial statements and other disclosures regarding the Guarantor Subsidiaries are not material to investors. In general, historically, Jones Lang LaSalle Incorporated has entered into third party borrowings, financing its subsidiaries via intercompany accounts that are then converted into equity, or long-term notes, on a periodic basis. Certain Guarantor and Non-Guarantor Subsidiaries also enter into third party borrowings on a limited basis. All intercompany activity has been included as subsidiary activity in investing activities in the Condensed Consolidating Statements of Cash Flows. Cash is managed on a consolidated basis and there is a right of offset between bank accounts in the different groupings of legal entities in the condensed consolidating financial information. Therefore, in certain cases, negative cash balances have not been reallocated to payables as they legally offset positive cash balances elsewhere in Jones Lang LaSalle Incorporated. In certain cases, taxes have been calculated on the basis of a group position that includes both Guarantor and Non-Guarantor Subsidiaries. In such cases, the taxes have been allocated to individual legal entities on the basis of that legal entity's pre tax income.

Condensed Consolidating Balance Sheet

As of June 30, 2002
(\$ in thousands)

	Jones Lang LaSalle Incorporated (Parent and Guarantor)	Jones Lang LaSalle Finance B.V.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated Jones Lang LaSalle Incorporated
Assets						
Cash and cash equivalents . . .	\$ 4,800	34	(4,312)	7,442	--	7,964
Trade receivables, net of allowances	--	--	55,803	113,769	--	169,572
Other current assets	<u>(312)</u>	<u>--</u>	<u>32,503</u>	<u>30,034</u>	<u>--</u>	<u>62,225</u>
Total current assets	4,488	34	83,994	151,245	--	239,761
Property and equipment, at cost, less accumulated depreciation	5,006	--	40,787	39,028	--	84,821
Intangibles resulting from business acquisitions and JLW merger, net of accumulated amortization . . .	--	--	240,187	92,857	--	333,044
Other assets, net	27,443	--	77,507	33,706	--	138,656
Investments in subsidiaries . . .	<u>228,379</u>	<u>--</u>	<u>223,717</u>	<u>677</u>	<u>(452,773)</u>	<u>--</u>
	<u>\$ 265,316</u>	<u>34</u>	<u>666,192</u>	<u>317,513</u>	<u>(452,773)</u>	<u>796,282</u>
Liabilities and Stockholders' Equity						
Accounts payable and accrued liabilities	\$ 9,964	1,370	27,317	52,400	--	91,051
Short-term borrowings	(7)	--	5,218	10,554	--	15,765
Other current liabilities	<u>(77,073)</u>	<u>(254,293)</u>	<u>390,927</u>	<u>18,903</u>	<u>--</u>	<u>78,464</u>
Total current liabilities	(67,116)	(252,923)	423,462	81,857	--	185,280
Long-term liabilities:						
Credit facilities	--	88,716	--	--	--	88,716
9% senior notes, due 2007	--	163,564	--	--	--	163,564
Other	<u>5,504</u>	<u>--</u>	<u>14,351</u>	<u>9,673</u>	<u>--</u>	<u>29,528</u>
Total liabilities	(61,612)	(643)	437,813	91,530	--	467,088
Commitments and contingencies						
Minority interest in consolidated subsidiaries . . .	--	--	--	2,266	--	2,266
Stockholders' equity	<u>326,928</u>	<u>677</u>	<u>228,379</u>	<u>223,717</u>	<u>(452,773)</u>	<u>326,928</u>
	<u>\$ 265,316</u>	<u>34</u>	<u>666,192</u>	<u>317,513</u>	<u>(452,773)</u>	<u>796,282</u>

Condensed Consolidating Balance Sheet

As of December 31, 2001
(\$ in thousands)

	Jones Lang LaSalle Incorporated (Parent and Guarantor)	Jones Lang LaSalle Finance B.V.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated Jones Lang LaSalle Incorporated
<u>Assets</u>						
Cash and cash equivalents . . .	\$ 3,142	52	(2,843)	10,095	--	10,446
Trade receivables, net of allowances	132	--	84,492	137,966	--	222,590
Other current assets	<u>(4,575)</u>	<u>--</u>	<u>31,389</u>	<u>26,663</u>	<u>--</u>	<u>53,477</u>
Total current assets	(1,301)	52	113,038	174,724	--	286,513
Property and equipment, at cost, less accumu- lated depreciation	4,388	--	48,817	39,298	--	92,503
Intangibles resulting from business acquisitions and JLW merger, net of accumulated amortization . . .	--	--	240,063	88,106	--	328,169
Other assets, net	26,154	--	68,745	33,643	--	128,542
Investment in subsidiaries . . .	<u>216,825</u>	<u>--</u>	<u>212,452</u>	<u>367</u>	<u>(429,644)</u>	<u>--</u>
	<u>\$ 246,066</u>	<u>52</u>	<u>683,115</u>	<u>336,138</u>	<u>(429,644)</u>	<u>835,727</u>
<u>Liabilities and Stockholders' Equity</u>						
Accounts payable and accrued liabilities	\$ 10,572	836	42,568	62,992	--	116,968
Short-term borrowings	--	--	9,147	6,350	--	15,497
Other current liabilities	<u>(81,592)</u>	<u>(207,773)</u>	<u>400,555</u>	<u>43,980</u>	<u>--</u>	<u>155,170</u>
Total current liabilities	(71,020)	(206,937)	452,270	113,322	--	287,635
Long-term liabilities:						
Credit facilities	--	59,854	--	--	--	59,854
9% Senior Notes, due 2007	--	146,768	--	--	--	146,768
Other	<u>2,705</u>	<u>--</u>	<u>14,020</u>	<u>9,575</u>	<u>--</u>	<u>26,300</u>
Total liabilities	(68,315)	(315)	466,290	122,897	--	520,557
Commitments and contingencies						
Minority interest in consolidated subsidiaries . . .	--	--	--	789	--	789
Stockholders' equity	<u>314,381</u>	<u>367</u>	<u>216,825</u>	<u>212,452</u>	<u>(429,644)</u>	<u>314,381</u>
	<u>\$ 246,066</u>	<u>52</u>	<u>683,115</u>	<u>336,138</u>	<u>(429,644)</u>	<u>835,727</u>

Condensed Consolidating Statement of Earnings

For the Three Months Ended June 30, 2002
(\$ in thousands)

	Jones Lang LaSalle Incorporated (Parent and Guarantor)	Jones Lang LaSalle Finance B.V.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated Jones Lang LaSalle Incorporated
Revenue	\$ --	--	87,805	103,129	--	190,934
Equity earnings (loss) from subsidiaries	<u>2,453</u>	<u>--</u>	<u>1,048</u>	<u>80</u>	<u>(3,581)</u>	<u>--</u>
Total revenue	2,453	--	88,853	103,209	(3,581)	190,934
Operating expenses	<u>2,234</u>	<u>1</u>	<u>80,383</u>	<u>95,757</u>	<u>--</u>	<u>178,375</u>
Operating income (loss)	219	(1)	8,470	7,452	(3,581)	12,559
Interest expense, net of interest income	<u>(955)</u>	<u>(231)</u>	<u>3,776</u>	<u>2,079</u>	<u>--</u>	<u>4,669</u>
Earnings (loss) before provision (benefit) for income taxes and minority interest	1,174	230	4,694	5,373	(3,581)	7,890
Net provision (benefit) for income taxes	(2,332)	150	2,241	3,096	--	3,155
Minority interests in earnings of subsidiaries	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,229</u>	<u>--</u>	<u>1,229</u>
Net earnings (loss), before cumulative effect of change in accounting principle	3,506	80	2,453	1,048	(3,581)	3,506
Cumulative effect of change in accounting principle	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net earnings (loss)	<u>\$ 3,506</u>	<u>80</u>	<u>2,453</u>	<u>1,048</u>	<u>(3,581)</u>	<u>3,506</u>

Condensed Consolidating Statement of Earnings

For the Six Months Ended June 30, 2002
(\$ in thousands)

	Jones Lang LaSalle Incorporated (Parent and Guarantor)	Jones Lang LaSalle Finance B.V.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated Jones Lang LaSalle Incorporated
Revenue	\$ --	--	159,800	192,936	--	352,736
Equity earnings (loss) from subsidiaries	<u>(775)</u>	<u>--</u>	<u>(396)</u>	<u>138</u>	<u>1,033</u>	<u>--</u>
Total revenue	(775)	--	159,404	193,074	1,033	352,736
Operating expenses	<u>5,640</u>	<u>17</u>	<u>152,436</u>	<u>186,196</u>	<u>--</u>	<u>344,289</u>
Operating income (loss)	(6,415)	(17)	6,968	6,878	1,033	8,447
Interest expense, net of interest income	<u>(3,342)</u>	<u>(461)</u>	<u>7,360</u>	<u>5,030</u>	<u>--</u>	<u>8,587</u>
Earnings (loss) before provision (benefit) for income taxes and minority interest	(3,073)	444	(392)	1,848	1,033	(140)
Net provision (benefit) for income taxes	(2,544)	306	383	1,798	--	(57)
Minority interests in earnings of subsidiaries	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,292</u>	<u>--</u>	<u>1,292</u>
Net earnings (loss), before cumulative effect of change in accounting principle	(529)	138	(775)	(1,242)	1,033	(1,375)
Cumulative effect of change in accounting principle	<u>--</u>	<u>--</u>	<u>--</u>	<u>846</u>	<u>--</u>	<u>846</u>
Net earnings (loss)	<u>\$ (529)</u>	<u>138</u>	<u>(775)</u>	<u>(396)</u>	<u>1,033</u>	<u>(529)</u>

Condensed Consolidating Statement of Earnings

For the Three Months Ended June 30, 2001
(\$ in thousands)

	Jones Lang LaSalle Incorporated (Parent and Guarantor)	Jones Lang LaSalle Finance B.V.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated Jones Lang LaSalle Incorporated
Revenue	\$ 13	--	95,489	105,474	--	200,976
Equity earnings (loss) from subsidiaries	<u>525</u>	<u>--</u>	<u>2,800</u>	<u>168</u>	<u>(3,493)</u>	<u>--</u>
Total revenue	538	--	98,289	105,642	(3,493)	200,976
Operating expenses before non-recurring charges	4,102	--	92,518	97,968	--	194,588
Non-recurring charges	<u>--</u>	<u>--</u>	<u>2,213</u>	<u>382</u>	<u>--</u>	<u>2,595</u>
Operating income (loss)	(3,564)	--	3,558	7,292	(3,493)	3,793
Interest expense, net of interest income	<u>(791)</u>	<u>(197)</u>	<u>4,049</u>	<u>2,920</u>	<u>--</u>	<u>5,981</u>
Earnings (loss) before provision (benefit) for income taxes and minority interest	(2,773)	197	(491)	4,372	(3,493)	(2,188)
Net provision (benefit) for income taxes	(851)	29	(1,016)	1,007	--	(831)
Minority interests in earnings of subsidiaries	<u>--</u>	<u>--</u>	<u>--</u>	<u>565</u>	<u>--</u>	<u>565</u>
Net earnings (loss)	<u>\$ (1,922)</u>	<u>168</u>	<u>525</u>	<u>2,800</u>	<u>(3,493)</u>	<u>(1,922)</u>

Condensed Consolidating Statement of Cash Flows

For the Six Months Ended June 30, 2001
(\$ in thousands)

	Jones Lang LaSalle Incorporated (Parent and Guarantor)	Jones Lang LaSalle Finance B.V.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated Jones Lang LaSalle Incorporated
Revenue	\$ 13	--	192,529	207,283	--	399,825
Equity earnings (loss) from subsidiaries	<u>(1,046)</u>	<u>--</u>	<u>2,111</u>	<u>348</u>	<u>(1,413)</u>	<u>--</u>
Total revenue	(1,033)	--	194,640	207,631	(1,413)	399,825
Operating expenses before non-recurring charges	8,500	--	186,570	198,241	--	393,311
Non-recurring charges	<u>--</u>	<u>--</u>	<u>3,268</u>	<u>382</u>	<u>--</u>	<u>3,650</u>
Operating income (loss)	(9,533)	--	4,802	9,008	(1,413)	2,864
Interest expense, net of interest income	<u>(1,698)</u>	<u>(440)</u>	<u>7,911</u>	<u>5,054</u>	<u>--</u>	<u>10,827</u>
Earnings (loss) before provision (benefit) for income taxes and minority interest	(7,835)	440	(3,109)	3,954	(1,413)	(7,963)
Net provision (benefit) for income taxes	(2,367)	92	(2,063)	1,312	--	(3,026)
Minority interests in earnings of subsidiaries	<u>--</u>	<u>--</u>	<u>--</u>	<u>531</u>	<u>--</u>	<u>531</u>
Net earnings (loss)	<u>\$ (5,468)</u>	<u>348</u>	<u>(1,046)</u>	<u>2,111</u>	<u>(1,413)</u>	<u>(5,468)</u>

Condensed Consolidating Statement of Cash Flows

For the Six Months Ended June 30, 2002
(\$ in thousands)

	Jones Lang LaSalle Incorporated (Parent and Guarantor)	Jones Lang LaSalle Finance B.V.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidated Jones Lang LaSalle Incorporated
Cash flows provided by (used in)					
operating activities	\$ (7,877)	23,652	(26,780)	(8,439)	(19,444)
Cash flows provided by (used in)					
investing activities:					
Net capital additions -					
property and equipment	(1,232)	--	(898)	(3,230)	(5,360)
Investments in e-commerce ventures	--	--	(224)	--	(224)
Subsidiary activity	7,914	(52,532)	38,259	6,359	--
Investments in real estate ventures	<u>--</u>	<u>--</u>	<u>(7,897)</u>	<u>(1,547)</u>	<u>(9,444)</u>
Net cash provided by (used in)					
investing activities	6,682	(52,532)	29,240	1,582	(15,028)
Cash flows provided by (used in)					
financing activities:					
Net borrowings under credit facility	(7)	28,862	(3,929)	4,204	29,130
Common stock issued under stock					
option plan	<u>2,860</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>2,860</u>
Net cash provided by (used in)					
financing activities	<u>2,853</u>	<u>28,862</u>	<u>(3,929)</u>	<u>4,204</u>	<u>31,990</u>
Net increase (decrease) in cash and					
cash equivalents	1,658	(18)	(1,469)	(2,653)	(2,482)
Cash and cash equivalents,					
beginning of period	<u>3,142</u>	<u>52</u>	<u>(2,843)</u>	<u>10,095</u>	<u>10,446</u>
Cash and cash equivalents,					
end of period	<u>\$ 4,800</u>	<u>34</u>	<u>(4,312)</u>	<u>7,442</u>	<u>7,964</u>

Condensed Consolidating Statement of Cash Flows

For the Six Months Ended June 30, 2001
(\$ in thousands)

	Jones Lang LaSalle Incorporated (Parent and Guarantor)	Jones Lang LaSalle Finance B.V.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidated Jones Lang LaSalle Incorporated
Cash flows provided by (used in)					
operating activities	\$ (4,194)	498	(35,053)	(27,283)	(66,032)
Cash flows provided by (used in)					
investing activities:					
Net capital additions -					
property and equipment	(973)	--	(7,064)	(9,620)	(17,657)
Investments in e-commerce ventures	--	--	(2,983)	--	(2,983)
Subsidiary activity	13,275	(70,688)	52,482	4,931	--
Investments in real estate ventures	<u>--</u>	<u>--</u>	<u>(3,460)</u>	<u>20,079</u>	<u>16,619</u>
Net cash provided by (used in)					
investing activities	12,302	(70,688)	38,975	15,390	(4,021)
Cash flows provided by (used in)					
financing activities:					
Net borrowings under credit facility	--	70,056	(1,780)	1,898	70,174
Shares repurchased	(10,056)	--	--	--	(10,056)
Common stock issued under stock option plan	<u>1,167</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,167</u>
Net cash provided by (used in)					
financing activities	<u>(8,889)</u>	<u>70,056</u>	<u>(1,780)</u>	<u>1,898</u>	<u>61,285</u>
Net increase (decrease) in cash and cash equivalents	(781)	(134)	2,142	(9,995)	(8,768)
Cash and cash equivalents, beginning of period	<u>3,689</u>	<u>152</u>	<u>(3,665)</u>	<u>18,667</u>	<u>18,843</u>
Cash and cash equivalents, end of period	<u>\$ 2,908</u>	<u>18</u>	<u>(1,523)</u>	<u>8,672</u>	<u>10,075</u>

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

The following discussion should be read in conjunction with the consolidated financial statements and notes thereto for the three and six months ended June 30, 2002, included herein, and Jones Lang LaSalle's audited consolidated financial statements and notes thereto for the fiscal year ended December 31, 2001 which have been filed with the Securities and Exchange Commission as part of Jones Lang LaSalle's Annual Report on Form 10-K.

Summary of Critical Accounting Policies

An understanding of our accounting policies is necessary for a complete analysis of our results, financial position, liquidity and trends. We focus your attention on the following:

Principles of Consolidation - Our financial statements include the accounts of Jones Lang LaSalle and its majority-owned-and-controlled affiliates. All material intercompany balances and transactions have been eliminated in consolidation. Investments in unconsolidated affiliates over which we exercise significant influence, but not control, are accounted for by the equity method. Under this method we maintain an investment account, which is increased by contributions made and our share of net income of the unconsolidated affiliates, and decreased by distributions received and our share of net losses of the unconsolidated affiliates. Our share of each unconsolidated affiliate's net income or loss, including gains and losses from capital transactions, is reflected on our statement of earnings as "equity in earnings from unconsolidated ventures." Investments in unconsolidated affiliates over which we are not able to exercise significant influence are accounted for under the cost method. Under the cost method our investment account is increased by contributions made and decreased by distributions representing return of capital. Distributions of income are reflected as "equity in earnings from unconsolidated ventures".

Revenue Recognition - We recognize advisory and management fees in the period in which we perform the service. Transaction commissions are recognized as income when we provide the service unless future contingencies exist. If future contingencies exist, we defer recognition of this revenue until the respective contingencies are satisfied. Incentive fees are generally tied to some form of contractual milestone and are recorded in accordance with the specific terms of the underlying compensation agreement. The Securities and Exchange Commission's Staff Accounting Bulletin (SAB) No. 101, Revenue Recognition, provides guidance on the application of generally accepted accounting principles to selected revenue recognition issues. We believe that our revenue recognition policy is appropriate and in accordance with accounting principles generally accepted in the United States of America and SAB No. 101. We implemented SAB 101 in 2000 and this is discussed more fully in Note 4 to Notes to Consolidated Financial Statements.

We estimate the allowance necessary to provide for uncollectible accounts receivable. This estimate includes specific accounts for which payment has become unlikely. This estimate is also based on historical experience, combined with a careful review of current developments and with a strong focus on credit control.

Periodic Accounting for Incentive Compensation - An important part of our overall compensation package is incentive compensation, which is typically paid out to employees in the first quarter of the year after it is earned. In our interim financial statements we accrue for incentive compensation based on the percentage of revenue and compensation costs recorded to date relative to forecasted revenue and compensation costs for the full year. The impact of this incentive compensation accrual methodology is that we accrue very little incentive compensation in the first six months of the year with the majority of our incentive compensation accrued in the fourth quarter. We adjust the incentive compensation accrual in those unusual cases where earned incentive compensation has been paid to employees. In addition we exclude from the standard accrual methodology, incentive compensation pools that are not subject to the normal performance criteria. These pools are accrued for on a straight-line basis. As a result of competitive pressures and the difficult underlying economic environment, in the second quarter of 2002 we have chosen to guarantee a portion of the incentive compensation pool for certain European based employees. The effect of excluding the incentive compensation pool relating to these employees from the accrual methodology and expensing the guaranteed minimum on a straight line basis over the final three quarters of 2002 has been to increase the Q2 incentive compensation expense by \$4 million.

Asset Impairment - We apply SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets ("SFAS 144"), to recognize and measure impairment of long-lived assets. SFAS 144 addresses issues relating to the implementation of FASB Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be disposed Of" ("SFAS 121"). SFAS 144 establishes accounting and reporting standards for the impairment or disposal of long-lived assets by requiring those long-lived assets be measured at the lower of carrying costs or fair value less selling costs, whether reported in continuing operations or in discontinued operations. The provisions of SFAS 144 are effective for financial statements issued for fiscal years beginning after December 15, 2001. We adopted SFAS 144 on January 1, 2002. The effect of implementing SFAS 144 did not have a material impact on our consolidated financial statements.

We review long-lived assets, including investments in real estate ventures, intangibles and property and equipment for impairment on an annual basis, or whenever events or circumstances indicate that the carrying value of an asset may not be recoverable. The review of recoverability is based on an estimate of the future undiscounted cash flows expected to be generated by the asset. If impairment exists due to the inability to recover the carrying value of an asset an impairment loss is recorded to the extent that the carrying value exceeds estimated fair value.

Although the Development Group was sold in Q3 2001, we have retained certain investments originated by this group. Included in investments in real estate ventures as of June 30, 2002 is the book value of the four remaining investment projects of \$1.9 million. This book value is net of an impairment charge, recorded through equity earnings during the second quarter of 2002, of \$472,000 against two of these investments. We continue to evaluate these investments for impairment, and any impairment charges are booked as ordinary recurring charges in the Americas OOS segment. We currently expect to have liquidated the Development Group investments by the end of 2003.

Although the Land Investment Group was closed down in 2001, we have retained certain investments originated by this group. Included in investments in real estate ventures as of June 30, 2002 is the book value of the five remaining Land Investment Group investments of \$4.4 million. This book value is net of \$3.5 million of impairment charges booked in 2001 as part of our non-recurring charges. We have also provided guarantees associated with these projects of \$1.6 million. In the first six months of 2002 there were no additional impairment charges taken, although we continue to monitor the portfolio very carefully and are in the process of a detailed re-evaluation of one particular investment with a book value of \$1.4 million that was not part of the 2001 charge. Any impairment charges relating to the Land Investment Group would be booked as ordinary recurring charges in the Investment Management segment. We currently expect to have liquidated the Land Investment Group investments by the end of 2005.

During 2001, we reviewed our e-commerce investments on an investment by investment basis, evaluating actual business performance against original expectations, projected future performance and associated cash flows, and capital needs and availability. As a result of this evaluation we determined that our investments in e-commerce were impaired, and fully wrote off these investments by the end of 2001 as part of our non-recurring charges. It is currently our policy to expense any additional investments, primarily contractual commitments to fund operating expenses of existing investments, that are made into these ventures in the period they are made. These charges are booked as ordinary recurring charges. In the six months ended June 30, 2002, the Americas OOS segment expensed a total of \$224,000 of such investments.

Income Taxes - We account for income taxes under the asset and liability method. Because of the global and cross border nature of our business, our corporate tax position is complex. We generally provide 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 accounting principles generally accepted in the United States of America and tax accounting, excluding certain non-deductible items and permanent differences. We have established valuation allowances against the possible future tax benefits of current losses where expected future taxable income does not support the realization of the deferred tax assets.

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 2002 forecasted results we have estimated an effective tax rate of 40% for 2002. We believe that this is an achievable effective tax rate, particularly in light of the effective tax rate benefit provided by SFAS 142, which is discussed further in Note 6. The tax environment that we operate in is complex as a result of the number of jurisdictions that we do business in and the cross border nature of certain of our transactions. Our global effective tax rate is also sensitive to changes in the mix of our geographic profitability as local statutory tax rates range from 16% to 40% in the countries in which we have significant operations. 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 it is probable that they will be successful, which usually requires certain actions to have been initiated. We are currently reviewing a number of actions that may have the impact of reducing our global effective tax rate to a sustainable level of 36%-37%.

Based on our historical experience and future business plans we do not expect to repatriate our foreign source earnings to the United States. As a result, we have not provided deferred taxes on such earnings or the difference between tax rates in the United States and the various foreign jurisdictions where such amounts were earned. Further, there are various limitations on our ability to utilize foreign tax credits on such earnings when repatriated. As such, we may incur taxes in the United States upon repatriation without credits for foreign taxes paid on such earnings.

Hedging Activities - As a firm, we do not enter into derivative financial instruments for trading or speculative purposes. However, the global nature of our business means that we are often required to enter into cross-border loans between Jones Lang LaSalle legal entities in order to facilitate the use of our cash for debt repayment. An intercompany loan will create foreign exchange risk if it is denominated in a currency that is different from the functional currency of one or both of the Jones Lang LaSalle legal entities party to the loan. We hedge any foreign exchange risk resulting from intercompany loans through the use of foreign currency forward contracts. At June 30, 2002, we had forward exchange contracts in effect with a notional value of \$73.7 million and a market and carrying gain of \$6.1 million.

Commitments and Contingencies - We are subject to various claims and contingencies related to lawsuits, taxes and environmental matters as well as commitments under contractual obligations. We recognize the liability associated with commitments and contingencies when a loss is probable and estimable. Our contractual obligations relate to the provision of services by us in the normal course of our business.

Accounting for Business Combinations - We have historically grown through a series of acquisitions and one substantial merger. As a result of this activity, and consistent with the services nature of the businesses we acquired, the largest assets on our balance sheet are intangibles resulting from business acquisitions and the JLW merger. Historically we have amortized these over their estimated useful lives (generally eight to forty years). SFAS 142, which we adopted January 1, 2002, requires that we cease amortizing the goodwill element of these intangibles, which is \$312.1 million. This will reduce our annual amortization expense by \$10 million. We will continue to amortize intangibles with definite useful lives, which primarily represent the value placed on management contracts that are acquired as part of our acquisition of a company.

In connection with the transitional goodwill impairment evaluation, SFAS 142 required us to perform an assessment of whether there was an indication that goodwill was impaired as of the date of adoption. To accomplish this evaluation, we determined the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units as of the date of adoption. We have determined the fair value of each reporting unit on the basis of a discounted cash flow methodology and compared it to the reporting unit's carrying amount. In all cases, the fair value of each reporting unit exceeded its carrying amount, and therefore no impairment loss has been recognized on our goodwill.

Results of Operations

Three and Six Months Ended June 30, 2002 Compared to Three and Six Months Ended June 30, 2001

Items Affecting Comparability

Non-Recurring and Restructuring Charges

In the three months ended June 30, 2001, we incurred \$1.0 and \$1.6 million of non-recurring and restructuring charges, respectively. In the six months ended June 30, 2001, we incurred \$2.1 and \$1.6 million of non-recurring and restructuring charges, respectively. We have no similar costs in 2002. The non-recurring charges resulted from the write-down of two specific e-commerce investments. By the end of 2001 we had written off all of our investments in e-commerce ventures, at a cost of \$18.0 million. The restructuring charges include severance and professional fees associated with the realignment of our business. The majority of our restructuring was implemented in the second half of 2001 and the total charge for the full year for severance and related costs was \$43.9 million. The non-recurring and restructuring charges are described more fully in Note 3 to Notes to Consolidated Financial Statements.

Adoption of Statement No. 142, Goodwill and Other Intangible Assets ("SFAS 142")

We adopted the provisions of SFAS 142 effective January 1, 2002. This adoption is described more fully in Note 6 to Notes to Consolidated Financial Statements. As a result of implementing SFAS 142, we recorded an after-tax credit to earnings representing a cumulative change in accounting principle effective January 1, 2002 of \$846,000. During the first six months of 2002, the net impact of SFAS 142 was to increase operating income by \$4.8 million as a result of stopping amortizing goodwill with indefinite lives.

LaSalle Investment Management Fees

Our Investment Management business is in part compensated through the receipt of incentive fees where investment performance exceeds agreed benchmark levels. Dependent upon performance, these fees can be significant and will generally be recognized when agreed events or milestones are reached. The timing of recognition may impact comparability between quarters, in any one year, or compared to a prior year.

Revenue

Total revenue, after elimination of intersegment revenue, decreased \$10.1 million, or 5.0%, to \$190.9 million for three months ended June 30, 2002 from \$201.0 million for the three months ended June 30, 2001. For the six months ended June 30, 2002 revenues decreased \$47.1 million, or 11.8%, to \$352.7 million from \$399.8 million for the six months ended June 30, 2001. The reduction in our revenues year over year reflects the impact of the weak global economy particularly on transaction activity. We had anticipated the decline in revenues as we had not anticipated a turnaround in overall economic conditions during the second quarter of 2002. In addition, the US dollar reported revenues were favorably impacted by \$4 million and \$2 million in the three and six months ended June 30, 2002, respectively, as compared to the same periods last year, due to the weakening US dollar against the key currencies in which we operate, primarily the euro, pound sterling and the Australian dollar.

Operating Expenses

Total operating expenses, after elimination of intersegment expenses decreased \$16.2 million, or 8.3%, to \$178.4 million for the three months ended June 30, 2002 compared to \$194.6 million, excluding non-recurring charges, for the three months ended June 30, 2001. For the six months ended June 30, 2002 operating expenses decreased \$49.0 million, or 12.5%, to \$344.3 million from \$393.3 million for the six months ended June 30, 2001, excluding non-recurring charges. The reduction in expenses is largely the result of restructuring actions taken in 2001 to bring ongoing operating expenses in line with anticipated future business in light of current economic conditions. The reduction in operating expenses was mitigated by the increase in US dollar reported operating expenses of \$4 million and \$2 million in the three and six months ended June 30, 2002, respectively, as compared to the same periods last year, due to the weakening US dollar against the key currencies in which we operate, primarily the euro, pound sterling and the Australian dollar. Compensation and benefit expense was down \$8.0 million for the three months

ended June 30, 2002, and down \$31.6 million for the six months ended June 30, 2002 primarily as a result of the 2001 restructuring actions. The reduction in compensation and benefit expense in the first half of 2002 is also attributable to reduced levels of incentive compensation expense of \$11.4 million. The reduction in incentive compensation may reverse over the balance of the year depending on performance. Operating, administrative and other expenses were down \$5.4 million and \$12.8 million for the three and six months ended June 30, 2002, respectively, largely due to cost containment initiatives put into place in 2001. The benefit resulting from adopting SFAS 142 (discussed in Note 6 to Notes to Consolidated Financial Statements) was an amortization savings of \$2.4 million and \$4.8 million for the three and six months ended June 30, 2002, respectively.

Operating Income

Due to the seasonal nature of our business we typically report an operating loss in the first quarter followed by moderate operating income in the second quarter (see Seasonality section for further discussion). Consistent with this pattern of seasonality, we reported operating income for the three months ended June 30, 2002 of \$12.6 million. For the three months ended June 30, 2001 we reported \$6.4 million of operating income, excluding non-recurring charges discussed in Note 3 of Notes to Consolidated Financial Statements. For the six months ended June 30, 2002 we reported operating income of \$8.4 million compared to an operating income of \$6.5 million for six months ended June 30, 2001, excluding non-recurring charges.

Interest Expense

Interest expense, net of interest income, decreased \$1.3 million, to \$4.7 million for the three months ended June 30, 2002 and \$2.2 million, to \$8.6 million for the six months ended June 30, 2002 from the prior periods. The decrease in interest expense is the result of lower average revolver borrowings at declining interest rates partially offset by the impact of the strengthening euro on the reported U.S. dollar value of the interest expense on the Euro Bonds.

Provision/(Benefit) for Income Taxes

The provision for income taxes was \$3.2 million for the three months ended June 30, 2002, as compared to a benefit of \$0.8 million for the same period of 2001. The benefit for income taxes was \$0.1 million for the six months ended June 30, 2002 as compared to a benefit of \$3.0 million for the same period of 2001. Our estimated effective tax rate for the second quarter and first half of 2002 was 40%, as compared to 38% for the same periods of 2001. See Income Tax Provision section of Note 1 to Notes to Consolidated Financial Statements and Summary of Critical Accounting Policies herein for further discussion of our effective tax rate.

Net Income/(Loss)

Our net income for the three months ended June 30, 2002 was \$3.5 million. Our net loss, excluding non-recurring charges, for the three months ended June 30, 2001 was \$0.3 million. Our net loss, excluding the cumulative effect of change in accounting principle related to the adoption of SFAS 142, for the six months ended June 30, 2002 was \$1.4 million. Our net loss, excluding non-recurring charges, for the six months ended June 30, 2002 was \$3.2 million.

Including the cumulative effect of change in accounting principle (a net benefit of \$0.8 million) related to the adoption of SFAS 142, which is discussed in detail at Note 6 to Notes to Consolidated Financial Statements, our net loss for the six months ended June 30, 2002 was \$0.5 million. Including the non-recurring charges of \$2.6 million and \$3.7 million, which are discussed in detail at Note 3 to Notes to Consolidated Financial Statements, our net loss for the three and six months ended June 30, 2001 was \$1.9 million and \$5.5 million, respectively.

Segment Operating Results

See Note 2 in Notes to Consolidated Financial Statements, included herein, for a discussion of our segment reporting.

Owner and Occupier Services

Americas

Revenue for the Americas region decreased \$17.2 million, or 22.8%, to \$58.3 million for the three months ended June 30, 2002, as compared to \$75.5 million for the three months ended June 30, 2001. For the six months ended June 30, 2002, revenue decreased \$26.0 million, or 19.1%, to \$110.5 million, as compared to \$136.5 million for the six months ended June 30, 2001. The reduced revenue reflects the continued weakness in the economy. The most significant revenue declines during the three and six months ended June 30, 2002, as compared to the same periods last year, are attributable to the Capital Markets unit, the Leasing and Management unit and the Project and Development unit. Included in the equity earnings for the second quarter of 2002 is an impairment charge of \$472,000 relating to a legacy development investment that had been made by the Development Group that we sold in the third quarter of 2001. We have retained an interest in certain of this groups' portfolio of investments. The remaining book value at June 30, 2002 of investments related to this group was \$1.9 million. We continue to manage our exposure to these investments and expect that we will be able to liquidate the remaining investments by the end of 2003. It is likely that we will continue to realize gains and losses as we continue the program of planned liquidation.

Operating expenses for the Americas region decreased \$16.8 million, or 23.3%, to \$55.2 million for the three months ended June 30, 2002, as compared to \$72.0 million for the three months ended June 30, 2001. For the six months ended June 30, 2002, operating expenses decreased \$34.1 million, or 23.7%, to \$109.6 million, as compared to \$143.7 million for the six months ended June 30, 2001. The decline in expenses is primarily attributable to the strong focus placed on cost containment, including significant reductions in compensation due to reduced headcount. Also contributing to the decline in expenses is a reduction in incentive compensation of \$3.3 million and \$6.1 million for the three and six months ended June 30, 2002, respectively, which is the result of reduced revenues. This reduction in incentive compensation may reverse over the balance of the year depending on performance. In addition, as a result of adopting SFAS 142 (discussed in Note 6 to Notes to Consolidated Financial Statements), amortization expense was reduced by \$1.2 million and \$2.3 million for the three and six months ended June 30, 2002, respectively.

Europe

Revenue for the Europe region totaled \$79.2 million for the three months ended June 30, 2002, as compared to \$77.6 million for the same period in 2001, an increase of 2.0%. For the six months ended June 30, 2002, revenue totaled \$143.5 million, as compared to \$163.3 million for the same period in 2001, a decrease of 12.1%. The most significant revenue declines in the second quarter and first half of 2002, as compared to the prior year periods, occurred in England, France and Germany, reflecting the difficult economic conditions in these countries. Revenue was up from prior year periods in the Netherlands and Sweden. The increase in revenues in Sweden relate to a significant incentive fee, which is, in accordance with equity method accounting, 45% offset in the Minority Interest line of the Consolidated Statement of Earnings. We are currently in discussion with our joint venture partner in Sweden to purchase the remaining 45% of the joint venture that we do not own. We expect to complete the negotiations by the end of 2002. Reported US dollar revenues were positively impacted by approximately \$3 million and \$1 million in the three and six months ended June 30, 2002, respectively, as compared to the same periods last year, due to the strengthening of the euro and the pound sterling against the US dollar.

Operating expenses for the region increased by \$1.3 million, or 1.8%, to \$73.2 million for the three months ended June 30, 2002 from \$71.9 million for the three months ended June 30, 2001. For the six months ended June 30, 2002, operating expenses decreased \$11.7 million, or 7.9%, to \$137.3 million from \$149.0 million for the same period in 2001. Reported US dollar operating expenses were increased by approximately \$3 million and \$1 million during the second quarter and first half of 2002, as compared to the same periods last year, due to the strengthening of the euro and the pound sterling against the US dollar. As discussed in the critical accounting policies section, in response to competitive pressures and the difficult underlying economic conditions, regional management decided to guarantee a portion of the incentive compensation pool for certain employees. The effect of excluding the incentive compensation pool relating to these employees from the incentive compensation accrual methodology and expensing the guaranteed minimum on a straight line basis over the final three quarters of 2002 has been to increase the Q2 incentive compensation expense by \$4 million over what would have been accrued if this had not been done. As a result of this, the incentive compensation expense for the second quarter of 2002 was

\$3.2 million higher when compared to the second quarter of 2001. Reflecting the reduction in revenues in the six months ended June 30, 2002 incentive compensation was decreased by \$4.8 million from the first half of 2001, which is anticipated to reverse over the balance of the year depending on performance. The strong focus placed on cost containment initiatives drove down expenses, including reductions in compensation due to reduced headcount. In addition, as a result of adopting SFAS 142 (discussed in Note 6 to Notes to Consolidated Financial Statements), amortization expense was reduced by \$0.3 million and \$0.7 million for the three and six months ended June 30, 2002, respectively.

Asia Pacific

Revenue for the Asia Pacific region increased by \$3.3 million, or 11.5%, to \$32.0 million for the three months ended June 30, 2002 compared to \$28.7 million for the three months ended June 30, 2001. For the six months ended June 30, 2002, revenues increased \$1.7 million, or 3.0%, to \$58.2 million compared to \$56.5 million for the six months ended June 30, 2001. Strong revenues in Australia and Hong Kong, and growth in northern Asia was offset by the continued slowness in the Singapore economy. Reported US dollar revenues for the three and six months ended June 30, 2002 were increased by \$1 million over last year due to movements in exchange rates between the US dollar and Australian dollar, our most significant currency in the Asia Pacific region.

Operating expenses for the region totaled \$30.7 million for the three months ended June 30, 2002, as compared to \$31.0 million for the three months ended June 30, 2001. For the six months ended June 30, 2002, operating expenses decreased \$1.6 million, or 2.6%, to \$59.9 million compared to \$61.5 million for the six months ended June 30, 2001. The reduction in operating expenses year over year is attributable to; 1) a lower level of compensation due to reduced headcount, 2) reduced incentive compensation of \$0.1 million and \$0.5 million for the three and six months ended June 30, 2002, respectively, reflecting anticipated continued revenue growth in the second half of 2002 (this reduction in incentive compensation may reverse over the balance of the year depending on performance), and 3) the adoption of SFAS 142 (discussed in Note 6 to Notes to Consolidated Financial Statements), which reduced amortization expense by \$0.5 million and \$1.0 million for the three and six months ended June 30, 2002, respectively. These declines in expenses were partially offset by increased depreciation expense on systems related capital expenditure put into place last year during the restructuring of this region, as well as additional expenses related to the growth opportunity areas of Japan, China and Korea. In addition, reported US dollar operating expenses for the three and six months ended June 30, 2002 were \$1 million higher than the prior year due to the strengthening of the Australian dollar against the US dollar.

Investment Management

Investment Management revenue totaled \$21.6 million for the three months ended June 30, 2002, a 9.6% increase from \$19.7 million for the three months ended June 30, 2001. For the six months ended June 30, 2002, revenues totaled \$40.7 million, a 7.9% decrease from \$44.2 million for the same period 2001. Advisory fees increased 15.8% and 1.3% during the second quarter and first half of 2002, respectively, as compared to the same periods last year. The reduction in equity earnings during the first half of 2002, as compared to 2001, is partially due to the first quarter of 2001 including a gain from the disposition of our remaining investment in LaSalle Hotel Properties. Included in equity earnings in the second quarter of 2002 is a gain of \$593,000 relating to the finalization of the dissolution of a joint venture established in 1998 to evaluate hotel investment opportunities in Asia.

Operating expenses totaled \$19.4 million for the three months ended June 30, 2002, as compared with \$20.2 million for the three months ended June 30, 2001. For the six months ended June 30, 2002, operating expenses decreased \$2.2 million, or 5.5%, to \$37.7 million from \$39.9 million for the six months ended June 30, 2001. Compensation expense increased slightly as staffing increased to support new fund activity. Incentive compensation in the second quarter of 2002 was flat with the second quarter of 2001, and was reduced by \$0.5 million in the first half of 2002, when compared to the same period in 2001, due to the reduction in revenues. This reduction in incentive compensation may reverse over the balance of the year depending on performance. There were also savings due to cost containment initiatives put into place in the middle of last year. The adoption of SFAS 142 (discussed in Note 6 to Notes to Consolidated Financial Statements) reduced amortization expense by \$0.4 and \$0.8 million for the three and six months ended June 30, 2002, respectively.

Performance Outlook

We continue to be cautious about the balance of the year as economic messages around the world are mixed and the timing of recoveries remains uncertain. However, taking into account our aggressive focus on costs, continued debt reduction and interest expense savings and efforts to improve our overall effective tax rate to 36%, we are not at this point changing our target range for the year. For the third quarter we expect earnings to be in the range of \$0.35 to \$0.45 and for the full year, \$1.65 to \$1.70 per fully diluted share. Given the continuing difficult economic conditions and uncertainty around economic recovery, we now believe that our full year earnings will be at the lower end of that range.

Consolidated Cash Flows

Cash Flows Used in Operating Activities

During the six months ended June 30, 2002 cash flows used in operating activities totaled \$19.4 million compared to \$66.0 million used in the six months ended June 30, 2001. The cash flows used in operating activities for the six months ended June 30, 2002 can be further divided into cash generated from operations of \$27.6 million (compared to \$31.2 million in 2001) and cash used in balance sheet movements (primarily working capital management) of \$47.0 million (compared to a use of \$97.3 million in 2001). The decline in cash provided by earnings is due to the year over year performance improvement being the result of reduced non-cash charges and provisions in the first half of 2002, as well as the implementation of SFAS 142 which has reduced amortization (a non-cash expense) by \$4.8 million. The decrease in cash used in working capital primarily represents higher incentive compensation accrued at December of 2000 and paid in the first three months of 2001 as compared to amounts accrued in December of 2001 and paid in the first quarter of 2002. The higher level of incentive compensation accrued at December 2000 is a result of the strong performance during 2000. Partially offsetting this reduction in cash used in working capital is lower incentive compensation accruals in the first quarter of 2002 as compared to the first quarter of 2001, which have reduced accrued liabilities in 2002, and resulted in a smaller source of cash. Also partially offsetting the reduction in cash used in working capital are payments of restructuring charges, which were accrued in the latter half of 2001. In addition, our continued focus on receivables has resulted in improved cash flow of \$13.1 million.

Cash Flows Used in Investing Activities

We used \$15.0 million in investing activities during the six months ended June 30, 2002, as compared to \$4.0 million used during the six months ended June 30, 2001. The primary driver of this change is the sale of our investment in LaSalle Hotel Properties in the first quarter of 2001, which generated \$18.5 million, of which \$1.6 million was a distribution of previously recorded equity earnings, and therefore, is shown in the operating activities section of the Statement of Cash Flows. Partially offsetting the increase in cash used in 2002 is a \$12.3 million reduction in capital expenditures, which have been intensely scrutinized in 2002. In 2001 there were significant capital expenditures to technology related improvements.

Cash Flows Provided by Financing Activities

Cash flows provided by financing activities decreased \$29.3 million to \$32.0 million during the six months ended June 30, 2002 from \$61.3 million during the six months ended June 30, 2001. The need for borrowings was reduced as there were lower incentive compensation payments and share repurchases.

Liquidity and Capital Resources

Historically, we have financed our operations, acquisitions and co-investment activities with internally generated funds, our common stock and borrowings under our credit facilities. As of June 30, 2002, we have a \$275.0 million revolving credit facility for working capital needs, investments and acquisitions. Under the terms of the revolving credit facility, we have the authorization to borrow up to an additional \$50.0 million under local overdraft facilities. We also have outstanding the 9% Senior Euro Notes (the "Euro Notes") of euro 165 million, which mature on June 15, 2007. Beginning June 15, 2004, the Euro Notes can be redeemed, at our option, at the following redemption prices: during the twelve-month period commencing June 15, 2004 at 104.50% of principal, during the twelve-month period commencing June 15, 2005 at 102.25% of principal and commencing June 15, 2006 and thereafter at 100.00% of principal.

As of June 30, 2002, there was \$88.7 million outstanding under the revolving credit facility, euro 165 million (\$163.6 million) of borrowings outstanding under the Euro Notes and short-term borrowings (including capital lease obligations) of \$15.8 million. The increase in the reported US Dollar book value of the Euro Notes of \$16.8 million in the first half of 2002 was solely as a result of the strengthening euro. No additional Euro Notes have been issued.

Certain of our subsidiaries guarantee the revolving credit facility and the Euro Notes (the "Facilities"). With respect to the revolving credit facility, we must maintain a certain level of consolidated net worth and a ratio of funded debt to EBITDA. We must also meet a minimum interest coverage ratio and minimum liquidity ratio. Additionally, we are restricted from, among other things, incurring certain levels of indebtedness to lenders outside of the Facilities and disposing of a significant portion of our assets. Lender approval is required for certain levels of co-investment. The revolving credit facility bears variable rates of interest based on market rates. We are authorized to use interest rate swaps to convert a portion of the floating rate indebtedness to a fixed rate, however, none were used during 2002 or 2001 and none were outstanding as of June 30, 2002. The effective interest rate on the Facilities was 7.29% for the six months ended June 30, 2002 (versus an effective rate of 8.1% during the same period of 2001).

We have additional access to liquidity via various interest-bearing overdraft facilities and short-term credit facilities of subsidiaries. Of the \$50.0 million authorized under the revolving credit facility for local overdraft borrowings, we have facilities totaling \$42.4 million, of which \$14.0 million was outstanding as of June 30, 2002.

We believe that the revolving credit facility, together with the Euro Notes, local borrowing facilities and cash flow generated from operations, will provide adequate liquidity and financial flexibility to meet our needs to fund working capital, capital expenditures and co-investment activity.

We expect to continue to pursue co-investment opportunities with our investment management clients in the Americas, Europe and Asia Pacific. Co-investment remains very important to the continued growth of Investment Management, which would likely be negatively impacted if a substantial decrease in co-investment activity were to occur. As of June 30, 2002, there were total investments of \$66.4 million in 21 separate property or fund co-investments, with additional capital commitments of \$133.1 million for future fundings of co-investments. With respect to certain co-investment indebtedness, we also had repayment guarantees outstanding at June 30, 2002 of \$4.9 million. The \$133.1 million of capital commitments includes a commitment of \$132.8 million to LaSalle Investment Limited Partnership ("LILP"). We expect that LILP will draw down on our commitment over the next three to five years as it enters into new commitments. LILP is a 47.85% owned English limited partnership that is intended to be our co-investment vehicle for substantially all new co-investments. Primarily institutional investors, including a significant shareholder in Jones Lang LaSalle, hold the remaining 52.15% interest in LILP. Our investment in LILP is accounted for under the equity method of accounting in the accompanying Consolidated Financial Statements. In addition, our Chairman and certain other Directors of Jones Lang LaSalle are investors in LILP on equivalent terms to other investors. At June 30, 2002, LILP has unfunded capital commitments of \$47.0 million for future fundings of co-investments. LILP has no external debt, nor any current intention to leverage its partners' capital.

Our net co-investment funding for 2002 is anticipated to be \$18.1 million (planned co-investment less return of capital from liquidated co-investments). For the six months ended June 30, 2002, we have funded a net \$12.1 million of co-investments.

Capital expenditures are anticipated to be \$30 million for 2002, primarily for ongoing improvements to computer hardware and information systems, office renewals and expansions. As noted earlier, we continue to place significant focus and control on capital expenditures. As a result of this focus, capital expenditures for the first six months of 2002 was \$7.9 million.

Seasonality

Historically, our revenue, operating income and net earnings in the first three calendar quarters are substantially lower than in the fourth quarter. Other than for the Investment Management segment, this seasonality is due to a calendar-year-end focus on the completion of real estate transactions, which is consistent with the real estate industry generally. The Investment Management segment earns performance fees on clients' returns on their real estate investments. Such performance fees are generally earned when the asset is sold, the timing of which we do not have complete discretion over. Non-variable operating expenses, which are treated as expenses when they are incurred during the year, are relatively constant on a quarterly basis.

Other Matters

New Accounting Standards

In June 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS 146"). SFAS 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS 146 requires that a liability for costs associated with an exit or disposal activity be recognized when the liability is incurred rather than when a company commits to such an activity and also establishes fair value as the objective for initial measurement of the liability. SFAS 146 is effective for exit or disposal activities that are initiated after December 31, 2002. We have not yet fully assessed the impact of SFAS 146 on our consolidated financial statements, but do not anticipate it to be material.

In November 2001, the FASB's Emerging Issues Task Force ("EITF") issued EITF No. 01-14, "Income Statement Characterization of Reimbursements Received for 'Out-of-Pocket' Expenses Incurred", effective for financial statements issued for fiscal years beginning after December 15, 2001. This EITF requires that reimbursements received for out-of-pocket expenses incurred should be characterized as revenue in the income statement, as opposed to being shown as a reduction of expenses. We are currently in the process of reconfiguring our reporting systems in order to comply with this EITF. We have preliminarily estimated the amounts of our out-of-pocket reimbursements, which are currently reported as a reduction of expenses, and determined that the adoption of this EITF will not have a material impact on our consolidated financial statements.

Euro Conversion Issues

On January 1, 1999, certain member countries of the European Union fixed conversion rates between their existing currencies ("legacy currencies") and one common currency - the euro. For a three-and-one-half-year transition period, non-cash transactions may be denominated in either the euro or in the legacy currency. After July 1, 2002 the euro will be the sole legal tender for these countries.

In January 2002, we converted our legacy currency general ledgers to the euro. There has been no adverse impact resulting from this conversion. We are continuing to evaluate the potential impact of euro related issues on information systems, currency exchange rate risk and other business activities, but we do not expect the impact of euro conversion to be material to us. However, there can be no assurance that external factors relating to the euro conversion will not have a material adverse impact on our operations.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market and Other Risk Factors

Market Risk

The principal market risks (i.e., the risk of loss arising from adverse changes in market rates and prices) to which we are exposed are:

- . Interest rates on the multi-currency credit facility
- . Foreign exchange risks.

In the normal course of business, we manage these risks through a variety of strategies, including the use of hedging transactions using various derivative financial instruments such as interest rate swap agreements and forward exchange contracts. We do not enter into derivative financial instruments for trading or speculative purposes.

Interest Rates

We centrally manage our debt, considering investment opportunities and risks, tax consequences and overall financing strategies. We are primarily exposed to interest rate risk on the \$275.0 million revolving multi-currency credit facility, due in September 2004, that is available for working capital, co-investments, capital expenditures and acquisitions. This facility bears a variable rate of interest based on market rates. The interest rate risk management objective is to limit the impact of interest rate changes on earnings and cash flows and to lower the overall borrowing costs. To achieve this objective, we have entered into derivative financial instruments such as interest rate swap agreements when appropriate and may do so in the future. We entered into no such agreements in 2002 or 2001, and none were outstanding as of June 30, 2002.

The effective interest rate on our debt for the six months ended June 30, 2002 was 7.29% as compared to a rate of 8.1% for the same period of 2001. The decrease in the effective interest rate is due to declining market interest rates.

Foreign Exchange

Revenues outside of the United States were 65.1% and 64.2% of our total revenues for the three and six months ended June 30, 2002, respectively. Operating in international markets means that we are exposed to movements in foreign exchange rates, primarily the British pound (24.7% and 23.1% of revenues for the three and six months ended June 30, 2002, respectively), the euro (16.7% and 18.3% of revenues for the three and six months ended June 30, 2002, respectively) and the Australian dollar (6.5% and 6.2% of revenues for the three and six months ended June 30, 2002, respectively). Changes in these foreign exchange rates would have the largest impact on translating the operating profit of our international operations into U.S. dollars.

The British pound expenses incurred as a result of both the worldwide operational headquarters and the Europe regional headquarters being located in London act as a partial operational hedge against our translation exposure to the British pound.

The interest on the euro 165 million of notes acts as a partial hedge against our translation exposure on our euro denominated earnings. We enter into forward foreign currency exchange contracts to manage currency risks. At June 30, 2002, we had forward exchange contracts in effect with a notional value of \$73.7 million and a market and carrying gain of \$6.1 million. The net impact on our earnings during the six months ended June 30, 2002 of the unrealized gain on foreign currency contracts, offset by the loss resulting from re-measurement of foreign currency transactions, was a loss of \$39,000.

Disclosure of Limitations

As the information presented above includes only those exposures that exist as of June 30, 2002, it does not consider those exposures or positions which could arise after that date. The information represented herein has limited predictive value. As a result, the ultimate realized gain or loss with respect to interest rate and foreign currency fluctuations will depend on the exposures that arise during the period, the hedging strategies at the time, and interest and foreign currency rates.

Part II. Other Information

Item 1. Legal Proceedings

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 matters are covered by insurance. We believe the ultimate resolution of such litigation will not have a material adverse effect on our financial position, results of operations or liquidity.

Item 4. Submission of Matters to a Vote of Security Holders

At the annual meeting of stockholders held on May 14, 2002, the following business was conducted:

A. Stockholders elected six directors as follows:

(i) The following one Class I Director was elected for a term expiring at the 2004 annual meeting of stockholders and until his successor is elected and qualified:

Peter C. Roberts:	22,361,474 votes for and 1,666,253 withheld
-------------------	--

(ii) The following five Class I Directors were elected for a term expiring at the 2005 annual meeting of stockholders and until their successors are elected and qualify:

Robin S. Broadhurst:	22,362,380 votes for and 1,665,347 withheld
----------------------	--

Christopher A. Peacock:	22,363,999 votes for and 1,663,728 withheld
-------------------------	--

Stuart L. Scott:	22,340,688 votes for and 1,687,039 withheld
------------------	--

Sheila A. Penrose:	22,581,436 votes for and 1,446,291 withheld
--------------------	--

Jackson P. Tai:	22,580,908 votes for and 1,446,819 withheld
-----------------	--

B. Stockholders ratified the appointment of KPMG LLP as the Company's independent auditors for the fiscal year ending December 31, 2002 as follows:

Votes for:	22,769,146
Votes against:	1,253,317
Votes abstained:	5,264

C. Stockholders rejected the stockholder proposal to declassify the Board of Directors of the Company as follows:

Votes for:	7,823,914
Votes against:	14,457,815
Votes abstained:	355,780
Broker non-votes:	1,390,218

Item 5. Other Matters

Cautionary Statement Regarding Forward-Looking Statements

Certain statements in this filing and elsewhere (such as in reports, other filings with the Securities and Exchange Commission, press releases, presentations and communications by Jones Lang LaSalle or its management and written and oral statements) may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. 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. Such factors are discussed in our Annual Report on Form 10-K for the year ended December 31, 2001 in Item 1. "Business," Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations," Item 7A. "Quantitative and Qualitative Disclosures About Market Risk," and elsewhere, in this Quarterly Report on Form 10-Q in Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations", Item 3 "Quantitative and Qualitative Disclosure about Market Risk" and elsewhere, and in other reports filed with the Securities and Exchange Commission. Jones Lang LaSalle expressly disclaims any obligation or undertaking to update or revise any forward-looking statements to reflect any changes in events or circumstances or in its expectations or results.

Item 6. Exhibits and Reports on Form 8-K

(a) A list of exhibits is set forth in the Exhibit Index which immediately precedes the exhibits and which is incorporated by reference herein.

(b) Reports on Form 8-K

On April 4, 2002, Jones Lang LaSalle filed a Report on Form 8-K (to which its Annual Review to Shareholders was attached as an exhibit) announcing that it had sent to stockholders material for its Annual Meeting to be held May 14, 2002.

On June 3, 2002, Jones Lang LaSalle filed a Report on Form 8-K incorporating an Investor Relations Presentation.

On June 27, 2002, Jones Lang LaSalle filed a Report on Form 8-K incorporating an Investor Relations Presentation.

Signatures

Pursuant to the requirements 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.

JONES LANG LASALLE INCORPORATED

Dated: August 13, 2002

BY: /S/ Lauralee E. Martin
Lauralee E. Martin
*Executive Vice President and
Chief Financial Officer
(Authorized Officer and Principal Financial Officer)*

Exhibit Index

<u>Exhibit Number</u>	<u>Description</u>
10.1	Jones Lang LaSalle Incorporated Amended and Restated Stock Award and Incentive Plan dated May 14, 2002.
99.1	Certification of Chief Executive Officer dated August 13, 2002.
99.2	Certification of Chief Financial Officer dated August 13, 2002.
99.3	Press release issued by Jones Lang LaSalle on July 31, 2002 attached hereto as Exhibit 99.3.